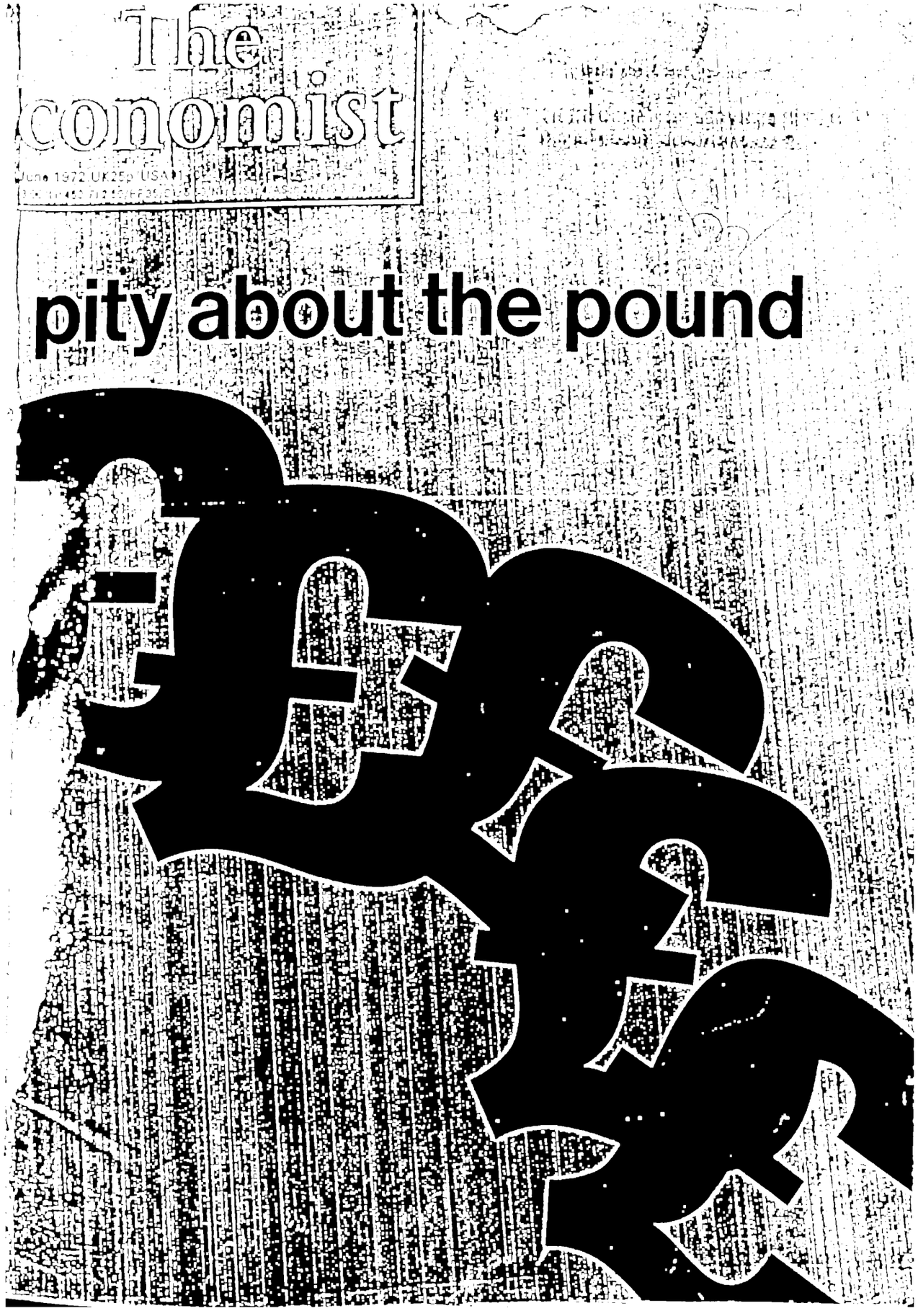

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June 24, 1972



Pity the pound

An early devaluation of sterling is still rather unlikely however sensible it seems. It is a mistake to support an overvalued parity by a 1 per cent rise in Bank rate, page 13. The continental Europeans, who are having difficulties in keeping their snake in its tunnel, may not be averse to a sterling devaluation soon, page 71. The stock market at 6 per cent, page 95.



Two years of Ted

Mr Heath may be disheartened at being farther away from changing the course of Britain's history than he was when he first got to No. 10, page 14.



The biggest dangers

Mechanical failure and human error are still bigger risks to air passengers than those hijackings, page 16. Security is really strict in eastern Europe, page 43.

It's a truce

The IRA Provisionals have called a truce. It is a real success for Mr Whitelaw's policy—but the talking is still not going to be easy, page 17.



Why not put it off?

The summit of the Ten planned for October is running into so many difficulties that it may be better to postpone it than risk a flop, page 15.

On to Miami

The Democratic nomination at Miami Beach is almost certainly Senator McGovern's after his triumph in New York. He must decide what to do with it, page 47.

Well oiled

British Petroleum has raised £360m, the biggest borrowing operation ever, to develop North Sea oil, page 95. France and Iraq have reached an agreement as expected, page 87.



Our annual special survey, after page 58.

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Letters

European parliament

SIR—The suggestion (June 10th) of a peripatetic European parliament holding meetings in various capitals is supported by the experience of the North Atlantic Alliance, which has successfully been following this pattern for a number of years.

Last October's meeting was in Ottawa and this year's meeting will be in Bonn.—Yours faithfully, STRATHCONA
House of Lords, SW1

SIR—I was most interested in your article advocating a peripatetic European parliament (June 10th). From the viewpoint of the constituent members, especially the new members, Norway, Denmark, the Irish Republic and the United Kingdom, there is much to commend this idea as it would promote understanding in the countries concerned and help to induce people to begin to think as Europeans.

Strasbourg is certainly not the most satisfactory place for basing the European parliament. Your suggestion of a peripatetic parliament is obviously only a transitional arrangement, until it can be clearly established whether one of the capitals of the Ten is more convenient than the others for a permanent residence for the EEC parliament. Undoubtedly, the political secretariat must soon have a permanent base and this can, I think, be in Paris or Brussels or elsewhere. If eventually it is decided that one of the capitals of the EEC members, be it Paris or London or Brussels, should be chosen then there is no doubt that more valuable contacts would be made by MPs in those places than in Strasbourg.

It is, of course, already the practice of the Council of Europe to hold meetings of its various committees mainly in Paris, but also in the other member countries' capitals too. For example, the political affairs committee of the Council of Europe already makes it part of its policy to meet in the member countries, and in the past year or so it has met in Paris, Vienna, Ankara, Reykjavik, and next week will meet in The Hague. For myself, I think that none of us should be too precipitate on where the final home of the European parliament should be located. Therefore, I hope your suggestion for a European parliament meeting in various capitals will receive further consideration.

There is just one snag. While I think special sessions could be held between the European parliament and the parliament of the nation in whose capital the meeting was held, obviously this could not be considered a European parliament with Mr Foot, as you suggest, asking questions of the members, that is unless Mr Foot were also one of the 36 British delegates. But this snag could be solved by holding a joint session between the European parliament and the House of Commons which could only do good. This would also apply to other countries in whose capitals the European parliament might meet.—Yours faithfully, JOHN RODGERS
House of Commons, SW1

SIR—At the risk of casting myself as a "gung-ho" European of "the most parochial sort," excluded by your definition from the "best and busiest" of MPs, I would like to comment on one or two aspects of your excellent proposal for the sittings of the European parliament (June 10th). I am a member of the British delegation to the Council of Europe and WEU, which has played a key role in maintaining the British parliamentary pressure in Europe during a difficult time.

I do not believe that Strasbourg justifies the arrogance or remoteness which you attribute to it. The hospitality of that city to the European idea and cause, ever since Ernest Bevin is supposed to have chosen it as the site of the Council of Europe because of its "French cuisine and German helpings," has been real and lasting and the new £8m parliamentary building being built there will provide a worthy setting for any European legislature. What is urgently needed is a better airport and more regular services from the other European capitals. There is a great deal to be said for the location of the European parliament's permanent home in a city which does afford legislators some escape from the perpetual distractions of pressure groups, delegations, propaganda and publicity. I have heard far more considered, responsible and intelligent speeches in the Council of Europe than I have ever heard at Westminster.

That said, the committees of both WEU and the Council of Europe have set an example by meeting regularly in different countries as well as in Strasbourg. Meetings of the assembly or committees of the European parliament may arouse more interest than do the council and WEU, particularly as that parliament acquires power and responsibility, but in Britain, particularly, we should have to equip the House of Commons or a committee room with proper multilingual translation facilities.

More important is the general level of public and constituency support which is required if service in any European parliamentary capacity is not to require a degree of political self-sacrifice which most members are naturally reluctant to make. Service in Europe already increases, and that for the European parliament will further increase, the demands made on a member's time and energies. It conflicts inexorably and fundamentally with the "welfare-officer" concept of the MP. The pretence that any man can find the time to brief himself properly on the strategic problems facing a continent of 250m people and simultaneously act as a local housing appeals officer is one which will have to be abandoned.—Yours faithfully,
House of Commons, SW1 IAN LLOYD

SIR—A parliament of Europe touring the capital cities of the member states is a commendable idea (June 10th). The Times gives your idea its support, and presumably European integrationists in general will applaud the notion of the annual "parliamentary visitations." But, like the aeroplane, it will be a heavier-than-air machine that will take considerable velocity and propulsion to get it off the ground. The French lack of faith and interest in European parliamentary structures will make the idea even harder to get off the ground and no doubt they would prefer to keep the Euro-parliament in Strasbourg, well away from centres of political power. In Strasbourg it can play by itself, seen but not heard by the powerful politicians, who can stay at home to deal with issues on which they can bring their influence to bear, with concrete results.

Perhaps M. Pompidou, and even Mr Heath, might have no objection to a peripatetic assembly, were it to tour cities of remoteness akin to that of Strasbourg? Say Inverness, or Cork, or even the Isle of Man! A European parliament meeting in places like the Isle of Man would be reasonably remote from Brussels or Paris, both geographically and politically, and, indeed, an occasional "Euro-Tynwald" held on our open-air Parliament Field at St John's would add a bit of pomp and colourful ceremony to the whole touring theatre and would add a Gilbert-and-Sullivan touch that might suit both sides of the European integrationist fence for their own very different reasons!—Yours faithfully, D. K. KYME
Douglas, Isle of Man

McGovern on his way

SIR—As usual, *The Economist's* reporting and commentary on the United States is highly perceptive. But surely it is not necessary to denigrate Adlai Stevenson as "disappointing" and lacking in toughness, confidence and pragmatism in order to praise Senator McGovern (June 10th). All of us who were Governor Stevenson's passionate supporters in 1952 and 1956 were disappointed in Eisenhower's election. But we hardly considered the governor as "disappointing;" the loss was to a national hero who was able to exploit, in 1952, an unpopular war, charges of corrupt administration and (disgracefully) McCarthyism, and, in 1956, his incumbency, Governor Stevenson's forthright position on nuclear testing and the Suez crisis. Nor was Stevenson's record as governor of Illinois lacking in toughness, confidence and pragmatism. His main error lay in accepting President Truman's urging to run for the presidency, rather than seek re-election as governor. On the other hand, Truman's role in Stevenson's nomination is one of the many things for which Harry Truman deserves to be

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remembered with gratitude.—Yours faithfully, DICK NETZER
London, NW1

Can we learn from Chile?

SIR—Your new Chilean doctrine (June 17th) that democracy is possible only with "economic pluralism" has implications that you may not intend. Your reference to the "economic base" of right-wing parties and of the independent press is interestingly marxist in its integration of economic and political power. But it would be quite wrong to suggest that any political change, even if validated through the ballot box, must stop short of undermining the existing structure of economic power. This recalls the old taunts of communists to social democrats, and is very dangerous doctrine for the democratic process. Perhaps you intend to limit your doctrine to the need to prevent excess influence being exerted by any one faction on the press and other media. But this incontestable need is not easily reconciled with your hankering for "economic pluralism," the essence of which is to permit those who currently have economic power to exercise that power in pluralistic ways, among which the ownership and influencing of communications media have traditionally been rather prominent.—Yours faithfully, FRED HIRSCH
Oxford

Computers for commies

SIR—It is with considerable interest that I read the somewhat provocative item "Computers for commies" in your exquisite weekly (May 27th). As author of the just-published "Soviet Block Computer Industry and Market Study" for a group of subscribing Japanese, French and American data processing manufacturers (the British, I am sad to say, chose not to participate), and having spent a year researching the subject, I feel qualified to attempt to clarify a few points in your article.

It is too sweeping a statement to say the United States forbids its computer companies to trade with Russia. Many items are free to move and there is no general prohibition of trading with Russia just because you happen to be a computer maker. The announced objective is to keep at least a 10-year technology gap between the west and the Soviets, and it is in everybody's interest.

The 30 American manufacturers exhibiting in Moscow at "Computers 72" during Mr Nixon's visit can hardly be labelled "a politically discreet" exhibit exemplifying a "sudden change in policy." As a matter of fact, the exhibit was announced more than a year ago by INTEM, which stages many such events in the Soviet Union for the United States as well as many other European countries.

Even so all American firms are far behind your own ICL, accredited with the Soviet ministry of foreign trade, with real offices in Moscow, 14 Russian employees and a private telex to London.

There are more like 6,000 computers in the Soviet Union, not, as you suggest, only 4,000, and we estimate that almost 95 per cent are Soviet-built. Only a negligible number, about 100, are western machines, valued at about $67m, and more than half of this amount represents ICL equipment.

The largest systems in Russia are two ICL 1906As, six ICL System 4-50s, three ICL System 4-62s and two ICL System 4-70s installed at highly strategic places such as Gosplan, ministry of radio industry, a key defence complex ministry, ministry of foreign trade and nuclear research institutes, "commie" threat notwithstanding.

So far there is no comparable American, German or Japanese equipment anywhere in the Soviet block to match ICL's installations, even though some of these deals required a Nixon-Heath tête-à-tête. IBM, invited by the Soviets, refused to consider a joint venture for production of computer components in the Soviet Union.

The Soviets are truly behind, trapped by a series of planned economy automation targets requiring thousands of computers with no one knowing where these will come from. They have probably been forced to "go IBM compatible" in their computer industry because software and support for IBM equipment can be found and copied from 70 per cent of computer installations around the world. You can't blame them, for after all the Soviet Minsk series, most popular of Russian computers, is reportedly modelled after the British Elliott 803, so in a way you had your "chance" once too.—Yours faithfully,
BOHDAN O. SZUPROWICZ
President,
21st Century Research
North Bergen, New Jersey

Iranian trials

SIR—Your article "Secretly to death" (June 3rd) does not measure up to your standard of insight and precise reporting. Your correspondent's biased reporting seems to me to stem mainly from his irritation that he is not allowed to attend the political trials carried out in a closed military court in Teheran. The fact of the matter is that we do have a minute share of disturbed youths who, like their other counterparts throughout the world, are somehow or other burdened with a sense of failure and find life in this mechanised and economically-regimented world boring and unromantic. For a youth who is beset by his own insignificance and possesses a bizarre mind, it is a powerful antidote to condition himself to become a political assassin in search of a target or an urban guerrilla in search of a cause.

A cause could always be found. For an Iranian youth in search, the dead old Dr Mossadeq and his fossilised National Front could be as good a cause as any. Publicity, in whatever manner or colour, cheers those who are thus inclined, while lack of it is a deterrent. If Japan's press, along with the world's, had contained themselves and refused to report so profusely about the hijacking of a Japanese airliner to Korea by a terrorist group called the Red Army two years ago, the world would perhaps not have witnessed the absurd massacre in Tel Aviv airport.

A successive number of these youths, including a football star and several students, technicians and engineers, whose rehabilitation takes a shorter time because of their ability, are released. They often appear on television and talk about themselves and their experiences in order to save other youths from a similar temporary collapse of reason. But for those who have killed or dismembered innocent people with their bombs the prospects are grim, the military court is grim, and their luck is down and out, and your correspondent should forgive us if we couldn't care less for the "opinion abroad." If he, along with his other colleagues in Teheran, is barred from attending the closed trial it is not because we want to put those youths "secretly to death" but it is because a youth who has killed in order to be in the limelight should be denied the limelight.—Yours faithfully, Y. DEHNAVARD
Teheran

Hospital insurance

SIR—I was glad to see that you suggest (June 10th) that the Inland Revenue should review the tax concessions on insurance schemes which give cash payments for time spent in hospital. As has been pointed out in the medical journals, this kind of insurance puts the clinician into an undesirable position when making decisions about whether to admit or discharge individual patients.

It would indeed be a pity if, for lack of experience, we copied a pattern of insurance that is in the best interests of neither clinical medicine nor the economic delivery of health care.—Yours faithfully,
London, SE1 PETER DRAPER

Dentists

SIR—It is very misleading to state that a dentist's target income of £4,653 is net (June 17th). In fact this is totally untrue.

Premises may have to be bought and, although this saves high rents and value may appreciate, the initial capital usually has to be found from that portion of income which is left after tax has been paid. Capital also has to be found to fit out a surgery. An average surgery could very easily cost £3,000 at today's prices.

You, sir, would regard it as grotesque if you were asked to pay part of your personal income as a contribution towards the cost of the printing presses used for publishing *The Economist*. That, however, is exactly the arrangement under which dental practitioners run the NHS dental service.—Yours faithfully, HUGH CAPSTICK
Salisbury, Wiltshire

more letters on page 8

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John Mann, Chairman, Food Drink & Tobacco Industry Training Board, Leon House, High Street, Croydon CR9 3NT.

For further management appointments see page 5

The monarchy

SIR—I think your suggestion that the reaction to King Edward VIII's marital situation was peculiar to the 1930s was not accurate (June 3rd). I would suggest that the English crown has always involved inconvenient requirements. It would have been inconceivable for King George IV to get his crown and keep Mrs Fitzherbert too; the Glorious Revolution can be said to derive in part from the outcome of James II's marriage to Mary of Modena. Since both these kings lived in very worldly times, one can say that not much has changed in this century. In short, Englishmen always expect their kings to be very old-fashioned when it comes to breeding. Provincialism is nothing new.—Yours faithfully,

JOSEPH LOSOS
St Louis, Missouri

Unctad

SIR—I doubt if any economist from either the affluent society or the LDCs had any false hopes in regard to the results of Unctad III (May 27th). The absence of the fever from Algiers and the unifying influence of Prebisch apart, few LDCs place much confidence in the outcome of such forums. The developing world has come to realise the futility in seeking pious paper platitudes over the past two decades. The United Nations, whilst it may continue to serve as a forum for their voice, is a weak substitute for their hopes born in the 1950s.

At Geneva, as at New Delhi, the developed countries riding on the crest of business activity were wary of the almost united and businesslike approach presented by the so-called "Group of 77." Uncertainty on the international economic and political scene and the isolationist attitude, particularly in North America, combined with disunity in the developing world, ensured nonchalance both from advanced countries and the pacifists among the LDCs at Santiago. Clearly there is need to distinguish between the problems and needs of the poor and the miserably poor, or should I say between the underdeveloped and the takeable-off economies, but thanks to the efforts of some advanced countries, this dichotomy has been exploited fairly well! It is to be hoped that the developable economies will feed the advanced countries with some of their own medicine at Stockholm, much as we may condemn such techniques.

You state, "... we still do not know how to use aid funds to relieve grinding poverty with even a fraction of the efficiency they could have." True, the aid lobby has become the home of the unscientific, but is it right to suggest that the blame is in large measure due to the LDCs—the ground to be prepared to receive the seed? I also wonder what efficiency you have in mind when you refer to the fraction. The Pearson commission thought there was no excessive waste, mismanagement or corruption. Aid auditors opined that waste was reduced to levels that were no greater than in other public programmes (perhaps in developed countries). In fact one may say with more confidence that the rationale for aid has been thoroughly dishonest on the part of some major donors. That a large measure of blame for inefficiency lies in some of the donor countries is well established. The SDR-aid link you advocate, and which would be so welcome, would sever the chains of political control. Unfortunately, we have come to realise that such a link would be acceptable to neither the politicians nor the corporate organisations. Your optimism of hope from the final acts of general dishonesty on the SDR-aid link is, indeed, odd.

The term "aid" has been much exploited by politicians and governments, not to mention some corporations. Surely, it is time we began to define it in terms of what it really involves. Just as you make a distinction between silly and sensible commodity agreements (which some developing countries clamour for) we should define aid in terms of meaningful development programmes and those meant to salve people's conscience and the facade of politicians' internationalism. We should distinguish between aid and monetary flows data for propaganda purposes. The term has been sufficiently abused to exact the kind of general disenchantment of the taxpayers in the advanced world and the distrust with which the receiving countries scrutinise such aid.

International Keynesianism is a goal which we can confidently leave to future generations when the long-run inequalities between men and nations will take their toll, whatever that may be. For the present the LDCs would be better advised to fend for themselves and make those sacrifices which are in their own long-run interests. A process of up-by-the-bootstrings development is hard and long-drawn-out, yet it has advantages as compared to what has been the experience of so-called co-operation and partnership in development. There is no substitute for self-help.—Yours faithfully,

J. A. ROSARIO
Edmonton, Canada

SIR—May I congratulate you on your issue of May 27th dealing succinctly with Unctad III in Santiago and the Stockholm meeting on pollution, both meetings relatively distant from London but of global importance.

In Peru, a fairly typical undeveloped country, but one really trying to find a medium- to long-term solution, we face the undeniable fact that technological advances and advantages in developed countries, unless shared world-wide, must lead in not many years to technological starvation and human suffocation for the less developed nations. Peru, for example, after 300 years of imperial colonialism and 150 years of industrial colonialism, is now faced with a future of technological colonialism, despite its desire for national identity and independence.

On population growth may I say this? Dr Verhulst in 1838 expressed the theory that the resistance to (or rejection of?) the environment is proportionate to the square of the increase in the population, which implies an eventual levelling of the population at a fluctuating total. The latter has been predicted by the Ekistics Institute of Athens at a mean of 35 billion by the year 2060, without direct regard for the Verhulst theory. Perhaps the levelling of the figures of population for England enhances this prediction.

Miss Barbara Ward, the author of your articles on pollution, is, of course, a most active member of the Ekistics Institute and I was most interested to note her choice of the year 1984 for a rise in the threat of "revolt and anarchy." Here we predict for Lima an "unrestricted" rise (mathematical calculation) in the population to 12m in that year against 3m now, a saturation point partly based on water and partly on the Verhulst theory.

With a national average now of 28.5 per cent unemployed, there seem to be only three answers. 1. Miss Barbara Ward's prediction. 2. A painful and poverty-stricken proof of the Verhulst proposition. 3. More intelligent and international provision and application of aid in all its forms.—Yours faithfully,

JOHN A. D. LAWSON
Mayor
Chaclacayo, Peru

Railways

SIR—It has been drawn to my attention that in my letter which you were kind enough to print (June 3rd) the phrasing is such as to suggest that the exclusive bus lane on the 1935-built section of motorway is now 8ft wide. In fact the 32ft carriageway has been arranged to give three lanes of 10ft 8in each.—Yours faithfully,

LIONEL ALBERT
Northwood, Middlesex

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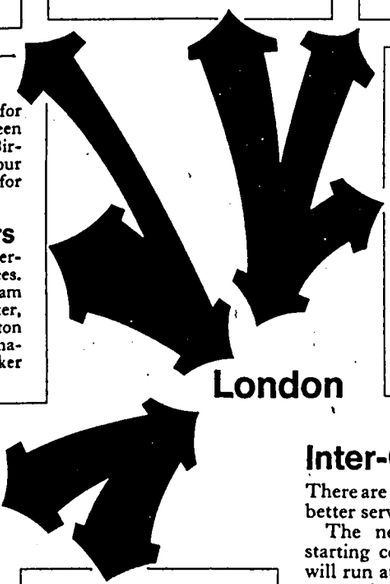
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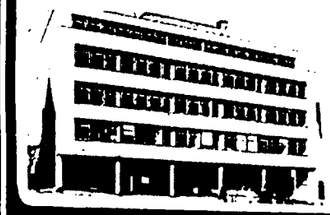
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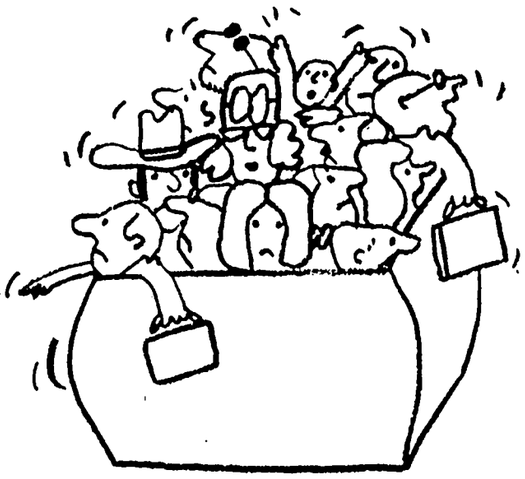
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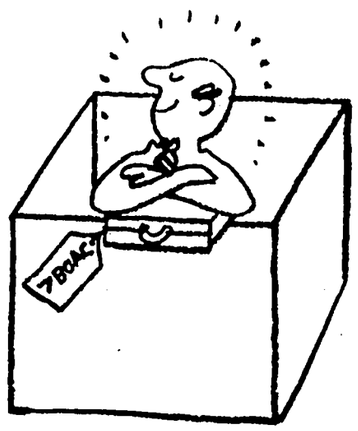
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The Economist

June 24, 1972

£ A pity about the pound

This is not another crisis for sterling, but there are the signs of another missed opportunity for sterling. Britain's productive capacity is at present underutilised, and it is obvious that the best economic policy for 1972-73 would be one of export-led expansion. This would direct the re-employment of our resources into the industries where we would be most competitive during our first few years in the European Economic Community.

Unfortunately, after the recent bout of wage inflation, too few of our export prices are competitive at the present sterling exchange rate. Any expansion will therefore not be export-led, but import-inducing; this will cause a tiresome deterioration in the balance of payments in 1973. This deterioration will have nothing to do with Britain's entry into the EEC, but those who want to believe so will assume that it does.

There are two reasons why it is a mistake to dither in matters of exchange rate policy. First, any devaluation of sterling probably takes more than a year before its maximum effects in encouraging exports show up in the monthly trade returns. Secondly, an expected but delayed devaluation has a very bad interim effect on both imports and exports, because of the familiar "leads and lags." There is therefore a strong and logical argument for re-devaluing sterling at once. If the Government feels that it is politically necessary to keep inside a "snake" created by the European monetary agreement—and perhaps it is politically necessary, although the agreement is rather a silly one (see page 71)—its best course would be to lower sterling's central point in that snake back down to $2.40 again from this weekend.

Unhappily, the present conventional wisdom is that a currency should not accept devaluation until everybody can see that it is being forced into it. This is better than the conventional absurdity of 1963-67, under which it was supposed to be a matter of national honour to go on borrowing other people's money (and go on creating unemployment) in order to show how gutsy you were in refusing to accept a devaluation which everybody could see was being forced upon you. The present convention apparently merely inhibits Mr Heath (although not Mr Nixon) from resorting to a deliberate devaluation when it would be a desirable and timely act of national policy, while the old convention forbad devaluation even when Mr Callaghan's acceptance of that ban was a disaster.

This is the essence of today's nuisance. The speculation on the markets does not look like being strong enough to force an early devaluation of the pound against even a half-hearted manning of the defences. In the years up to 1967 it was obvious that sterling would eventually fall from $2.80 to at least $2.40. Now nobody is supposing that the rate will drop from this week's $2.58½ to below a central rate of $2.40; indeed, if sterling were given a new central rate of $2.40, it would float up to near the top of what would then become the permitted range above it. When a small fall of this kind is the most that is feared, speculation against the pound can be countered by rather small (but undesirable) changes in interest rates. This is what Thursday's 1 per cent rise in Bank rate was.

Was Denis a menace?

Mr Denis Healey told the Commons on Monday: "I do not see devaluation being delayed beyond this July or August." Since he became shadow Chancellor of the Exchequer, it has been clear that there are rather a lot of things in economic affairs that Mr Healey does not see. The two main effects of his statement were:

(1) To trigger a brief bout of speculation that brought the pound down again to the level where the German and other central banks were supporting it under the European monetary agreement, with D-marks and other currencies that the Bank of England will have to repay.

(2) To make the British Government—including especially a Mr Heath who now bears towards Mr Healey a fury which the City will unfortunately mirror—more determined than ever to try to avoid for a while a devaluation that is in fact avoidable for a while, although it is already marginally desirable.

Both of these effects are a pity.



Not many happy returns

Mr Heath has fallen back at the end of his first two years. But he is still the best bet in the horse race

This week Mr Heath began his third year as Prime Minister. Such anniversaries are rarely very meaningful politically, and this one is no great exception. Indeed, a far more significant date has been conveniently overlooked. Three years ago last Sunday, Mr Wilson and his government abjectly surrendered to the trade unions on industrial reform, and it is at least arguable that the country's present industrial and economic difficulties are due as much to what happened on that lamentable day as any act or omission of Mr Heath's since. That is not to offer a blanket excuse to Mr Heath and his Government for their failings, but neither is it something which should be overlooked by those who have been handing Mr Heath more kicks than ha'pence on his anniversary.

Yet the fact remains that many of Mr Heath's supporters have been more inclined to send get-well-soon cards than congratulations this week. If Mr Heath thinks that judgment is unfair he has only himself to blame. He set higher criteria by which he wished to be judged than any of his immediate predecessors, for he deliberately set out, in his own words in 1970, to "change the course of history of this nation—nothing less." He cannot, and probably would not, therefore, complain that whenever his achievements are considered they must be viewed in relation to so formidable a target. Mr Heath himself would not regard that target as being attained simply by his success in Europe, however much it can be said that it is doubtful if that mission could be accomplished in present circumstances by any other Tory politician.

When he came to office Mr Heath seemed to know the way: the essence of the British economic sickness was the country's illusion that it was up to the Government—and not the people themselves—to solve Britain's economic problems. His refusal to intervene directly, to halt wage inflation by bringing in an incomes policy, was justified as a means towards shattering that illusion, as were all the other social measures which had the left and the soft-centre bleating about Mr Heath destroying the consensus politics of a generation. Many of those measures were not popular; they could not be. But just at the moment when there seemed a real possibility that the measures might be beginning to be understood, although not immediately approved, the Government lost its nerve on unemployment. With its subvention to Upper Clyde Shipbuilders and its total reversal on aid to the regions it turned, at a stroke, from trying to force the country to face up to economic realities to boasting that it was offering it a bigger and softer option than ever.

There can be no doubt that is what the country wanted to hear, but it is not quite what many people hoped the Heath Government would be all about. And even the political advantages of that reversal may be rather dubious, for it has made the ending of free milk and school meals and the raising of council rents look less parts of a tough but coherent policy and rather more like class vindictiveness. Mr Heath and his colleagues can justifiably point to a whole range of new social benefits which objectively answer many of these accusations. But that does not alter the fact that there is more uncertainty now about the Government's basic objectives and the means it intends to use to achieve them than when it first came to power.

And there is, perhaps, even more uncertainty about Mr Heath himself. In two years he has proved that he is not the obstinate, inflexible man who was incapable of changing his mind that he was made out to be in the first months of his premiership. That has not been altogether a bad thing: some of his radical reversals —Ulster is a particular example—have been courageous. There must, indeed, still be hope that he will yet change his mind on the need for an incomes policy; from being something which the country had to work out for itself the case against such a policy is now that it "did not work under Labour." Mr Heath has also reversed his rigid views on exchange rates—a welcome advance. But the fact remains that when governments start shedding their convictions they rapidly become less convincing, and it is only Mr Heath's own personality which has so far headed-off very damaging talk of a credibility gap.

Enter the pragmatist

It is difficult to see how Mr Heath can make a dramatic advance between now and the next general election towards getting fundamental changes in British attitudes or the nature of our society. The evidence is that, to the relief of many of his colleagues—and almost all the top civil servants—he has settled for the lesser objective of being the most pragmatic Tory prime minister of all time. If that is true it would not necessarily be a calamity but it would be disappointing. It would also be depressing because it would be taken as further evidence that if the country is not yet ungovernable it is at least basically unreformable.

There is already enough support for that view. Change has always been a minority cause. The trite old saying that politics is the art of the possible is more than ever being interpreted as being the art of the acceptable, and for far too many the acceptable is that which causes the least upheaval. Those few politicians who do attempt radical policies very soon discover, and lament, how very limited are a minister's—or a government's—powers to shape events. There is a good deal of truth in that, but the real scapegoats are not those who are most often blamed. Of course the institutions of power—the political parties, the civil service, the City, the employers, the unions and so on—are basically conservative. But the biggest obstacle to change in this country is the one which the politicians can least acknowledge: it is the inertia of the British public.

Mr Heath's promise that he would be the external force which would change that state was one of his qualifications for office. He is still the most likely man to succeed, if anyone can. But it is difficult to argue that he has not wavered in the past few months, and it would not be surprising if he himself has become disheartened. For what has been apparent in all the recent industrial disputes is that the British people have not simply failed to respond to the exhortations of Mr Heath and his colleagues but they have been indifferent to their own best economic interests. For all the smokescreen now being laid by the employers and the unions with their talk of voluntary, independent arbitration, if the inflationary slide is not stopped it must come to a statutory incomes policy in the end. That means another, distasteful reversal of policy for him. But he has shown he realises that there are times when that is what politics is about.



Better it had never been born?

Even apart from President Pompidou's "doubts," there are several good reasons for putting off Europe's October summit

It may yet be that someone, somehow, can salvage the European summit. This is supposed to be held in Paris in the third week of October to celebrate and prepare for the entry of Britain, Ireland, Denmark and Norway into the common market in January. But it has to be said that the odds against a summit happening in October have widened every day during the past few weeks—and this despite the fact that Mr Heath, for one, wants it to take place. Herr Willy Brandt, for another, sees the summit, like the Munich Olympics, as a nice curtain-raiser for a likely German election campaign—a way of proving his west European credentials when the charge against him in that election will be that he has prejudiced Europe's unity in the west during his three years in office by facing Germany so steadfastly to the east.

This issue, to hold the new Europe's summit in October or to put it off, may now have to be settled before or during Herr Brandt's next regular meeting with President Pompidou, which is due to take place in Bonn in 10 days' time. It was M. Pompidou who first called the summit, in the aftermath of the monetary row with America last year. And it is M. Pompidou who has now cast doubt on the whole affair. The French president has his reasons for what he has done. The unconvincing result of his referendum on British entry in April has hurt him politically and M. Pompidou does not relish another defeat, in the form of a failed October summit in Paris, during the run-up to a French national assembly election which he must call late this year or early next. M. Pompidou is not alone in his pessimism. It is shared by the Dutch. They, like the French, are conscious of how strongly they will be at odds with France come October over Europe's institutions; they believe, as Holland's foreign minister said in Paris on Tuesday, that the whole matter might best be postponed until next spring.

Why might the summit turn out to be a flop? The clouds over sterling, first, are clouds over Europe's infant attempt at achieving monetary union. They may be heavier by October. Next, the summit is timed to take place a fortnight before the American presidential election. The Europeans will be hard put to it to define their best approach on either money or defence to an America whose president might soon afterwards possibly be called McGovern. That Germany too will probably be holding elections soon after October might seem to matter less. Herr Barzel, or whoever leads Germany's Christian Democrats into the next election, will not be any less in favour of strengthening Europe than Herr Brandt is. But ahead of their respective national elections the fact will remain that neither Herr Brandt nor President Pompidou will feel able to give Europe the kind of political shove that the two of them successfully competed with each other to give at the Hague summit of the Six in 1969.

The new boy isn't ready

Britain too is not really prepared for a summit. Mr Heath knows very clearly, more clearly possibly than any of his European opposite numbers, what he would like from a uniting Europe. But in the present atmosphere of European doubt, and with the enabling bill in parliament still not out of the wood, Britain is, under Mr Heath's own instructions, playing to the hilt its role as Europe's new boy. Britain is consciously leaving other Europeans to make the running. The same, only more so, goes for the Scandinavians. Denmark and Norway will both be barely rid of their entry referendums by the time the summit in Paris is due. Until Mr Heath travelled to Copenhagen two weeks ago the Danes and Norwegians had done little thinking of any sort about what they might expect from a summit; and although Mr Heath has managed to stiffen Mr Krag's backbone, this resolve will not survive the period of bickering—notably over where to put the so-called "political secretariat"—which the run-up to the summit is increasingly turning into.

Such a slate of reasons against holding the summit in October has to be set against two reasons which may be found in favour of going through with it after all. The first is that calling off the summit without an adequate pretext, and in the face of French bullying reminiscent of 1965, would itself do damage to Europe—as much

damage in some people's judgment, though not *The Economist's*, as going through with it and discovering that it was a flop. The other is that it is the habit of the European community to make progress through crisis. Only by thoroughly muddling everything up in advance has the common market ever been able to manufacture a decent midnight compromise. A funny way to run a continent. But that, if M. Pompidou and Herr Brandt do decide to go ahead with Europe's October jamboree, is the only way anything much will have a chance of coming out of it. The doubt is whether it could be enough to justify even trying.



The real dangers in flying

Hijacking is an unnecessary and growing menace to air travel—but the greatest dangers are still mechanical and human

The Federal Bureau of Investigation picked up a shoe-shop owner from Beacon, near New York, on Wednesday and accused him not only of hoaxing the Cunard company with threats to blow up the *QE2* in mid-Atlantic, but also of attempting to get $350,000 from American Airlines in a similar way. Airlines that have meekly paid over enormous sums under similar bomb threats have been berated by that section of public —and airline—opinion that thought they ought to have taken a tougher line and hang the risk to passengers. But if the FBI really has the culprit it means that, apart from a black American and his girl who appear to be still enjoying life in Algeria on a $500,000 ransom from Western Airlines, only one man is actually known to have extorted money from an airline and got away with it. He, unfortunately, was the first hijacker to try this technique and the FBI must bitterly regret that he became a minor folk-hero. But his imitators have been singularly unsuccessful.

Probably a score of aircraft have been sabotaged in flight. The Palestinians have been accused of starting the practice (although they have always denied responsibility for the bombs that blew up one jet in mid-air and almost succeeded in blowing up another). There have often been political motives : the bomb that blew up a British European Airways Comet over the Mediterranean in 1967 was almost certainly intended for General Grivas. But some bombs have been put on aircraft for sheer spite. Others have been murders planned to collect insurance money. But hijacking remains more of a nuisance than a serious, regular threat to the life and safety of passengers, and one that is better dealt with by the police on the ground than by the airlines themselves. The FBI's success in dealing with the wave of extortion demands in the past 12 months confirms that. Whether, therefore, the pilots of most of Europe's airlines correctly judged public opinion when they came out on strike on Monday in protest against hijacking is open to question. The most that can be said is that it may help to secure next time a total boycott of airports in countries like Algeria and the Lebanon which give hijackers easy refuge.

The pilots do have leverage. They have, before now, done much to initiate negotiations for the release of hijacked aircraft and their crews. The irony on Monday was that the strike shut, among other places, Israel's Lod airport, but the Arab airports remained open for business. Nevertheless, the strike did coincide with the most positive steps taken so far by the United Nations to get countries to agree at least to prosecute hijackers, or risk expulsion from the International Civil Aviation Organisation. Expulsion from Icao would not greatly upset those Arab countries that prefer to treat hijackers as heroes ; there are companies which would, for a fee, provide most of the technical services that the Arabs now get through membership of Icao. The amount of air traffic that goes through all but Beirut airport is so small that even a total boycott might not be much more than a minor irritant—which the Russians would be the first to help to soothe.

The pilots' strike began only a few hours after a British European Airways Trident had crashed on take-off, almost within sight of Heathrow, and while the public was still getting over two bad crashes in south-east Asia. The BEA casualty list of 118 made it the worst air accident in British history. The Government has now said that the public inquiry into the causes is unlikely to be held until the autumn. But Mr Michael Heseltine, the aerospace minister, had already declared that preliminary examination of the aircraft's flight recorder showed that the flaps on the leading edge of the wing were in the wrong position for that stage of the flight and for the speed at which the aircraft was flying.

The questions to be answered

It will take the rest of the summer to discover whether the fault lay primarily in the aircraft or with the crew. Trident flying is largely a matter of instruments, and the crew takes over only when it is uneasy about what is happening. But just because it relies so largely on automation, the key controls on the Trident are triplicated and each of the three systems has its own independent source of power. The autopilot was, anyway, suddenly disconnected as the crew seems to have realised that something was wrong.

So far nothing conclusive has emerged about the state of the Trident's engines at the moment it crashed. Eye-witness reports are notorious for inaccuracy, but a common thread, repeated by many of the motorists who were on or near the Staines by-pass as the aircraft came down, was how relatively little noise it was making.

When an aircraft stalls, as the Trident did, it does so because its speed is too low, and the instinctive reaction of pilots in such circumstances is to reach for the engine throttles and all but push them through the floor in an attempt to get more power. It happens to be a characteristic of jets, like the Trident, that have rear engines and high T-shaped tails (as the VC-10, Boeing 727 and a host of other rear-engined aircraft do) that if their nose does go up at a certain angle, the controls placed high on the top of the T cannot get sufficient bite on the aircraft to level it out again, no matter how the engines labour.

The Trident has the same Spey engines as the BAC 111, and it is not long since a One Eleven owned by a German charter airline crashed on an autobahn just after take-off with a sudden loss of engine power. The fault lay with the fuel, but some people consider the Spey a less forgiving engine than most jets. Until there is an official explanation for the reason why the Trident's Spey engines were apparently not on full power at the moment of Sunday's crash, it will remain a complicated accident.



The Provos call a truce

If the IRA Provisionals want a ceasefire that is good news, but Ulster's Catholics now need to seek reconciliation, not just with Mr Whitelaw, but with their million Protestant neighbours

The ceasefire called by the IRA Provisionals in Northern Ireland, provided it is observed by all of them, is a most encouraging development, and is a major justification of Mr Willie Whitelaw's policies and perseverance. However, such a truce, such a recognition of Catholic war-weariness, does not mean of itself that Ulster's troubles can be settled round Mr Whitelaw's conference table this summer. Deep divisions exist among the IRA leadership, even on the merits of a short truce, and Protestant opinion will continue to believe that the gunmen and bombers will be ready to start up again, particularly in Belfast where the IRA doubts have been strongest. That may be being too pessimistic. Even so, the Protestants themselves profess not to be weary at all and insist on the elimination of the IRA no-go areas in Londonderry before they will be satisfied.

Mr Whitelaw's achievement in the past weeks has been to postpone such sectarian warfare and to have gone some way in breaking the political deadlock. It is true that the Social Democratic and Labour party persists in its refusal to enter any discussions on Ulster's future until the end of internment. But two of its leaders, Mr John Hume and Mr Paddy Devlin, recognised the value of talking with Mr Whitelaw again this week—and of acting as emissaries for the Provisionals. The Government's granting of special privileges to 130 Catholic and Protestant inmates of the Crumlin road jail, who claim the dubious status of political prisoners although convicted by due process of law, brought an end to a 36-day hunger strike and stopped the Provisionals claiming any more martyrs to their cause. But, more than that, Mr Whitelaw's gesture suggests that he will now move with alacrity to release all the remaining internees and close down Long Kesh.

That would be a new political situation with a vengeance. But if it happens Ulster's Catholics cannot expect any further conciliatory moves from the Secretary of State unless they can give him something a good deal more substantial in return than peace petitions. There is still a dangerous gulf between Mr Whitelaw's administration and the Protestant community. Any formal amnesty for all those IRA men who have terrorised Ulster for the past two years, or too sudden a phasing-out of the army from the streets, would certainly risk a Protestant backlash.

The Catholics have to convince, not just Mr Whitelaw, but their Protestant neighbours. First, the 22,000 Catholic rent and rate strikers should stop that bit of civil disobedience at once, although there are bound to be recriminations over the responsibility for the £1½m of arrears that have accumulated since last August. Second, the Catholics living in "Free Derry" must make some visible return to Northern Ireland. The barricades around the Bogside and Creggan must come down. Agreement may be reached on a limited presence by army patrols. An indigenous community police force, under Mr Whitelaw's authority, might provide at least a semblance of the rule of law. Nothing less has much hope of assuaging Protestant anger and frustration.

The electoral test

Third, all the Catholic parties in Ulster should participate in the autumn elections, under proportional representation, for the new district councils. This will have to include both wings of Sinn Fein. It would provide a useful test of their support. Fourth, Catholics should agree to holding a plebiscite on the border issue, which Mr Faulkner urged on Mr Whitelaw again this week. The result is a foregone conclusion, but it would provide an extra safeguard to the Protestants, who still refuse to accept the Secretary of State's good faith. And, lastly, all those Catholic politicians who are willing to join a conference on the north's future government must be prepared to accept that there can be no end to partition in the foreseeable future. If the Provisionals drop their demand for unity at all costs they should not be debarred from the talks.

At the moment, no common ground exists between Protestants and Catholics. It may take months of talks to find any at all, and there are many people in Ulster who do not have the patience for that. But sensible men in the north and the south (and that includes Mr Lynch) now realise that unification can only come through a reconciliation of the two communities in Ulster and cannot be imposed in any other way. The chief hope now is that enough IRA sympathisers realise that too.

BRITAIN

Rebels on the rack



Taverne: told to go

When a Member of Parliament is rejected by the constituents who once elected him he can have no real ground for complaint; when it happens at general elections it is called democracy in action. But around two-thirds of all parliamentary seats are either safe Tory or safe Labour, and MPs for those seats are not so much elected by their constituents as made by adoption by the local party whose seat it is. When a party withdraws its support—and thus the seat—from such an MP it is a distasteful business, whatever one's views of the merits of the MP, largely because it is an unpleasant reminder of how relatively few people do, in fact, determine the composition of the House of Commons.

On the face of it, 125 men and women, at the most, decide who should be Lincoln's MP. For on Monday Mr Dick Taverne was asked—in fact ordered—to retire as Lincoln's MP by a vote of 75 to 50 at a special delegate meeting of the general management committee of the Lincoln Labour party. Mr Taverne, a friend and follower of Mr Roy Jenkins, is to appeal to Labour's national executive committee to override the vote. That will put the left-wing members of that committee, who used to advocate tolerance on such matters when their friends were in similar trouble, on the spot, and there would be a good deal of relief in the parliamentary Labour party if the NEC did just that.

It would, indeed, be deplorable if Mr Taverne were to be kicked out of the Commons because of his moderate politics generally and his far from moderate courage on the common market issue in particular. At the very least he is entitled to have what has so far been denied him by his local officers—the opportunity to have his case discussed by the whole constituency Labour party. It is difficult to see how justice can otherwise even seem to be done. For if it is left to the NEC to override the local party and order his readoption, it would simply mean that Mr Taverne's effective constituency will have shrunk from 125 Labour members in Lincoln to fewer than 30 Labour members in London.

Mr Ronald Bell is in very similar difficulties. He, too, is a common market rebel, although as he is a Tory he is as consistently anti-market as Mr Taverne is pro. Mr Bell's constituency of South Buckinghamshire has been redistributed out of existence, but the new constituency of Beaconsfield is largely made up of his old constituents. Mr Bell also has not got quite so many of his local party against him as Mr Taverne: last Saturday he split the vote 50-50 at the executive council's adoption meeting, and the issue now goes before all members of the local Tory association at a special meeting on July 17th. Mr Bell can have no objection to that procedure.

Mr Taverne is not the only Labour pro-market man in trouble. A few Labour MPs whose constituencies remain intact could still have their local parties turn against them—on Saturday the party's East Midlands regional council condemned the 69 who voted with the Government on Europe last October—and those pro-market MPs who have lost their seats are finding it difficult to get readopted elsewhere. This could well have an effect on voting on the committee stage of the European Communities Bill. Most leading Labour marketeers are still confident that the bill will get through eventually because enough Labour MPs will vote their convictions in a crunch. But they are far less sure now that there will be enough to save the bill from going through committee unamended. All that would do would be to save the Government a few weeks' parliamentary time. And that is not even worth a Tory's political career.

Criminal law

Silence in court

The head of a police force has a more than academic interest in seeing those he believes guilty of crime convicted in the courts. But Mr Robert Mark, the metropolitan police commissioner, is far from alone in his concern—expressed in a lecture on Tuesday to the Royal Society of Medicine—that too many criminals are being acquitted and are being acquitted because the rules, framed in the past to protect the innocent from wrongful conviction, are now operating too heavily on the side of the guilty. The judiciary and lawyers may be said generally to share that feeling. Set against the fact of rising figures for crime, and particularly for crimes of violence, the argument for some redressing of the balance is bound to be persuasive.

Mr Mark is most concerned about deliberate crime, in planned robberies and burglaries sometimes involving the

Rolex watches: guaranteed touched by human hand.

The only hands placed on many watches today are the two that tell you the time.

Which very often means they don't tell the time as well as they should.

We at Rolex, on the other hand, believe that men-craftsmen-put watches together better than machines.

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It's because so much of the work is done by hand that each Rolex takes over a year to make.

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But, before we are allowed to call one of our watches a 'chronometer,' we pay for it to undergo 15 days and nights of punishment at the hands of one of the Swiss Institutes for Official Chronometer Tests.

Here, they will lock it in an oven, clamp it in a refrigerator, suspend it in iron racks in various wrist positions: testing its accuracy each day, searching for the slightest deviation.

We've won nearly half the chronometer certificates ever awarded, even though we're responsible for a mere fraction of the annual production of Swiss watches.

To protect this superb Perpetual rotor self-winding movement, we carve a virtually indestructible Oyster case out of one solid block of surgical stainless steel, or 18ct. gold.



Then, after 162 separate operations have made this seamless case complete, we fit into it a Rolex-Patented Twinlock Winding Crown.

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Apart from allowing us to guarantee our watches waterproof to incredible depths, the formidable combination of seamless Oyster case and Twinlock Crown have also kept Oyster Perpetual movements safe under the most trying circumstances.

Here, for example, is a quote from just one of the hundreds of letters we have on file in Geneva. "...recently an accident happened and my Rolex fell into a gas furnace in our factory.

The average temperature in that oven was about 650° Celsius. I did not expect very much of the watch when I managed to get it out of the furnace. To my great surprise, however, it was still running and the only damage done was a slight deformation of the glass window."

Letters like this make our craftsmen feel very proud.

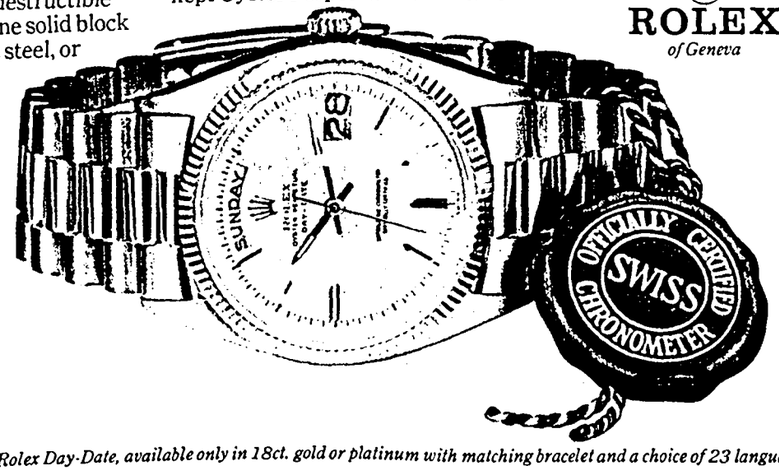
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ROLEX
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Pictured: The Rolex Day-Date, available only in 18ct. gold or platinum with matching bracelet and a choice of 23 languages

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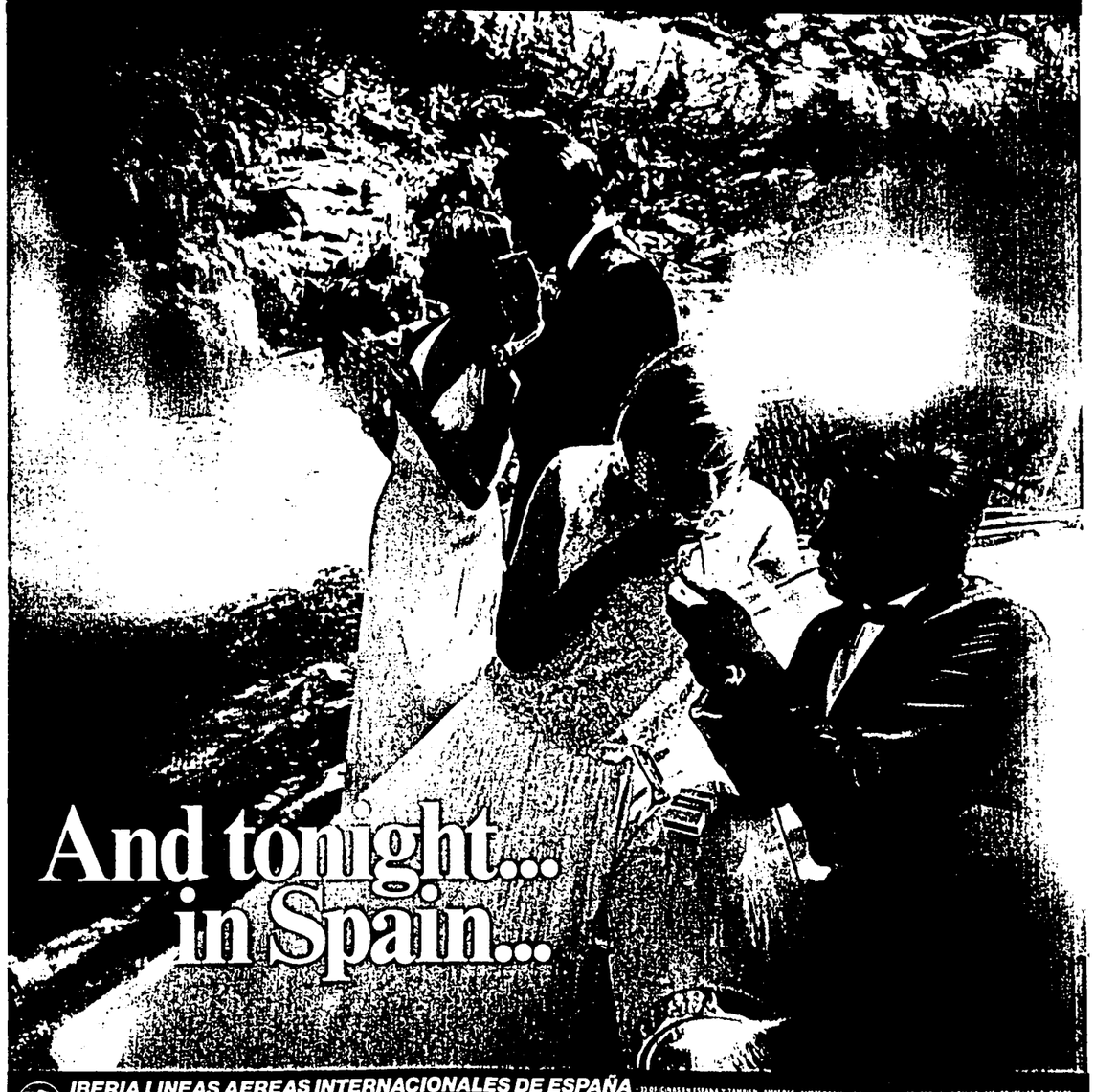
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Mark : too many getting off

use of weapons, which has risen disproportionately. According to the police commissioner, not only does the deliberate wrongdoer enjoy a comparative freedom from arrest—in other words he is more likely to get away with his crime—but he also stands a good chance of being set free even if he is caught, provided he denies his guilt and is tried by jury. Something like half of all those who plead not guilty and face trial by jury are acquitted. Yet, claims Mr Mark, it is precisely in those cases where the sifting by police and prosecution has been most meticulous to make sure that, before a trial is held, there is some really solid evidence of guilt. The English judicial system, he concludes, is

> effective only for dealing with the compliant—the weak, the stupid, the illiterate and the spontaneous wrongdoers who comprise the vast majority of cases. It is ineffective to an alarming and harmful extent in dealing with the non-compliant—those who set out to break the law and are able, by experience or through advice, to exploit its weaknesses.

The commissioner believes that "artificial procedural safeguards" are hampering the search for truth which ought to be the aim of police investigation and of the trial. He wants to see an end to the historic right of silence, the right to say nothing in defence, to offer no explanation. That is a reform recommended also by two Conservative lawyers, Mr Petre Crowder and Mr Ivan Lawrence, in a pamphlet published last week.* They would do this by amending certain parts of the judges' rules which stand as a guide to the police in crime investigations. They would change the wording of the caution, cutting out the advice to a suspect that he need not say anything. They propose too that both the prosecution and the judge (who often already exercise this privilege) should be free to comment adversely upon an accused's refusal to answer police questions or give an early explanation of his innocence, and upon his refusal to give evidence at his trial.

The authors offer certain protections in return, the chief of which, but seemingly the least practicable, is for the institution of examining magistrates. Immediately a person had been arrested, he would be brought before an examining magistrate. Only if he agreed before the magistrate that he had made any statement alleged by the police would the statement be admissible evidence at his trial—a compensatory safeguard which could well make the work of the police even more difficult. The practicability of this reform depends upon the availability of enough people possessing the "necessary unimpeachable authority" to act as magistrates. Laymen, it appears, though fit to sit on a bench and judge their fellow men, would not be up to the job ; and there are fewer than 50 stipendaries in the whole country.

The unease about the present system is becoming common enough and influential enough to suggest that reform is on the way. But the question of principle remains. Is it really true that juries these days are so much better educated and so much more sophisticated that an inarticulate person, or one who makes a bad impression despite his innocence, should not still be protected by the right to keep quiet—the advice which a good defence lawyer may often give his client ?

*The conviction of the guilty. *Conservative Political Centre*. 20p.

Mental hospitals

From the inside

Hospitals for the mentally ill have come in for a good deal of investigation in recent months. Last September, four top people from the National Association for Mental Health spent three days in the guise of patients in different hospitals to try to assess them from that angle. In February came the report of the committee of inquiry into Whittingham Hospital, near Preston, which made—or ought to have made—mental hospital authorities all over the country look at themselves to see if the conditions it exposed could happen with them. Now the King's Fund has pioneered a method of finding out how these hospitals are seen by patients—real patients—actually in them.

The report* of this investigation follows a similar one, published towards the end of 1969, on patients' views of general hospitals. But in the earlier study the patients had been, or were about to be, discharged. In this survey of nine mental hospitals the patients whose views were obtained (strictly anonymously) were still in the wards, and 44 per cent of them had been in hospital for five years or longer. So it is not surprising that the general picture is less favourable than in the earlier survey. Nevertheless, over half of all the patients said they liked their stay in hospital very much or in most ways, and it was the short-stay ones who were rather more critical, probably because they tend to be younger. Had the older patients been more fairly represented among those sampled, the proportion expressing general satisfaction would have been much higher, because (some would say) they have become institutionalised or because (to put it more kindly) for all its faults the hospital is their home and their main fear is to lose its security by being discharged.

On particular aspects of life in a mental hospital, the patients were not noticeably critical of their physical surroundings, but they tended to complain of boredom and of noise. The only other topic to arouse comparable criticism was the lack of medical attention ; depending on the hospital, between a third and a half of the patients complained that the doctors did not tell them enough about their illness—though they did not appear to mind that many of the doctors were foreign. On the other hand the range of criticism of nursing care—a hospital's most vulnerable spot—was only from 4-16 per cent.

The King's Fund is now undertaking a similar survey of patients in psychiatric units in general hospitals where it is official policy for the bulk of psychiatry to be undertaken in the future. But the old mental hospitals will be with us for a long time yet, and one hopes that they will take up the King's Fund's suggestion that they should find out what their patients think of them in the same way. If an even simpler questionnaire could be compiled for the very old, surveys of this sort, though they could not replace the somewhat inquisitorial

*Psychiatric hospitals viewed by their patients. *King Edward's Hospital Fund for London*. £1.

Hospital Advisory Service, would be a valuable supplement to it—and much less resented because they would be self-critical, undertaken by staff and patients aware of one another's problems, instead of an outsider's view.

Official Solicitor

Parens patriae

The thickets of the law conceal no more legal animals of the species of the Official Solicitor, who leapt into the news last week by intervening in the Chobham Farm case. He is unique. There is, of course, the Queen's Proctor, who is concerned with divorce cases: but his work has been much reduced by the introduction of divorce by consent, because he spent a good deal of time investigating cases of collusion. He is, anyway, more of a policeman than a good fairy; but the children in divorce cases may well be the concern of the Official Solicitor. There is also the Public Trustee. But he was invented at the beginning of this century merely so that there should be a super-reliable gentleman available to those setting up trusts: and it was recommended this year that his office should be merged with the Official Solicitor's.

The Official Solicitor, at present Mr Norman Turner, is not the Government's lawyer: that is the job of the Treasury Solicitor (and of the Treasury "devil" he briefs). He has no judicial function, unlike the similar-sounding Official Referees, who are in fact specialist judges. There is the Court of Protection to look after the affairs and estates of people of unsound mind; but representing them in the high court is also one of the Official Solicitor's concerns. Because of the increasing amount of litigation involving children, and the increased possibility that people in mental hospitals may be cured and re-emerge, the Official Solicitor's workload is increasing.

The present office was created in 1875, out of a far more ancient and very different office of the court involving the supervision of suitors' funds. The Official Solicitor is now concerned with some 11,000 cases a year: but the bulk of these involve people who are refused bail, of whom he must be notified. Then, as last week demonstrated, he is concerned with people committed for contempt, both criminal (where they are committed for a fixed period as a punishment—for, say, abusing the judge) and civil (where they are committed to make them



Turner: unique watchdog

comply with a court order, as Messrs Steer, Turner and Williams so nearly were). In 1971, the Official Solicitor had 180 cases of committal for contempt on his books.

He must act a good deal on his own initiative (though under standing orders laid down by the Lord Chancellor). In many cases he is asked by a high court judge to help the court; in others he may simply be informed that a case is going on that may concern him. In the Court of Appeal on Monday, Lord Denning went to great pains to explain how the Official Solicitor came to be involved in the Chobham Farm case: he had been invited to instruct counsel as "amicus curiae" by the secretary of the Industrial Relations Court. Though any adult of sound mind can refuse legal representation, the Official Solicitor does not require the defendants' permission. Usually, he acts to help those who cannot help themselves: but the job of *parens patriae* covers those who won't, too.

Race relations

Under inspection?

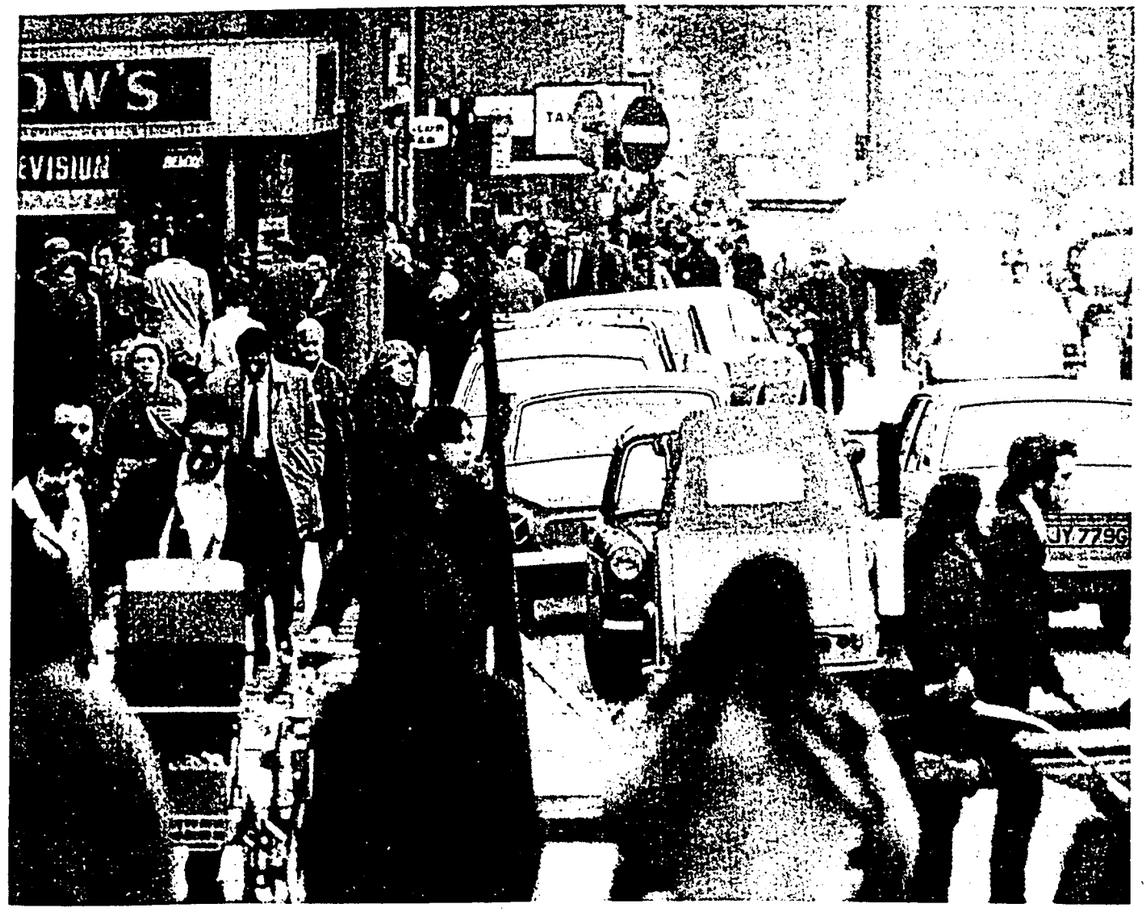
When the Race Relations Board received its present powers in 1968 everyone said that change would be gradual and could not depend on the law alone. All the same, it seemed disappointing when, after the first dramatic effect on discrimination in advertising and public premises, the law appeared to be making but small inroads in employment and housing. In the past year, as its annual report for 1971-72 shows, the board has done better with what it has got, in the sense that there is more chance of a complaint leading to a finding of discrimination and more chance of monetary redress for the victim. But complaints continued to fall: 917 were registered in the year compared with 1,024 the year before. And in the main field, employment, only 16 per cent of the findings showed discrimination, although the rate went up to over 50 per cent where the board had initiated the case itself rather than waiting for somebody to make a formal complaint.

This experience has encouraged the board, under its new chairman Sir Geoffrey Wilson, to make a bid to get away from reliance mainly on individual cases. It wants to get more at the core of the problem in which, as its previous report said, "racial discrimination in employment needs to be seen primarily not in terms of active discrimination against individuals but in terms of acceptance or tolerance by everybody, including coloured workers, of employment situations in which equality of opportunity is consciously or unconsciously denied." And the same goes for some housing and other situations. Practices which suit everybody at first—eg, ethnic work groups—are likely to be harmful if perpetuated. And (the report could have added) at a time when the coloured minority groups in Britain are showing increasing signs of defensive withdrawal, the initiative cannot be expected from them.

What the board seeks are powers, which it compares with those of the factory inspectorate, to enable it to go into a factory, or housing estate for that matter, and find out whether blacks have equal chances. If illegal discrimination were suspected it would be investigated in the usual way; otherwise the board would be able to recommend changes designed to prevent discrimination in future. This would work only if it had the power to summon witnesses and demand documents, so far not available to the board in its ordinary work.



Wilson: expanding watchdog?



The people of Bletchley are running out of town.

It's a race against time: in the next five years or so, the number of people coming into Bletchley to shop and do business is expected to double.

(This is because Bletchley is within the designated area for the new Milton Keynes city development.)

But Bletchley (in collaboration with Milton Keynes) is planning ahead. Well before the influx reaches its peak the town centre will have been redeveloped.

The new centre will be ready in 1974: and it's vitally important that this date is met. (Take another look at that picture!)

To make sure that it is met, Bletchley Urban District Council is using a computer throughout all stages of planning, development and implementation. Already its use has saved many months' delay.

What the computer does is help coordinate the activities of the multidisciplinary committee responsible for the new centre. Using critical path analysis techniques, the computer analyses week by week, the proposals-and reports-of each working group. And indicates whether these dovetail in a way compatible with the 1974 completion date.

The computer is saving time. And money.

But to us at IBM, the Bletchley redevelopment means even more than that. Not merely because one of our computers is playing a part. But because it is demonstrating how even smaller local authorities can make use of the most advanced management techniques and tools. And because it is yet another example of what we think computers are all about: helping make life in the community a little better for all of us.

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ALLIED BREWERIES LIMITED

INTERIM ANNOUNCEMENT OF PROFIT AND DIVIDEND

FOR THE 32 WEEKS ENDED 6TH MAY 1972

The results for the 32 weeks ended 6th May 1972 based on unaudited figures prepared for management purposes, with the comparable results for the previous year, are shown below:—

	32 weeks ended 6 May 1972	8 May 1971
	£000's	£000's
Turnover	277,762	250,046
Trading Surplus before Depreciation	37,368	32,196
Deduct: Depreciation	6,818	5,952
Trading Profit	30,550	26,244
Add: Investment and other Income	3,162	1,479
	33,712	27,723
Deduct: Interest Payable	5,788	4,936
	27,924	22,787
Add: Share of profits less losses of Associated Companies	345	328
Profit before Taxation	28,269	23,115
Deduct: Taxation	11,284	9,177
	16,985	13,938
Deduct: Minority Interests	160	94
Preference Dividends (32 weeks, gross)	361	361
Profit attributable to Ordinary and Deferred Ordinary Shareholders of Allied Breweries Limited	16,464	13,483
Earnings per Ordinary Share ranking for dividend	4.03p	3.35p

Notes:

1. The results include the profits of The Aylesbury Brewery Company Limited for the nine months ended 31st March 1972, with adjustment to the profits of the corresponding period last year.
2. Charges for repairs are now spread evenly throughout the year and last year's figures have been adjusted accordingly.
3. The profits of Associated Companies have been included in both periods to the extent attributable to the Group.
4. Franked investment income has been grossed up in respect of underlying Corporation Tax at 40% and the Corporation Tax charge increased accordingly. Investment income from the holding in Trust Houses Forte Limited and interest on the cost thereof have been included to the extent of 32 weeks' proportion of the anticipated figures for the whole year. The investment income has increased largely as a result of the holding in Trust Houses Forte Limited.

Sales, Earnings and Capital Investment

The 32 week period reflects increased sales of the Group's national brands in the home market, increased export sales and increased trading in the overseas companies, with consequential improvements in profits.

The Group subscribed to the Confederation of British Industry's undertaking on prices for the year ending 31st July 1972 but continues, with industry in general, to be faced with the problems of substantially increased costs.

The programme of capital expenditure in the industrial and licensed estate has continued at a high level and has been financed from cash resources generated in the Group.

Interim Dividend on Ordinary Shares

For the current financial year ending 30th September 1972 an interim dividend on the Ordinary Shares of 1p per share (equivalent, after the capitalisation issue of 1 for 2 shares, to 1½p per share as paid in 1971) less income tax, will be paid on 7th September 1972 to those shareholders whose names are on the register on the 21st July 1972. The interim dividend, which will amount to £4,090,000 gross (last year £4,026,000) has been maintained at last year's level in view of the proposed transitional provisions covering the change in the system of Corporation Tax.

It is intended that the final dividend for the year will reflect the increase in the year's earnings.

It may be asked whether the board is really the best body for this very wide-ranging function, and whether by tying the work to the idea of discrimination (whether actual or potential) it is not still too limiting. On the other hand there would be much duplication saved, especially if the board continues to develop its present powers of independent investigation of suspected discrimination. The immediate political chances look slight, but might be improved by avoiding the appearance of a new kind of pro-black bureaucracy. If he does not go as far as the board would like, Mr Maudling should certainly meet its wish to see the worst compromises of the 1968 act repealed—those which permit segregation in merchant seamen's quarters and (though rarely invoked) allow discrimination in the interests of "racial balance" in employment. He, and Mr Maurice Macmillan, should also no longer give individual industries a first and worse than ineffective bite at about one-fifth of complaints concerning employment.

The Thames

Midsummer sirens

Low water on a neap tide on midsummer's day should have been—given some midsummer weather—the Thames's very lowest moment of the year. That is precisely why the Ministry of Agriculture's flood room chose 3 pm on Wednesday for a simulation exercise in what to do if there ever was serious danger of a flood in London: everyone could be quite, quite sure that it wasn't for real. The chain of responsibility is unbelievably complex, but the ministry, the Greater London Council and Scotland Yard have been going through the routine on the quiet for years, particularly with the vulnerable London underground, and on Wednesday morning, unknown to tube passengers, the train controller pretended to go through the emergency motions yet again. Of course, he gets warning from the flood room long before the general public; there is a shortlist of 150 riverside institutions and authorities (the boroughs of course, and also the Shell building and the Tate Gallery) that get a special call. But at 3 pm Scotland Yard received the special message to sound off London's sirens for two minutes. (Ironically, the signal is the old "all clear.") These have been tested only once since the war, in 1966; never in the postwar period have they been used for a purpose.

Are they ever likely to be used in earnest? The flood room is manned about 25 times a year, but starts issuing warnings (based on an early warning system which gives notice of the dangerous storm surges in the North Sea) only about two or three times a year. The combination of surge and tide reaches Southend, where there is a more precise warning system, over an hour before London Bridge; that is about the moment when the sirens would be sounded. The water has not reached the level of London's embankment since 1953; but the historical progression in freak tides is upwards, as the height of the average high tide at London Bridge is rising by about 3 ft a century. The GLC has now completed about 90 per cent of an interim scheme to raise the level of the embankment by 6 ft right along its stretch of the river; but it is now seriously embarked on a far more grandiose scheme to protect London. Also on midsummer's day, its private Thames Barrier and Flood Prevention Bill received a second reading in the House of Lords.

The GLC can raise banks under its land drainage powers: but it needs extra authority to close a navigable waterway. In fact, it will be able to close only part of the Thames at a time, building the barrier in two halves: otherwise it would bring river traffic to a halt and silt up the river. The cost of the barrier, including work on downstream tributaries and banks, is expected to be some £78m. Work will start next spring, and is expected to be completed for the 1978 autumn flood season; it is anybody's guess whether the sirens will have to wail a serious warning before then.

Museum

Gin and tonic

Victorian philanthropists regarded museums not just as improving to the mind or somewhere to take the kids on a rainy day, but also as a means to divert the working man from the demon drink. The Bethnal Green Museum, which this week celebrated its centenary, was founded in just such a spirit. Since its pompous opening by the future Edward VII, a handful of other local museums were started in similarly unfashionable parts of London. But Bethnal Green was the first and, with its now excellent collection, remains the best known.



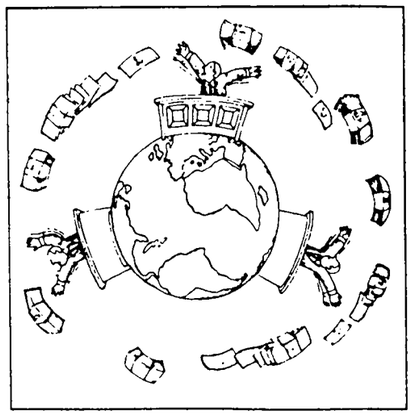
The Brompton Boiler of Bethnal Green

The museum came to Bethnal Green almost by accident. It was originally one of the three "Brompton Boilers"—the temporary steel and glass constructions which housed the South Kensington Museum, later named the Victoria and Albert Museum. When the present V and A was built the temporary structures were offered around London but only the East End took the offer seriously. Local worthies drummed up £20,000 to re-erect it and then went cap in hand to the Treasury which agreed to finance its normal running through the V and A.

Siting a museum in the East End was a novelty indeed. The commemorative exhibition shows a whole page from the Daily Telegraph describing the opening ceremony and devoting many paragraphs to comments on the "most melancholy bodily deformations in the crowd." The silk weavers of Spitalfields, proud descendants of the Huguenots who had fallen on hard times after the industrial revolution, were affronted both by press comments and the stares of the gentry who wheeled down from the West End.

Today, some 2,300 people a week visit the museum. Many have particular interests in the decorative arts and costume. But many more are children who come to see the superb collection of dolls' houses and toys. Throughout the summer holidays and at weekends local children come to painting classes, puppet shows, story telling and so on. Seeing what the museum has done for Bethnal Green, it seems a pity that the other Brompton Boilers failed to find good resting-places.

"Cash in orbit has been holding down the profits of exporters long enough!"



Money is spiraling in toward your office from customers in half a dozen different countries.

Fine.

Except that by the time all the problems of different currencies and different forms and procedures are sorted out—not to mention postal and bank clearance delays—it could be weeks before you get the *use* of your money.

Some exporters have small fortunes just floating around the world.

But even one day of unnecessary float time is extravagantly wasteful with today's high interest rates.

How can you get your cash out of orbit and into some gainful employment?

Talk to American Express International Banking Corporation.

We have an International Money Transfer System that can slash float time from weeks to just a day or two. Possibly even to *same-day* payment.

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Our worldwide communications network takes it from there. Within a day or two, the remittance can be cleared and credited to your account in your city. For you to use.

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Which brings us to our philosophy of international banking. We don't think it's enough just to help you do business. We want to help you do it profitably.

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American Express International Banking Corporation has 48 branches and subsidiaries handling all types of banking transactions all over the world. We're in these major financial centers: Amsterdam, Athens (2), Basle, Bombay, Brussels, Calcutta, Cannes, Chittagong, Copenhagen, Dacca, Djakarta, Düsseldorf, Florence, Frankfurt, Geneva, The Hague, Hamburg, Heidelberg, Hong Kong, Karachi, Kowloon (2), Lahore, Lausanne, London, Lucerne, Lugano, Milan, Monte Carlo, Munich, Naples, New Delhi, Nice, Okinawa (2), Paris (2), Piraeus, Rome, Rotterdam, Salonica, Taipei, Tokyo, Venice (2), Vienna, Zurich. International Headquarters: 65 Broadway, New York, New York.

THE WORLD *International Report*

On a clear day in Peking you still may not see Hanoi



Kissinger proposes, but who disposes?

There has been as much talk in the past week about the imminent outbreak of peace in Vietnam as there was six weeks ago, after the fall of Quang Tri, about the imminent victory of the North Vietnamese army; and with as much, or as little, justification in the known facts. The known facts are that President Podgorny of the Soviet Union was in Hanoi for three days at the end of last week for discussions which the Soviet news agency described as "frank," a word that usually means there was some disagreement, and which the North Vietnamese reported with studied coolness; that the man who superintends North Vietnam's side of the peace talks, Mr Le Duc Tho, went to Peking at the weekend; and that Mr Henry Kissinger arrived in Peking on Monday for four days on a supposedly "periodic" visit. The result of all these criss-crossings is that North Vietnam is probably feeling more friendless than it has ever felt before. But that does not necessarily mean it is ready to negotiate a peace settlement that would end the fighting once and for all.

The likelihood is that President Podgorny told the North Vietnamese that, although the Soviet government would still like to see them win, it was not prepared to break the American blockade of their ports, and it could not guarantee to get the oil and other supplies they need through China instead. Mr Kissinger has presumably been asking the Chinese not to open up their ports and railways to Soviet supplies bound for North Vietnam, and not to send an army of Chinese engineers to repair North Vietnam's railways.

If Mr Kissinger gets what he wants, the consequence will be that, for as long as President Nixon keeps up the mining and the bombing, North Vietnam will be deprived of much of the oil and weapons its army requires for the conventional war it is fighting at the moment; and there is nothing to make Mr Nixon call off the mining and bombing unless American public opinion obliges him to. Unless it does so fairly soon the North Vietnamese will pretty certainly have to suspend their current offensive in the central and southern parts of South Vietnam when their stockpiles of ammunition begin to run out. They might even be forced out of the captured province of Quang Tri in the far north.

The Americans hope that this prospect will persuade North Vietnam's leaders to end the war—either by accepting a formal, supervised, ceasefire, or by agreeing that the National Liberation Front should submit its political claims to an election in South Vietnam, along something like the lines of the one President Thieu has already proposed. The Russians, and even the Chinese, might be willing to settle for this; last week Chou En-lai commended to a group of visiting Americans the way President Eisenhower wound up the Korean war in 1953—which, as it happens, was by a formal, supervised, armistice that has kept South Korea non-communist ever since. But the North Vietnamese would probably regard either of these solutions as tantamount to defeat. And there are two other ways they can try to deal with the situation.

One is to try to persuade Mr Nixon to accept, not peace, but a truce: an unsupervised ceasefire, of indefinite length, during which Mr Nixon would halt the bombing in the north, and call off the blockade; and perhaps remove the remaining American troops from the south, in return for getting the American prisoners back and getting Vietnam out of the headlines before the November election. The other is to reject any agreement, in the belief that they can go on enduring the blockade and the bombing and still get just enough supplies through to the south to keep up a campaign of sporadic guerrilla attacks. Either way, North Vietnam's aim would be to hold on in the hope of Mr McGovern being elected in November or Mr Nixon just giving up the war in despair afterwards.

The fact is that the superpower diplomacy of the past year—the American exploitation of China's fear of Russia, and of Russia's desire for American economic aid—may have deprived North Vietnam of much of the support it used to get from its two great friends. But it is still the North Vietnamese themselves who will take the decision whether or not, even so, to go on fighting; and the only thing coming out of Hanoi so far is silence.

Can they get Quang Tri back?

FROM OUR SAIGON CORRESPONDENT

The judgment in Saigon is that the North Vietnamese are not yet interested in negotiating a definitive peace settlement. But enough is happening to convince many people that North Vietnam is in sufficient trouble to accept a limited agreement fairly soon cover-

ing such matters as a bombing halt and the withdrawal of American forces in return for the release of American prisoners. It would prefer to avoid a ceasefire at least until its army can register more substantial gains on the battlefield. But President Podgorny's statement in Calcutta that peace talks will soon be resumed has strengthened the already growing belief in Saigon that some kind of breakthrough is near.

It was against this background that President Thieu announced on Monday a three-month military campaign to regain the territory lost since the communist offensive began on March 30th. Firmly rejecting any "leopard spot" solution—which would cede control of certain areas to the communists—Mr Thieu asserted that "Quang Tri can be recaptured." There are also a few districts in Binh Dinh province, in the middle of the country, and some small areas elsewhere that he would like to see restored to Saigon's control before any negotiations get off the ground.

For political reasons the recapture of Quang Tri, in particular, is very important for Mr Thieu, but it is not going to be easy. The South Vietnamese army has weathered the storm of the past 12 weeks fairly well, and morale is rising; and very soon, if not already, the full impact of the American blockade and bombing of North Vietnam must be felt by the communist troops in Quang Tri, who are directly dependent on day-to-day supplies from the north. However, the determined reaction of the North Vietnamese to recent probes into Quang Tri by South Vietnamese marines shows that they will fight for every inch of the province.

The South Vietnamese will have massive air support but the northerners have heavy guns so well dug in that they are virtually impossible to knock out. It will be a costly campaign for both sides. There are few civilians left in the province, and most of the towns are rubble already. And anyway the recapture of Quang Tri would not greatly reduce the threat to Hué, which comes mainly from the south-west rather than the north. Indeed, it might even weaken Hué's defences by over-extending the South Vietnamese forces in the area.

With the siege of An Loc now all but over—a major military and political setback for the communists—the Saigon command hopes that several thousand of its troops will be freed for use elsewhere. But a new cause of worry is the movement of sizeable numbers of North Vietnamese into northern areas of the Mekong delta, possibly with the aim of cutting Route 4 running south from Saigon. However, they have already suffered a good many casualties in Kien Tuong province, and there is not much evidence of support from the local population.

Although it is realised that there may still be major attacks on Hué and Kontum, there is an atmosphere of confidence throughout the country now that contrasts markedly with the sinking feeling of a few weeks ago. The air of crisis is dissipating—and, with it, President Thieu's chances of obtaining the wide special powers he had hoped parliament would delegate to him for dealing with the emergency. The result could be the non-enactment of important economic reforms, and an early resumption of the futile political bickering that was tacitly called off when the offensive began. Mr Thieu has failed to rally any significant new political support around him, as he could easily have done. He thus leaves himself more vulnerable to being dumped if the situation should again deteriorate.

The Stockholm conference

The Chinese foiled

FROM A SPECIAL CORRESPONDENT
Stockholm

"When a man knows he is to be hanged in a fortnight," said the great Dr Johnson, "it concentrates his mind wonderfully." Whatever the cause, some marvellous concentration did occur in the closing sessions of the two-week United Nations conference on the environment which ended in Stockholm on June 17th.

By virtually unanimous votes, with only a few abstentions, the national delegations passed the proposed declaration on the environment and the score of detailed points in the action plan which had been prepared for the conference in advance. They also proposed a permanent secretariat for the environment within the United Nations system, with a small independent fund of £40m to be spent on environmental projects over the next five years. All these resolutions must now go to the UN's General Assembly for ratification in the autumn. But the high level of consensus achieved at Stockholm sends them on their way with an almost wholly unexpected degree of momentum. After two weeks of apparently interminable oratory on highly charged political subjects—the Vietnam war, apartheid and a massive Chinese effort to stall the whole declaration and replace it by a standard denunciation of imperialism—the delegations voted together.

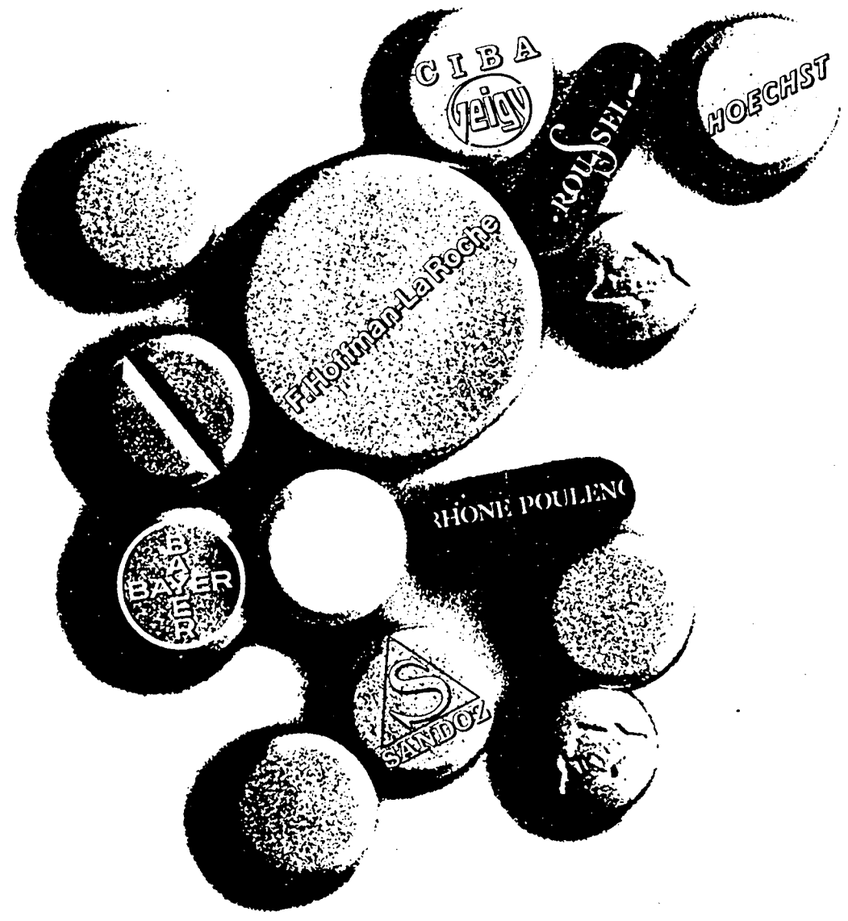


Quality not quantity for Mrs Gandhi

The declaration includes the vital acceptance of national responsibility for locally caused pollution that does damage to other states. The action plan is not all relatively innocuous data-collecting and monitoring. It includes provisions for a comprehensive international ban on dumping toxic wastes in the oceans, for tightening up international law on oil pollution at sea, for a 10-year moratorium on commercial whaling, for the preservation of important "ecosystems"—forests, river basins, wetlands—and for the establishment of genetic banks to conserve plant and animal species threatened with extinction. The conference has not only voted for a secretariat and a fund. It has also voted to give them some concrete and substantial tasks.

How did the concentration of minds come about? It had, of course, something to do with the strict limits of time set on the proceedings. The Unctad conference at Santiago earlier this year sprawled along for six weeks, emptying itself and its delegations of vital capacity as it crawled through interminable sessions. A new Parkinson's Law may be in the making—that the output of any international conference is in inverse proportion to the amount of time it is allowed to cover. A new international code of conference behaviour might also be evolved by which national delegations make available in written form the long, detailed and laudatory accounts of their own domestic policies and raise in, say, 10 minutes the issues of substance they wish to discuss. The Stockholm conference's secretariat is reported to have reduced by two-thirds the documentation originally proposed to it.

But the fact that the Stockholm conference got anywhere at all was not simply a matter of time and



Who will cure most European headaches in 1980?

Even if you are not directly interested in the pharmaceutical industry, the prospect of intense competition within a given industry on an international basis, is a prospect of general interest to the business man. More and more, as Europe integrates, we shall see such battles, while the national giants of various industries integrate amongst themselves. And it is important for the European-minded businessman to be able to predict the outcome of such contests. They affect his future, directly or indirectly.

Within national boundaries the detailed information which a man needs, to form his business decisions, may be found in his chosen daily newspaper. But how about the *international* information – the birdseye view of a particular industry, taking in the whole of Europe and the world? The Financial Times does not claim to be able to tell you more about your own country's business than your country's own leading journals. It does claim, however, to tell you more about other countries' businesses – from pharmaceuticals to steel, from cars to crops – than you may find in any other daily newspaper. It also claims a very high degree of accuracy, detail and political impartiality.

Perhaps these are some of the reasons why, according to a recent survey*, 41% of senior management throughout Europe already rate it essential reading, and why more and more international companies find it an important advertising medium. **If you would like to judge the Financial Times for yourself by letting us send you or any of your executives free copies each day for two weeks, †please complete the coupon and send it to us.**



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FINANCIAL TIMES – Europe's Business Newspaper

*Source: "The International Businessman in Europe – what he reads". International Herald Tribune, October 1969. †Applicable only outside the United Kingdom.

management. The delegations discovered that they did in fact share at least one common issue—the vulnerability of the planet they have to share. The really profound rift had been expected to appear between developed and developing states, and this indeed is what the Chinese, reopening the discussion on the declaration and pinning all blame for pollution and exploitation on imperialism, had hoped to exploit and deepen. But they had no success.

Among delegations from the industrialised states there was no tendency to deny that appalling poverty in shanty-town unemployment is a desperate form of pollution. This openness was matched on the side of the developing states by the insight that it might be pure folly for any pre-technological society to end up with a Manhattan or a Tokyo bay if it could possibly do otherwise ; Japan's official and totally uninhibited catalogue of its own pollutionary evils helped there.

The double perception stilled some of the fears that developed states, on the excuse of saving the biosphere, were simply trying to prevent developing states from reaching ultimate—if pollutive—technological felicity. On the contrary, the feeling began to gather strength that the rich had made appalling mistakes which the poor might yet avoid. Mrs Gandhi, the only visiting prime minister, spoke of what unchecked population growth and purely material expansion could do to destroy the quality of life. The Chinese intervention fell into perspective as simply playing politics with human survival. The Chinese took the hint, and although they objected strongly to part of the declaration, especially a section on ending nuclear tests, they did not block acceptance at the final vote.

Italy

Will the centre hold?

FROM OUR ROME CORRESPONDENT

Signor Andreotti may have succeeded in putting together the government of his choice in Italy after all. Since the Socialists refused to join a five-party coalition with the Liberals he has fallen back on a four-party combination without the Socialists, but declares that the government is open to them should they later decide to join. The Christian Democrats, the Social Democrats, the Liberals and the Republicans can together muster 331 votes out of 630 in the lower house. In the senate this



It's yes, in spite of Saragat

coalition has a majority of five. To its right are the 56 deputies and 26 senators of the neo-fascists, who are spoiling for a chance to get a foot in the door ; to its left are the Socialists and the Communists.

But the real weakness of the scheme lies in the fact that nearly a third of the Christian Democrat party itself dislikes it. The party's three left-wing factions, headed by the foreign minister Signor Moro, voted against it in the party executive. Signor Moro declares openly that an alliance which substitutes the Liberals for the Socialists is a step back to the old pre-1963 *centrismo* and will close the door for years to come to collaboration with the Socialists while opening it to dangerous infiltrations from the neo-fascist right. Signor Moro may refuse to sit in such a government. So may the minister of labour, Signor Donat Cattin, and other members of his faction.

Signor Forlani, the party secretary, has assured the leaders of the other parties that there will be no disloyalty from his left-wingers. Be that as it may, the opposition of the Christian Democrat party's three left-wing factions is the pretext used by the Republican party for not entering the government. But it has pledged itself to give its support in parliament. This ambivalence caused irritation among the prospective allies and put the Social Democrats in an awkward position. But most of the party was in favour of joining the coalition and although Signor Saragat, the leader, was against it the party agreed on Wednesday to come in.

The veteran Socialist party leader Signor Nenni has declared that the projected government will be even weaker politically in the country than it is in parliament. The new government, Signor Nenni insists, will not be able to mediate between workers and employers in the autumn when wage contracts for over 4m workers are to be negotiated. The Socialists regard the proposed government as one that will "ignore the workers" and intend to oppose it from the outset. When the unions' demands come forward in the autumn they will do so even more heartily—that is, if the government survives until then.

The subcontinent

It'll take more than one meeting

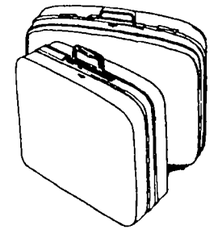
The subcontinental summit that opens in Simla next Wednesday will almost certainly have to be the first of a series. The Indians regard it as inconceivable that the Pakistanis' complicated conflicts with India, let alone with Bangladesh, can be resolved at one go. Mr Bhutto may still come up with an eleventh-hour recognition of Bangladesh—perhaps at the mass rally he has arranged for Monday. If he does, then Sheikh Mujib could join the talks and negotiations could begin on the central question of the prisoners of war. If he does not, then the summit is unlikely to produce much more than atmospherics.

Mrs Gandhi may well make some gesture to strengthen the peace lobby in Pakistan. India has already promised to return another 200 wounded prisoners next week. Mrs Gandhi might go a step further by releasing the relatively few prisoners captured on the western front. She might also try to persuade Bangladesh to agree to the release of 1,600 civilians among the 93,000 Pakistanis held in India. But the Bengalis would undoubtedly demand a quid pro quo from Mr Bhutto in the form of the repatriation of Bengalis from Pakistan.

One issue which will not be allowed to cloud the summit, at least in its initial stages, is the Bengali plan to try some 1,500 Pakistani prisoners for war crimes. Mrs Gandhi made this clear in a press conference in Stockholm last week when she denied reports that the prisoners were about to be delivered to Dacca. This week Sheikh Mujib insisted again that he has every intention of going ahead with the trials. But officials have indicated that there might be room for flexibility on timing and numbers. Trials of local collaborators have already begun in

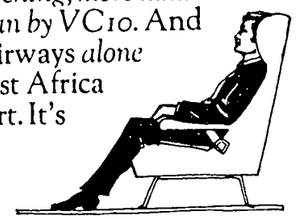
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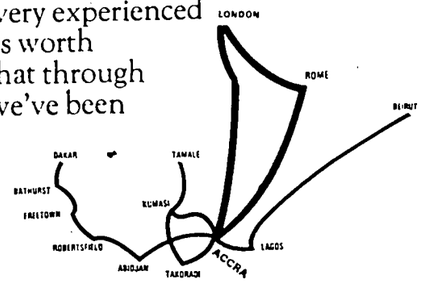
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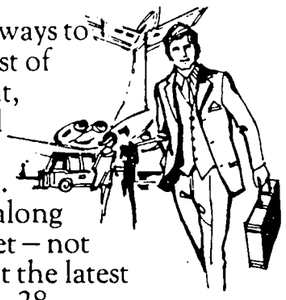
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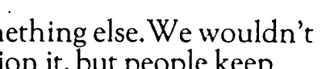
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HAMMERSON

Statement by the Chairman, Mr. Sydney Mason

In his review for the year to 31st December, 1971, Mr. Sydney Mason, Chairman of The Hammerson Property and Investment Trust Limited, makes the following points:

RESULTS:

Group profits before taxation have increased from £1,962,029 in 1970 to £2,257,132 in 1971 and net profit available for distribution has doubled from £538,078 to £1,076,515. The Directors recommend a dividend of 25% which, after taking into account the 1-for-1 scrip issue during the year, doubles the dividend rate when compared with the previous year.

ASSETS:

Our property assets at cost at the end of 1971 had increased to some £135 million compared with £115 million for the previous year and the cost of our total property assets including commitments amounted to £168 million.

INVESTMENT PORTFOLIO:

Our fully completed investment portfolio by the end of 1971 had increased to a total of some £50 million at cost and in the opinion of the joint managing directors had a value at the time when we considered the properties to be fully developed of some £90 million giving a surplus (after minority interests) of some £32 million.

THE FUTURE:

The excellent results now shown in the accounts represent the culmination of our efforts during the 1960's and having reached this very significant landmark in the Company's affairs we now have to progress into the future. I look forward to the continued growth of the Company over the next decade which will arise not only from new acquisitions and the completion of developments which are in the pipeline but also from the improvement in income which will flow from our current investment portfolio throughout the world which – I should emphasise in these frenetic take-over days – has been created by our own efforts and from our own resources and not by the dilution of the highly geared equity capital of the Company.

THE HAMMERSON PROPERTY & INVESTMENT TRUST LIMITED

Brown Shipley expansion brings increased profits and earnings

Salient features from Mr. Ion Garnett-Orme's statement.

Results

The Consolidated Net Profit for the year 1971/72 increased from £573,000 to £745,000. Earnings per share rose from 24p to 30p. This is the largest increase in profit and earnings in a single year since the Company was formed. These results reflect significant expansion in most areas of our business.

The banking subsidiary achieved a net profit, after tax, of £650,000, which is an improvement of 35% on the previous year's figures.

A Final Dividend of 10% is recommended to make a total for the year of 17% (1970/71—15%).

Merrill Lynch-Brown Shipley Bank Limited

An agreement has been reached with Merrill Lynch, Pierce, Fenner & Smith International Limited to join with them in the formation of a new bank to be based in London. This new entity, called Merrill Lynch-Brown Shipley Bank Ltd., will start operations early this Autumn and will conduct a general banking business designed to broaden the scope of the international financial services currently provided by each party.

Prospects

So far this year the progress shown in the Accounts is being well maintained. However, the economic climate and financial scene can and often does change very rapidly so that it would be unwise for me to forecast at this stage the final results for our current year. Nevertheless I am confident that the Management and Staff of the Group will take full advantage of any opportunities which may arise.

Year ended 31st March	1968	1969	1970	1971	1972
Total Gross Assets	£75.1m	£79.2m	£83.2m	£89.2m	**£100.6m**
Net Profit after Tax	£0.43m	£0.51m	£0.58m	£0.57m	**£0.75m**
Earnings per share	18p	21p	24p	24p	**30p**
Rate of Dividend	12%	12.42%	15%	15%	**17%**

Copies of the Annual Report, containing the Chairman's Statement in full, obtainable from the Secretary.

Brown Shipley Holdings Limited

Founders Court, Lothbury, London EC2R 7HE



But the surrender did not end a 25-year crusade

Bangladesh, but the government is deliberately playing them down. At least one of the defendants has been sentenced to death and a politician charged with participating in the by-elections to replace the proscribed Awami League received six months' hard labour.

Indians and Pakistanis alone could theoretically agree to leave the territories each captured from the other during last December's war. But even this may not be possible, because it is linked with the ticklish problem of Kashmir. India has been demanding that the ceasefire line in Kashmir be "rationalised" to reduce security problems for both countries, but Pakistan stands by the UN Security Council resolution of December 21st calling for a return to positions "which fully respect the ceasefire line." India retorts that this line has been permanently changed by the war and consequently UN authority over it has lapsed.

Mr Bhutto has indicated that he is not yet ready for substantive negotiations on Kashmir. He is edging toward the position that self-determination for Kashmir can be won only by the Kashmiris themselves, thus dissociating Pakistan from the struggle. But this is a long way from signing away claims to Kashmir that have fuelled a 25-year crusade. Still, some formula might be found to allow military disengagement along the agreed international frontier and the current ceasefire lines in Kashmir and elsewhere. This would not bring the confrontation to an end, but it would reduce the risk of new border incidents.

This week's most encouraging augury for a serious summit was India's non-reaction to the increase in Pakistan's defence budget announced last weekend (though one explanation for the silence in New Delhi is that Mrs Gandhi was out of town). This year Pakistan will allocate 10 per cent more for defence than the undivided country did in its last budget. Since the rupee was devalued by 57 per cent last month, making foreign arms twice as expensive, the rise will come nowhere near providing a similar level of armament—unless Pakistan's foreign friends fill the gap. Saudi Arabia and Libya are thought to have offered help. And Mr Nixon is expected to authorise $60m in long-term loans for industrial spare parts and raw materials later this month, although American military aid remains suspended.

Mr Bhutto is thought to want a smaller army equipped with greater firepower, in the hope that he can save money without sacrificing military capability. But he evidently does not feel strong enough to cut down the army now. So the new budget may represent a holding operation. It is a significant reflection on his priorities—and perhaps also on the prospects for a lasting peace settlement—that not only has the share of defence in the country's reduced gnp gone up from 5 per cent in 1970-71 to 9 per cent today, but it is higher than the total allocation for economic development.

Sri Lanka

Still no money, still no jobs

FROM OUR COLOMBO CORRESPONDENT

"A new constitution is no magic wand," the prime minister, Mrs Bandaranaike, told her people last week as Sri Lanka, once Ceylon, sank a bit deeper into its chronic economic crisis. A team from the International Monetary Fund is in Colombo studying the economy and the government's plans for it. But neither expert eye nor microscope is needed to see the huge hole in this year's budget.

An unfinanced gap of 400m rupees was not the finance minister's doing. Despite his trotskyist past, Mr Perera has always played good housekeeper entrusted with a bare cupboard. His budget was almost perfectly balanced until backbenchers forced him to withdraw many of his revenue proposals, such as an increase in sugar and flour prices. After the bloody insurrection of April, 1971, no member of parliament was prepared to court more unpopularity to satisfy Mr Perera's taste for economic order.

The IMF wants Sri Lanka to devalue now, although it is polite enough to ask merely for "meaningful steps." Mr Perera has given it a firm no and prefers instead to put a charge on the free ration of 2 lb of rice a month. But after failing to persuade backbenchers to take a sugar-coated pill he is not likely to make them swallow bitter rice. A further pruning of imports is a predictable answer to the foreign exchange deficit of 200m rupees which has been budgeted for this year. But this will mean more consumer shortages and industrialists threatening retrenchment. And unemployment, now standing at 12 per cent, is the government's persistent nightmare.

It was the perennial shortage of jobs, particularly for the thousands who are turned out every year by Sri Lanka's free education system, that helped to set off last year's revolt. Two weeks ago there was a chilling reminder of this continuing threat to political stability when 80 prisoners, captured during the insurrection, escaped from three camps in different parts of the island. Only a few have been retaken.

The jailbreak offered a dramatic background to the trial which opened on June 12th before a newly established tribunal called the criminal justice commission. Of the 41 people charged as leaders of the proscribed

People's Liberation Front, only four are known to the public. They are Mr Rohana Wijeweera, allegedly the chief of the operation and a graduate of Moscow's Lumumba university, Mr Susil Siriwardena, a senior civil servant and Oxford graduate, Mr Mahinda Wijesekera, a former student president, and Mr Samuel Bandaranayake, a former member of parliament and cousin of the prime minister's late husband. If these four men were typical of the insurgents, then the revolt was, as suspected, a movement by educated young men with a rural background, frustrated by an unproductive economic system and seeking to unseat the westernised élite that runs it. The formal trial which opens in six weeks' time may provide some answers.

Japan

Where have all the flowers gone?

FROM A CORRESPONDENT IN TOKYO

The hero of a Kabuki play goes off stage on a *hana-michi*, or "flowered exit." When he resigned last Saturday the Japanese prime minister, Eisaku Sato, claimed that he was ending his record 7½-year term with an ideal *hana-michi*, since only the day before he had defeated a no-confidence motion in parliament. In fact, he trampled all over the flowers in his path. Normally a master of public relations—to belie his conservative image he appeared in a tinted shirt and wide necktie—Mr Sato suddenly lost his temper with the press. "I want to speak to the people directly," he declared in full view of television cameras. "I hate biased newspapers very much. So please, you reporters, go away."

Apart from the bad press this predictably received, Mr Sato's retirement speech was an anti-climax. He restated his reluctance to jump on the China bandwagon and insisted again that Japan must maintain its alliance with the United States. When he sat down Mr Sato had tears in his eyes. But moments later he was smiling as much as his long-suffering colleagues and looking forward to taking over the role of the elder statesman which has so much prestige in Japan. As a symbol of this intention, he boarded a bullet train on Tuesday for Yamaguchi prefecture, his home constituency in western Honshu, to spend three days of prayer at the graves of his ancestors. For the past century this area has been a breeding ground of wise old statesmen.



A tear at the end of term

Mr Sato's colleagues continued their manoeuvring for the succession, and the trade minister, Mr Tanaka, is still gaining on his main rival, the foreign minister, Mr Fukuda. Although Mr Sato himself has implicitly supported Mr Fukuda, Mr Tanaka has the support of more than half of the sizeable Sato faction as well as many younger members of the other factions in the Liberal Democratic party. He is also reported to have worked out a deal with the other two candidates, Mr Ohira and Mr Miki, who are expected to trail behind on the first ballot. A fifth potential candidate, the flamboyant former defence chief, Mr Nakasone, stepped down this week, improving Mr Tanaka's chances still further. Mr Nakasone had been urged to run by Mr Fukuda's supporters, who calculated that he would take first-ballot votes away from Mr Tanaka. The remaining four candidates will battle it out until July 5th, when the Liberal Democratic party holds its nominating convention.

Chile

Papering over the cracks

No one should underrate President Salvador Allende's gifts as a political fixer. They have helped him to survive the worst cabinet crisis that he has so far had to face. For the moment he has managed to please both the Communists and the Socialists, whose feud was threatening to tear his left-wing coalition apart a couple of weeks ago. On the face of it, the Socialists did best in the cabinet reshuffle announced on June 17th. They now have six jobs instead of four, whereas the Communists still have only three and the Radicals (who now represent only the pro-marxist rump of what was once an important liberal party) have dropped back to two.

The Communists did get two of the things they have been pressing for over the past month : the sacking of Sr Pedro Vuskovic, the minister of the economy, and a renewed attempt to pursue a dialogue with the opposition Christian Democrats. Yet it would be very rash indeed to conclude from this that Sr Allende has now made up his mind to pursue what the Communists want—a "middle strategy" that would involve slowing down the state takeover of private industries and taking tougher action against the would-be guerrillas of the Movement of the Revolutionary Left.

Sr Vuskovic—who used to be on excellent terms with the Communists until they got cold feet when they saw that his programme had helped to create the biggest balance of payments deficit in Chilean history—has been replaced by another horse from the same stable. Like Sr Vuskovic, the new minister of the economy, the Socialist Carlos Matus, is a marxist ideologue with a Harvard degree and close links with the UN's Economic Commission for Latin America. He has worked closely with Sr Vuskovic in the past (and collaborated with him in writing a book on economic development) and is likely to follow the same line in the future. So is another young Socialist with a similar background—Sr Jorge Arrate, who was made minister of mines.

The appointment of a very sober and straitlaced Communist deputy, Sr Orlando Millas, as minister of finance may provide some sort of counterweight to the strong lobby of Socialist extremists in the economic ministries. But Sr Vuskovic will still be there in the background pulling strings. He has popped up again as the vice-president (under Sr Allende) of the executive economic council, a job that will make him a kind of super-minister with the role of banging the heads of the economic ministers and corporation heads together.

So what has really changed? Well, one of the faces missing from the new cabinet is that of General Pedro Palacios, the army engineer who was formerly minister of mines. The general is said to have stepped down because he had ceased to believe that the participation of the armed forces in government was "positive" at this



stage. This may be further proof of the reluctance of the army chiefs to let themselves become too closely identified with a government caught up in an economic crisis. It is doubtful whether Chile's cabinet reshuffle will settle anything. Once again, Sr Allende has resorted to political horse-trading instead of making a fundamental choice of strategy.

The Mediterranean

Nobody here but us locals

FROM OUR CAIRO CORRESPONDENT

The Mediterranean as a sea of peace is a beautiful thought. Its keenest proponents, from among the 17 littoral nations, with their total population of 250m, think beyond the obvious local conflict between Israel and the Arabs to ways and means of cleansing Mare Nostrum of the American and Soviet fleets and of the fear, symbolised by those fleets, of a superpower conflict. The most stalwart champion of this idea is Jugoslavia ; President Tito has served two public reminders recently that with a European security conference in the offing the Mediterranean countries had better make their voices heard. And Presidents Boumedienne of Algeria and Bourguiba of Tunisia, meeting in Algiers at the end of May, have formally called for a Mediterranean conference.

There has been talk of a preparatory committee which should convene some time before the worldwide foreign ministers' conference of non-aligned states that is scheduled for Georgetown, Guyana, in August. But the prospective participants are not at all sure what their Mediterranean conference should be about or, indeed, who should be there. The original Jugoslav idea was for a meeting limited to Jugoslavia, the seven Arab littoral states, Malta and Cyprus ; the emphasis was heavily on non-alignment, and Jugoslavia's particular concern was with the proximity of the Russian fleet to its own shores.

The stress on non-alignment has been eroded by a number of things, not least Egypt's treaty of friendship with Russia. The Egyptians gave evasive answers to Jugoslavia's foreign minister, Mr Mirko Tepavac, when he was in Cairo a couple of months ago promoting the idea of a conference. Although agreeing with the idea in principle, they claimed that the American Sixth Fleet should not be equated with the Soviet Union's naval presence. So the Egyptians go along with the Algerians in arguing that the most useful function of such a conference would be to look for means of tightening the political and economic links between the European Economic Community and the Arab countries on the Mediterranean's southern shore.

All this has led to a new, and singularly clumsy, formula to define eligibility. The conference would not be non-aligned but would include those Mediterranean countries that are "not involved in blocks." This opens the way for attendance by France and Spain. Italy, Greece and Turkey are barred by their membership of Nato. Albania is excluded, perhaps on the pretext of its ties with China. And nobody has suggested that the Israelis should be invited to sit round a table with the Arabs.

The Jugoslavs claim that, when they brought the matter up with the French, they found "an identity of view." The idea may still be too nebulous to arouse strong interest in Paris, but the French are clearly not dismissing it out of hand. They might even, one day, take the show over—and get it going. But none of this need worry either the Americans or the Russians ; the conference, if or when it takes place, has no power to sweep their fleets out of the Mediterranean and, indeed, may not even be talking of such things.

Egypt

Publish and be damned?

The column Mr Mohammed Hussanein Heikal writes each Friday for al Ahram, the Cairo daily newspaper he edits, has long served the purpose of a weekly policy statement—with the added benefit that, since it is not an official policy statement, it ties nobody down. When policy changes, so does the tenor of Mr Heikal's comments ; when there is no policy, and there has been virtually no Egyptian foreign policy for the past nine months or so, Mr Heikal is reduced to wordy meanderings. But his latest contribution, on June 16th, was incisive : the no peace, no war vacuum in which Egypt exists, wrote Mr Heikal, is a "crime" that benefits Israel alone ; unless it is soon broken, the credibility of Egypt's leaders, let alone that of their Soviet allies, will be destroyed.

If, that is, there is still credibility there for the destruction. Egyptians



Heikal says it aloud

have long been saying privately what Mr Heikal has now published, and at their demonstrations in January the students from Cairo university said it publicly. The puzzle is why Mr Heikal has now joined the chorus that points out that the emperor has no clothes. The most dramatic explanation is that Mr Heikal, having inside information that a change in Egypt's leadership is coming sooner rather than later, is making a bid to keep himself on the winning side. The least dramatic is that some sensible person, probably Mr Heikal himself, decided that if people were to see their own depressing, and mildly seditious, thoughts set down in semi-official guise it might take the edge off their potentially dangerous frustration.

In between these two theories a number of personal factors obtrude. Although Mr Heikal's writing shifts with the times, it has never shifted as far as the Russians would like and they have always suspected him as a major influence on the other side. But the suggestion in his article that Russian military aid to Egypt is useless or, at the best, inadequate steps over previous self-censored limits, although it faithfully reflects the exasperation of Egyptians inside and outside the government. Two senior foreign ministry officials were suspended for the far milder reservations that they expressed about the Soviet Union at an al Ahram seminar on the Nixon-Brezhnev summit. Mr Heikal, drawing swords with the foreign minister, Mr Murad Ghalib, had undertaken to get

Continued on page 43

There's always been a quick brain under this

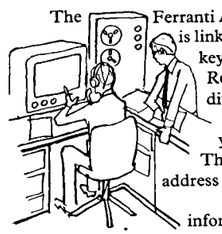
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resources are available in that locality. It also alerts the sub-divisional station, via its Ferranti display.

Every Central Control officer has the facility for instant access by radio to every Birmingham police patrol—mobile or on foot—and also to emergency services like ambulance and fire brigade. Officers at either Headquarters or sub-divisional stations can thus take necessary steps to handle the emergency. As the computer is constantly updated, they can follow each other's actions on their displays. It maintains records of all emergencies and of action taken, and provides daily printed summaries.



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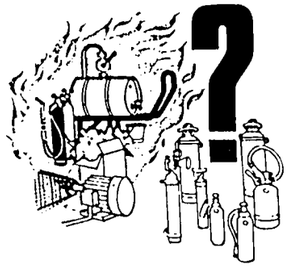
Is CONFUSION when a MIXED added to FEAR RISK fire erupts?

Sir Frederick Delve's advice can help you.

Sir Frederick Delve ? Who's he ?
In 1933, when 31, he commanded the Croydon Fire Brigade and was the youngest Chief Fire Officer in Great Britain. After the early wartime raids on London he was seconded to the Home Office to assist in the planning of the National Fire Service. He became Deputy Inspector-in-Chief of the NFS, and later Chief Regional Fire Officer of the London Civil Defence (NFS) Region.

But the war's been over for ages. Has he rested on his laurels ever since ?
Not likely ! After the war, his leadership brought added glory to the London Fire Brigade, the largest and most advanced in the world.

And now ?
Isn't that enough ? Now, you might think he'd be content to enjoy his retirement, but not so. As a director, he takes an active interest in Nu-Swift International Ltd., the fire extinguisher manufacturers of Elland, Yorkshire. It was in this capacity that he agreed to talk to me about Nu-Swift Multi-Purpose Dry Powder Extinguishers.





Sir Frederick Delve, C.B.E., M.I.FireE.

Sir Frederick Delve explains why Nu-Swift Stored-Pressure Multi-Purpose Dry Powder Extinguishers kill, with startling rapidity, all except a few unusual types of fire, namely those involving live electrical equipment above 1,000 volts, carbon disulphide, and flammable metals such as magnesium and uranium.



Reported by Marjory Crowther

" Sir Frederick," I began, " your firm have been putting out fires with Nu-Swift Extinguishers for many years. But now you have brought out a new range. Why ? What is the difference between these and earlier models ? "

The *mixed risk* challenge

His answer was straight to the point. " The difference is that, as the name implies, Multi-Purpose Extinguishers will put out several types of fire. Because of this, they will also deal effectively with most *mixed* risks. You know what that means ? "

" Well," I countered, " naturally I know what mixed normally means. I mix ingredients for a cake, or I pick a mixed bunch of flowers from my garden."

" Precisely," commented Sir Frederick. " Those are both good analogies. A fire, too, can have several ingredients, either intermingled as in a cake, or with various risks side by side as in a bunch of flowers. So for years the search has gone on for an extinguisher which can safely and efficiently deal with these mixtures. We don't talk about ingredients in a fire though, we talk about classes of risk."

" And they all need different types of extinguisher ? " I asked.

The Multi-Purpose answer

" They *did* require different types of extinguisher," he corrected. " But not any more. Now we have Multi-Purpose Dry Powder Extinguishers. Mind you, BCE Dry Powder Extinguishers, among others in the Nu-Swift range, will put out certain mixtures, such as flammable liquids and electrical risks. The big problem has been to develop an extinguisher which while still dealing efficiently with these fires, would also be effective on most Class A fires."

" Class A risks are wood and paper ? " I volunteered.

" That's right, and things like textile-fabrics, hay and straw," he answered, " Water has always been used to put out this type of fire. For a pure Class A risk water should still be used, indeed for a deep-seated fire such as in a bale of wool or a truss of hay, *must* be used, because of its flowing properties and its ability to penetrate deeply into the burning or smouldering material."

" But water is not suitable for other classes of fire, such as petrol ? " I queried.

" The relatively small amount in an extinguisher could even make them worse. You may have noticed that I said we had been looking for an extinguisher which would *safely* extinguish different classes of fire ? After all, it's no use putting out a fire if you could kill yourself in the process, is it ? Water on some flammable liquid fires could create an explosive situation, in more ways than one ! "

I considered what I had been told, then asked, " May we re-cap ? On the one hand we have water, which will put out wood, for instance, but not petrol. On the other hand we have BCE powder and other extinguishing agents which will put out petrol etc., but not wood."

" That's perhaps an over-simplification," said Sir Frederick, " but broadly speaking, you've got the idea. Right then, that's the problem, and the answer is ' Multi-A ' Powder in Nu-Swift Multi-Purpose Dry Powder Extinguishers."

The proof of the pudding

" I'm sorry to be sceptical," I ventured, " but I can't see why you can put out a wood fire with one kind of powder and not with another."

" Don't apologize," said my mentor kindly, " I agree it does take a lot of believing. What would convince you ? "

" Well," I said hesitantly, " What would *really* convince me would be to put out a fire myself, but I don't think I could."

" *Of course* you could," he laughed, " You know, it wouldn't be you putting the fire out, it would be the extinguisher. Will you be a sport and try ? "

" All right," I said, feeling like Daniel being led to the lions' den. Almost too quickly for me, arrangements were completed, and we made our way to the demonstration ground.

There my fire confronted me. It looked a little like a model of a block of flats surrounded by a wide moat of paraffin, but I was told that the wooden structure was commonly known as a crib. 126 pieces of wood were used to build the crib, and the tray in which it stood on four bricks contained 5 gallons (23 litres) of paraffin.

A 12 kg (26 lb.) Multi-Purpose Dry Powder Extinguisher, Model 1826X, was put into my suddenly nerveless hands, but I was told not to operate it until given the word. Then ½ a pint (¼ litre) of petrol was poured over the crib and a lighted match was thrown on. Whoosh ! Up the flames shot but *still I was not allowed to attack*. A minute and a half passed, which seemed like an hour to me, with the flames leaping up 10 to 12 feet (3-3.7 metres) in front of me, and clouds of smoke billowing into the air. By now the timber was well alight, as well as the paraffin.

" Now ! " the command was given at last. " Will the thing work ? "

I wondered as I pressed the knob, and of course it did. Immediately the powder cloud hit the fire my nervous fears evaporated, and I wielded my extinguisher with confidence. Nor was the confidence misplaced.

Incredibly, *in only three seconds* the worst of the flames were subdued. Now I found myself, without waiting for instructions, moving round the fire and attacking the burning wood from all sides, and also sweeping the flames from the blazing liquid. Then came the great moment when the last remnant of fire disappeared under the powder's onslaught, and I was left with plenty of powder still in the extinguisher. But that was not all. To my surprise, the charred wood was cool enough for me to hold in my bare hands.

" Well done ! " exclaimed Sir Frederick, but I couldn't accept praise that should rightly go to the extinguisher. " Marvellous, marvellous ! " I enthused. " It's as you said—it's the extinguisher that puts out the fire, not the operator. But tell me, *why* will this extinguisher put out a wood fire while the earlier powder models will not ? "

The how and why of ' Multi-A ' powder

" Because the basic constituents of the powder are quite different," he answered. " Forgive me if I seem to be lecturing, but the best way to bring out the *difference* between the two types of powder is to explain first how they are *alike*.

" This is in their effect on Classes B and C fires (flammable liquids and gases). Such fires continue to blaze because of a chain reaction from one burning molecule to the next. Dry Powder Extinguishers interrupt this chain reaction by projecting into the flame myriads of fine particles. These particles, to put it simply, prevent sufficient oxygen from combining with the combustible material to support fire."

" And this does not apply to fires involving wood, etc. ? " I asked.

" Yes, partly it does," replied Sir Frederick. " That is why BCE powder *appears* to extinguish Class A fires. Indeed it often *will* extinguish *surface* Class A fires or, in other words, fires caught in the very early stages before there are any hot embers. In Class A fires, however, there are two different types of combustion."

How does wood burn ?

" Let's think about the wooden crib fire you extinguished. When wood is heated, it gives off gases. At first it is these that burn, and not the solid wood itself. Powder extinguishes these burning gases in much the same way as it extinguishes Classes B and C fires. But there is another element in a Class A fire, and that is the glowing solid carbon residue. This you can perhaps think of as very hot charcoal embers.

" Now, on reaching the fire, ' Multi-A ' powder forms a coating (or crust) round the red-hot embers, and so ' seals ' the surfaces."

Effect of encrustation

" You're with me so far ? " he asked.

" Oh yes," I assured him, " that's quite easy to understand."

" Right," he continued, " now let's consider what this means in terms of fire extinguishment. The coating of ' Multi-A ' powder extinguishes the glowing embers by physical and chemical reactions. As a result, the formation of flammable gases is stopped, so that no flames re-appear after the discharge of powder finishes.

" This ability to seal the wood surfaces is not possessed by BCE powders, so that flammable gases continue to be evolved. When discharge of the powder is arrested, these flammable gases can be re-ignited by the hot embers. As a result, a fire which appears to be out can flare up again and quickly become as bad as before, or worse.

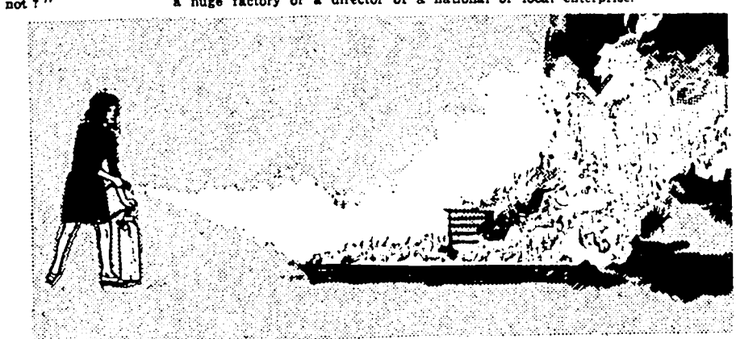
" Believe me, if you are likely to experience fires involving mixed risks, you can't do better than to install Multi-Purpose Dry Powder Extinguishers."

Powder not harmful

" I do agree," I said, " but answer one last question. If, when I used the extinguisher, I had misdirected the powder and scored a bull's-eye on you, would it have harmed you ? "

" Well, I wouldn't welcome a mouthful," chuckled Sir Frederick, " but no, the powder is not harmful. Naturally if you got some in your eye, you would wash it out, as you would any foreign body. If you swallowed some, well, you clean your teeth, don't you ? The chief ingredient of ' Multi-A ' powder is also present in toothpaste. And, in fact, in several foods."

" That's very reassuring," I told him, " as is the whole Multi-Purpose story. I now feel that I have the answer to any fire fighting problem I am likely to encounter. House and car fires are my chief risks, but I'm sure I should feel the same whatever the size or nature of my fire risk, even if I were an industrialist responsible for a huge factory or a director of a national or local enterprise."



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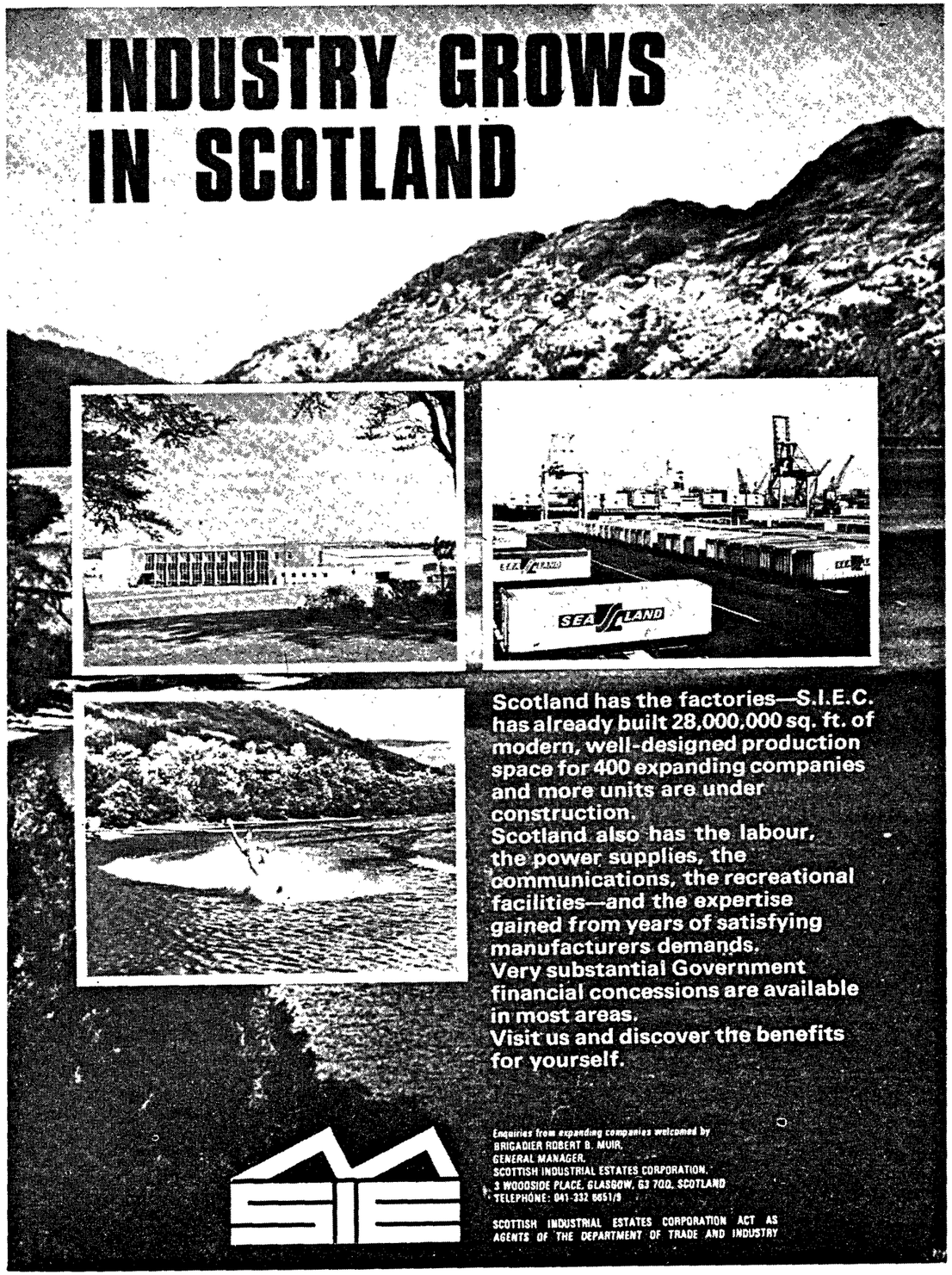
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Continued from page 36

the two men reinstated. And in this he is expected to be successful. At the same time he may have drawn on to his own head the full fire of Moscow's demand for exemplary retribution.

Whatever his motive, and it could be more courageous than it is fashionable to credit him with, Mr Heikal has expressed the truth as most Egyptians see it. It is equally in line with Egypt's present frustrations that he diagnosed the disease without prescribing the cure.

Ethiopia

Traveller from an antique land

It is 37 years since Emperor Haile Selassie paid Britain the compliment of seeking refuge here after the Italian occupation of Ethiopia. He has been here again this week, and went to the Garter service at Windsor on Monday. His country has changed a great deal in a third of a century, but the problem of making sure of a smooth succession when he leaves the scene is still unsolved.

Ethiopia's economy is at last picking up; it has built up a friendly relationship with both east and west that is almost unique; and it remains at the centre of inter-African affairs. But the emperor himself concentrates too exclusively on foreign affairs, including the sessions of the Organisation of African Unity and the recent meeting of the United Nations' Security Council in Addis Ababa. He is overmuch abroad—12 foreign visits in the past year alone, whereas Queen Elizabeth has been content with 25 state visits during her 20-year reign.

So long as the emperor is in full possession of his faculties, these prolonged absences will not endanger the regime. In the attempted coup of 1960 it was the army, not the pampered Imperial Guard, that safeguarded the throne, and the army maintains that support for the time being. But there are other risks. Last year a daring attempt was made by Eritrean dissidents to run a railway truck loaded with dynamite into the Massawa docks when the emperor was on a tour of inspection there. Then a rotor blade came off a helicopter with Haile Selassie and the heir to the throne on board as it took off during a heavy hailstorm; luckily neither was hurt.

Although he has been asked to be more careful of himself—and to refrain from taking the crown prince with him in precarious vehicles—the emperor continues the practice. He also makes little preparation for something going wrong when he is out of the country. If father and son had perished on March 15th last year the succession to the throne, and indeed quite possibly the integrity of the state, would have been in jeopardy. Although the emperor has designated the crown prince as his heir it would not necessarily follow that the latter's son would step into his shoes.



Wrap up warm when you visit England

It can also be asked whether Haile Selassie gives enough attention to the country's domestic problems. He must know that many of his ministers are widely regarded as a corrupt clique. He certainly realises the seething frustration among younger Ethiopians over the continuance in power of the "old gang." The lower house of parliament has on occasion successfully opposed bills passed to it for rubber-stamping; but that is not progress, it is merely the prevention of retrogression in what should be a much more rapidly advancing country. Worse, the impression is given that Haile Selassie regards the Ethiopia that is so much his creation as a plaything to be discarded at his death. He has adapted himself to the needs of his country before—the length of his rule, and his great prestige, are evidence of that—and the question is whether he will be able to do it again.

Questions like this are increasingly being voiced in Ethiopia and among friends of Ethiopia abroad who wonder whether Haile Selassie indeed regards the present system as adequate. There is little provision for its evolution. Yet it is certain that it is not a system which could be long maintained under a successor not having the emperor's immense, and very personal, prestige—at least not without a major change in the supporting cast which will be needed to govern the country under his successor.

No Pole vault

FROM OUR EAST EUROPE CORRESPONDENT

It can be argued that the Poles have a rather special interest in preventing hijacking and that, no doubt, is why they are rather good at it. This correspondent recently made three internal flights on the Polish airline Lot. One was the day after last month's massacre at Lydda airport, another a day after some Czech hijackers had shot and killed a plane's captain in mid-flight. Rarely, since violence invaded the world of civil aviation, has your correspondent felt safer.

It is astonishing how rapidly 100 passengers can get in and out of an Ilyushin 18 airliner when unencumbered by handbags, briefcases, miscellaneous parcels, folding baby-carts, bottles of whisky, dog baskets and the other impedimenta that normally clutter up aircraft cabins. Tickets are issued only on production of an identity card or—for foreigners—a passport and, as a crosscheck, bear both the traveller's name and his date of birth. All hand baggage is labelled and stowed neatly and securely in wire cages. Women are given paper carriers in which to put their "essentials" before surrendering their handbags. Tickets and identity documents are then checked several times before boarding, and passengers pass uninterrupted—unless the bell suddenly starts clanging—through an electronic booth.

As an extra insurance most flights have a large cabin crew; and the Ilyushin 18 from Wroclaw to Warsaw carried a flight deck crew of five men, some of whom may have been pilots under route instruction, but others of whom were clearly there to deter attacks on the aircraft commander. On my flight in an Antonov 24B from Warsaw to Szczecin the stewardess had no means of communicating with the cockpit. This is probably why there is no known case of a genuine political refugee—as distinct from wanted criminals, tax evaders and nuts—choosing hijacking as a means of escape from Poland.

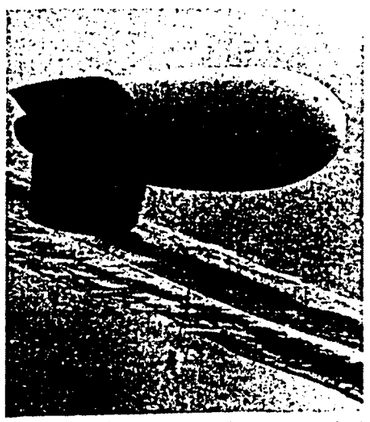
France and the bomb

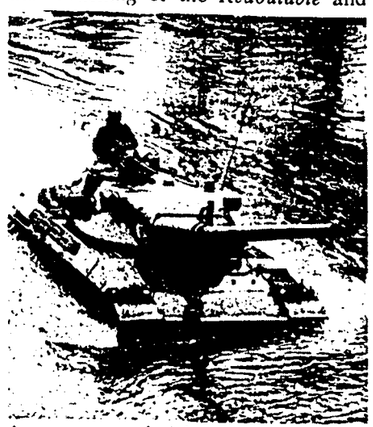
The real price of Mururoa

Since midnight on Monday all ships and aircraft have been warned to stay very clear of Mururoa atoll in the Pacific, where France says it means to go ahead with its nuclear tests despite all the protests. The delay seems to have been caused by a Canadian yacht that has deliberately sailed into the danger zone, and some Australians who plan to parachute into the area. But the French minister of the environment called the resolution sponsored by New Zealand and Peru at the Stockholm conference which condemned nuclear tests "a waste of the conference's time." French officials claim that the explosions will be small and clean, and it is true that a small weapon exploded high enough creates little radioactivity. But then France badly needs tests, clean or dirty, to develop a thermonuclear warhead—without which its nuclear deterrent, the *force de dissuasion*, remains markedly incomplete.

France has one nuclear submarine in service at the moment, the *Redoutable*, but it carries fission weapons, not thermonuclear ones. The range of its missiles is so short that it has to sail some way east of Brest (as far as Norway or the eastern Mediterranean) before it can be really in range of Russia. The present French missiles travel only 1,560 miles; even when this is stretched to nearly 1,900 in the next three submarines to be built it will still be short of the 3,000-mile range of Britain's latest Polaris missiles. The aim is to have five *Redoutable*-class submarines in service by 1978, each with the slightly longer-range missiles and with thermonuclear warheads. Hence these tests. Until then, the deterrent will depend largely on 18 land-based missiles in Upper Provence, which even in their imitation-American silos are highly vulnerable, and 36 nuclear-armed Mirage IVA jets. Since the Mirages are dependent on refuelling in mid-flight very few could get through to Russia.

The French seem to have overcome most of the problems associated with a nuclear submarine force. They have apparently mastered the inertial guidance system (which does not need to refer to any external source and therefore mitigates the risk of detection) and are on the verge of setting up workable very low frequency command and control links at Rosnay in central France and Pencran next to Brest. The trouble is that France's submarine force may not arrive in regular service—that is, with enough vessels to enable at least one to be on patrol all the time—until the late 1970s, when they will be becoming obsolete. It is unlikely that France will keep to its theoretical timetable of three submarines in service by the end of 1974. It was nearly five years between the launching of the *Redoutable* and its first operational patrol in January this year—from which it returned suspiciously early.





If your nuclear tests, and costs, go ballooning your army is left looking pretty wet

Squeezing the services

The remarkable thing about the French nuclear deterrent is how all the costs of developing it from scratch have been paid for in defence budgets which have formed a steadily declining proportion of the national income. Between 1967 and 1970 France's defence budgets have shrunk from 5 per cent to 4 per cent of its gross national product. This year the figure is down to 3.15 per cent of gnp, which is equivalent to just under 4 per cent on the British method of calculation. The capital and operating costs of the nuclear deterrent, although lower than they were, still eat up an enormous slice of the total defence budget—nearly a fifth in 1971, compared with less than a thirtieth in Britain's case. But then Britain bought American and paid its nuclear bill earlier in the 1960s.

The real sufferers in France's drive towards nuclear independence have been its conventional forces. M. Michel Debré, France's defence minister and standard-bearer of much that de Gaulle stood for, has made savings by trying to peg wages and reduce the number of regulars in uniform. But it has proved less politically damaging to spread the jam thinner and slow down the issue of modern equipment to all three services. For instance, the first Loi-Programme for the army—its five-year defence plan for 1960-65—budgeted for five mechanised divisions. The second, for 1965-70, admitted that only three divisions could be fully modernised and of those only two are as yet properly equipped. This has left the French army, the largest in western Europe, badly underequipped. The main French battle tanks, the AMX-30s, are as good as any. But there are too few of them; the west Germans have three times as many tanks, and the British army in Germany alone has as many as the entire French army.

The navy and air force have not fared much better. Two years ago the navy's chief of staff, Admiral Patou, resigned in protest at the raw deal the navy was getting, apart from those nuclear submarines. The air force has less cause for complaint, but some officers still claim that export orders for aircraft get priority over their own requirements.

Yet the services seem determined not to take these financial constraints lying down. This year the navy has produced a plan which would give it two aircraft-

carriers, two helicopter-carriers and some 30 frigates by 1987. That is the sort of multi-role force the British navy has been fighting a losing battle to keep. Astonishingly, in such an un-seaminded nation, the government has accepted the navy's plan; and it is hard to see how M. Debré can fail to accept equally ambitious plans from the army and air force. So the idea of paring defence spending down to 3 per cent of gnp by 1975 looks unreal.

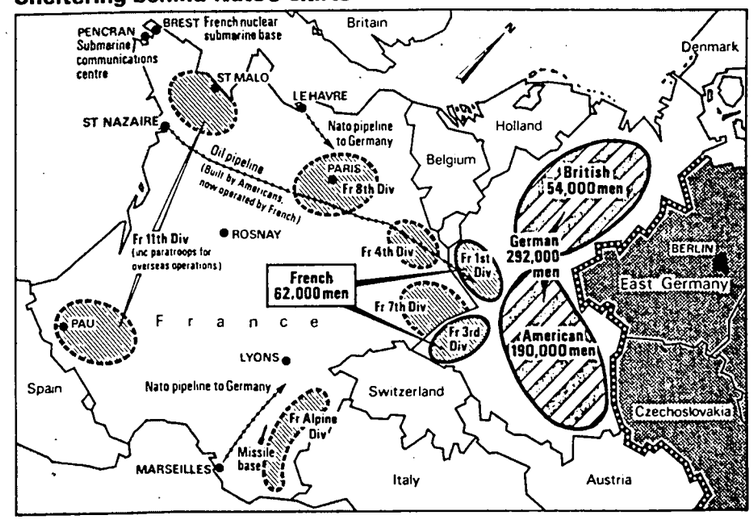
The protected anachronism

France is the only nuclear country left which still believes in massive nuclear retaliation. It has little patience with the Nato doctrine of flexible response. The French view has moderated since the middle 1960s, when General Ailleret enunciated the strategy of *tous azimuts* —"defence against all points of the compass," meaning America as much as Russia. That high-water mark of gaullist nuclear policy has been described as "more spleen than strategy." France now admits that it does not have enough missiles, and the missiles do not have enough range, to direct its nuclear policy towards both America and Russia even if it wanted to. And it is now equipping itself with the Pluton tactical nuclear missile, which should theoretically make its nuclear strategy more flexible—although the reason for Pluton seems to be as much to give the French army a piece of the action as to give the French president more time to reflect before firing his strategic nuclear weapons.

The irony is that France can afford this all-or-nothing line because, although it scorns Nato, it can none the less shelter behind Nato's front line in Germany. It can therefore argue, as General Ailleret put it, that "the conventional forces—infantry, air force, tanks, artillery—of a nuclear army have no other job but to cover, take advantage of and bring to a conclusion atomic battles." They are not designed, as the Nato forces are, to fight off the first attack and so provide a delay during which an attacker can be persuaded by the nuclear deterrent to think better of what he is doing.

Mopping up for the nuclear force is also one of the main tasks expected of France's exceptionally large territorial army—the body known as the Défence Opérationelle du Territoire (DOT). France differs from most other European countries in having a large number of regular troops, 61,000, organised in military districts inside France itself. The district commanders work closely with the prefects—the

Sheltering behind Nato's skirts



local representatives of the central government—and other elements of the civil power, notably the 63,000-strong gendarmerie. And this is only a skeleton which can be fleshed out by mobilisation.

French forces have not been integrated with Nato's since de Gaulle withdrew from the military side of the alliance in 1966. But France never completely broke off contacts with Shape (Supreme Headquarters Allied Powers Europe). There is still a French military liaison mission. And France still plays a part in 10 Nato agencies. The most important are Nato's air early warning system, without which the French Mirages and land missiles would be caught napping; the operation of oil pipelines which run across France to Nato forces in Germany; and the Nato anti-submarine warfare research centre at La Spezia in Italy. Three Nato agencies still have their headquarters on French soil. At one time it looked as if the French were going to be sticky about granting overflying rights to Nato aircraft. But now flights are cleared almost as a formality on a yearly basis.

The French attitude to Nato remains selective. But the number of exercises held in conjunction with Nato has increased, largely as a result of representations made to de Gaulle by the French chiefs of staff after the invasion of Czechoslovakia in 1968. In last summer's French manoeuvres the air forces of six Nato countries represented the "enemy" and the French air force defended the country against them. French admirals have actually commanded joint Nato exercises in the Mediterranean. The navy was the first of the French services to be withdrawn from Nato, in 1959, because it was the one that drew least attention; now it is proving the easiest one to put back for the same reason. There is a continuing two-way flow of information between the French navy in the western Mediterranean and the American Sixth Fleet and other Nato units. Last November the American, British, Dutch and Italian navies took part in amphibious landings on France's Corsica.

Joint manoeuvres on land are still a trickier business. But the two French divisions in Germany do discreet exercises with the Americans. The links between local commanders are very strong, and the more that can be done together without having to get permission from M. Debré's office in Paris the better French officers like it.

Nato lacks two things from France. One is a public commitment to fight if Nato fights. The other is the ability to use French forces to plug weak spots in Nato's front line. France's two divisions in Germany could, with advantage to Nato, be moved farther east and farther north to where British forces have the flat north German plain to defend. But that would probably mean complete French reintegration into Nato. And, whether M. Debré or someone else is defence minister, that still looks very unlikely. France is interested only in its own defence.

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THE WORLD

American Survey

ELECTION '72

McGovern's next task

Washington, DC

Senator George McGovern wound up the Democratic party's series of presidential primary elections with a sweeping victory on Tuesday in New York State. On this occasion he was not confronting Senator Humphrey in any direct way, but in some big and middle-sized towns he did have to fight the entrenched Democratic party machines and he defeated them almost everywhere. In Buffalo, for instance, the local leader is Mr Joe Crangle, who is also Democratic chairman for the state. The candidates for delegate who were put on the ballot by Mr Crangle were pledged long ago to vote for Senator Muskie at the national convention if they were elected, though little was said about Mr Muskie in the primary campaigns. Their advantage was that they were the well-known names in local politics, while the McGovern candidates were not. Mr Crangle's machine failed to get out the vote and his candidates were beaten. Mr McGovern's staff is now seeking a reconciliation with Mr Crangle, whose support will be needed against Mr Nixon in the general election in the autumn. Only in Albany did the local machine prevail against Mr McGovern.

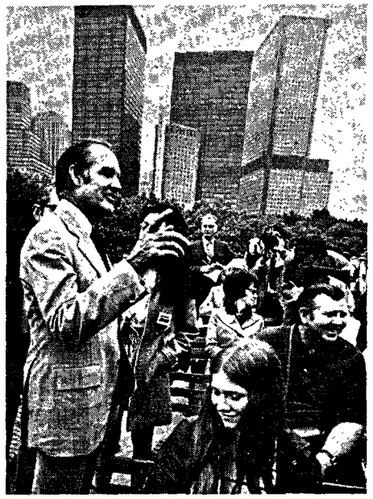
The result is that, out of the 237 candidates for delegate to the national convention who were pledged to Mr McGovern, 226 were elected. The state Democratic committee meets this weekend to choose another 30 delegates to complete New York's total of 278, the largest delegation to the convention. It is likely that Mr McGovern will get not less than 25 of those, making perhaps 251 from New York instead of the 200 or so that most people expected. With New York included, a conservative calculation of his pledged delegate strength now comes to 1,320 and a fraction. The magic number, the majority of votes at the convention, is 1,509 and he is, at the very outside, 189 short of it: a few small state conventions may narrow the gap a little more this weekend. It is hard to see how Mr McGovern can fail to be nominated on the first ballot at Miami Beach on July 12th.

At roughly this point in the Democratic presidential campaign four years ago the first challenger to the established party leadership, Senator Eugene McCarthy, had collected about 600 delegates, or half the number that Senator McGovern now has. The second challenger, Senator Robert Kennedy, had been shot dead. The nomination went to the then Vice President, Mr Hubert Humphrey, who had not fought any primary elections at all but whom the party establishment supported.

Where the party's establishment—the Democratic state chairman, the governors and mayors and members of Congress—were able to stop Mr McCarthy they have, almost to a certainty, failed to stop Mr McGovern. In part this is because Mr McGovern's determination to get the nomination, and if humanly possible the Presidency, is enormously greater than was Senator McCarthy's. The McCarthy insurgents pointed the way in 1968 and not merely by the manner in which they mobilised for work in the precincts in the primary campaigns. They also showed how a determined group could take over a party meeting or a local convention. The McGovern insurgents have done the same thing in a vastly more systematic way.

Mr McGovern was chairman of the commission to reform the party's rules which was called into existence by the Democratic convention in 1968. Under his guidance the commission ruled out many time-honoured dodges by which the party's elders had been accustomed to maintain continuity. Mr McGovern was personally determined that the reforms should be far-reaching: "I do not ever again want to see a convention like the one in 1968," he said. The commission's report came out in February, 1970, and the Democratic National Committee made it the basis for the 1972 convention—the basis, that is, on which the legitimacy of delegates can be challenged. One ground for challenge, the failure of a delegation to reflect reasonably closely, by race, age and sex, the composition of the party's voters in the state from which the delegation comes, was ruled invalid by a federal court this week in respect of Mayor Daley's contingent of the Illinois delegation. A higher court then reversed the first court's ruling but the litigation is not over.

Mr McGovern's preparations for running for the Presidency began not long after he relinquished the chairmanship of the reform commission, but not many people then thought of him as a formidable candidate or anticipated what followed. In the event his supporters have used the McGovern rules to remove control of the national convention from the men who have usually exercised it, the party leaders



The winner

in the states and cities.

While it is a little early to say what the composition of the convention will be after all the credentials challenges have been fought out, it looks as if about four-fifths of the delegates will be attending a national party convention for the first time. Another effect is that state governors, senators, congressmen and mayors will be found sitting comfortably in the guest galleries instead of being packed onto the floor of the hall. The trade unions, which so often do so much of the actual work for a Democratic presidential candidate, are also going to be underrepresented at the convention.

While the right to choose among presidential candidates has thus shifted to realms untrod by professional political feet, much of the power and influence over the conduct of public business, and possibly over the outcome of the presidential contest in the autumn, remain where they always were—in Congress, in the law offices and banks, in governors' mansions, state capitols and city halls, in the hands of those same middle-aged white males whom the McGovern rules have put out of fashion.

Mr McGovern, a quiet man himself, could not have got where he is without a lot of china being broken, but now he has to damp down the uproar and soothe the bruised feelings if his party's nomination is to be worth having. As he found when he interrupted his campaign in California to visit the Democratic governors at a meeting in Houston, Texas, bruised feelings find their outward expression in fears that he will bring electoral disaster on the entire Democratic party in November and in derisive questioning of the policies that he is associated with. Some of these are not exactly his policies but there are legitimate grounds for question in the arithmetic of his scheme for an income supplement and in the solidity of the budget savings which he proposes—$28 billion a year in income tax reforms, $32 billion in defence cuts —to pay for his social improvements.

Mr McGovern has said often enough that his policies are not graven in stone and of course they are not. The exception is the termination of any further American part in the war in Indochina, on which he refuses to budge a millimetre. If, however, he shows too easy a readiness to compromise on his domestic policies he runs two kinds of risk. Solid men like Senator Muskie, who has some delegates whom Mr McGovern would like to see on his side, and Governor Gilligan of Ohio, who is a natural McGovern supporter still pessimistically holding aloof, are liable to conclude that he is a lightweight without real opinions. Young enthusiasts and intellectual sympathisers are exposed to the fear that the quality that inspires their devotion, the quality of being different from ordinary politicians, may prove illusory as Mr McGovern comes closer to grasping power. So a large task of reconciling opposites looms up before him. To suppose that he has not anticipated it would be to underrate his entire performance so far, but large the task certainly is.

Senator Edward Kennedy introduced a surprise into the Democratic contest last week by conceding to the correspondent of the Boston Globe that he might indeed consider being the candidate for Vice President with Mr McGovern as the presidential candidate. However, he has now once again denied flatly that he will be a candidate for any office this year. And when Mr McGovern gets the nomination he will make his own decision about whom he wants as an associate. The name of Kennedy would bring him a compelling popular appeal, hard to resist. Governor Reubin Askew of Florida has often been mentioned as the kind of alternative choice that would reassure the older voters and give Mr McGovern a fighting chance in the southern states. He is unlikely to choose a nonentity who could be guaranteed not to offer him competition. He has no need to fear a rival.

Waiting for God

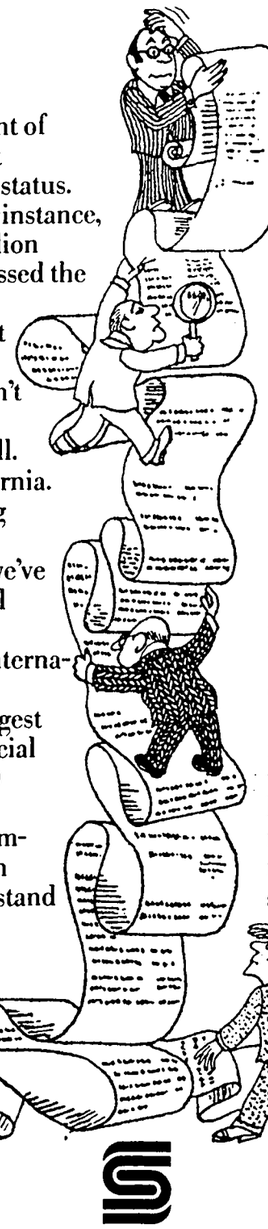
Once it was music which brought the young out in their thousands. Now it is God. Last week over 100,000 ardent crusaders swarmed into Texas for a week of festivities which were a cross between a boy scout jamboree, a rock festival and a revivalist meeting. The faithful, almost entirely white, middle-class schoolchildren and students, came to learn how to convert the whole world to Jesus by 1980. For this they paid $25 each to attend seminars on such subjects as sexual morality and "how to live with your parents," to hear a star cast of preachers which included the Reverend Billy Graham, to cheer and yell slogans for Jesus—"two bits, four bits, six bits, a dollar. All for Jesus stand up and holler"—and to listen to rock music played by the Armageddon Experience. It was all good clean fun. There were no drugs and no violence and the Dallas police were happy to find that for a change the young regarded them as friends and potential converts rather than as pigs.

Explo '72—the name was chosen to suggest a spiritual explosion—was the biggest evangelical training camp ever held in America. It was a highly efficient, well-planned and well-financed occasion. Mr Bill Bright, a businessman from California who founded an organisation called Campus Crusade 20 years ago, has been planning the festival for three years; it has cost $2.7m. But Mr Bright has still more ambitious plans. He hopes to increase his staff of 2,000 to 10,000 by 1976. By then he wants 5m volunteers in his Great Commission Army and to have crusade missions in all countries of the world. Everyone who attended the rally is now expected to recruit five more crusaders.

The Jesus Movement, which is the name for the sudden interest in Christianity among the young, has surfaced in numerous different forms. The very respectable, short-haired enthusiasts who gathered at Dallas were at pains to dissociate themselves from the long-haired, unconventional Jesus Freaks and Children of God; many of these, substituting God for drugs, have dropped out of university or have run away from home. But the new fundamentalists have much in common. In contrast to the traditional churches, most of which are actively involved in current social and political problems, the newcomers have withdrawn into their own spiritual isolation. Rather than worry about the war in Vietnam, racial tensions or poverty, they quote chunks of the Bible, clock up large numbers of conversions and wait enthusiastically for the Second Coming.



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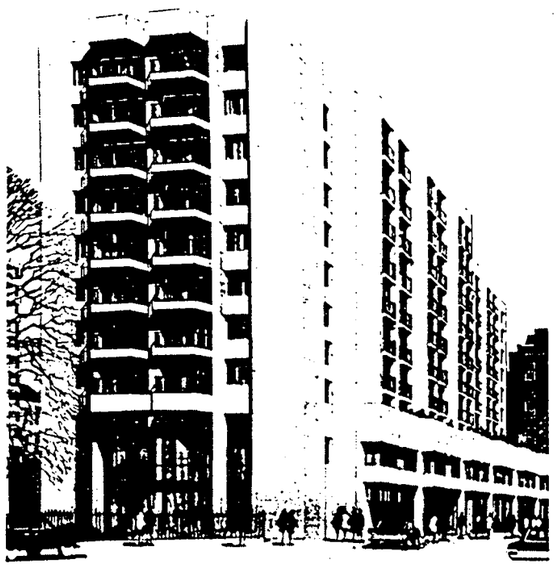
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Bugged politics

It is a scandal to warm the heart of any Democrat. Five men have been caught red-handed trying to fit eavesdropping devices into the Washington headquarters of the Democratic party. All five have connections either with the Republican party, the Central Intelligence Agency or the band of Cuban exiles who spend their time plotting to overthrow Dr Fidel Castro. One of the five, Mr James McCord, is an ex-CIA agent who was engaged as the chief security consultant to the Republican party's Committee to Re-elect the President. The committee is headed by Mr John Mitchell, the former Attorney General who is a close friend of President Nixon's. Mr McCord has now been dismissed from his post. Two of the others caught in the raid are thought to have had dealings with Mr Howard Hunt, another ex-CIA man who has worked as a part-time consultant to a White House aide. It is guessed that Mr Hunt may have been acting as a link between the Nixon Administration and the anti-Castro Cubans in Miami.

Mr Lawrence O'Brien, the Democratic party's chairman, has filed a \$1m suit against the Republicans' presidential campaign committee for invasion of privacy and violation of civil rights and of wire-tapping laws. In defence of the Republicans Mr Mitchell has said that the men were not operating with his consent. The chairman of the Republican party has deplored the action. The President's press secretary has denounced what he called "a third-rate burglary attempt." Meanwhile the five have chosen to stay in prison where they cannot be questioned although, judging by the money that was found in their hotel rooms, they could well afford to pay the low bail that has been set.

According to those who know about wire-tapping, it is not uncommon for candidates who are up for election to bug the offices of their rivals. The experts also say that, if the Republicans wanted to discover the Democrats' secrets, there were more effective ways of doing so. The five were caught with equipment which went out of use in the 1950s. Furthermore it was a job which one person could have handled. It has now been suggested that the men were in fact removing bugs which they had planted earlier.

Senator McGovern sees the episode as the logical result of the Administration's widespread use of wire-taps. But this week the practice had a setback. The Supreme Court ruled that it was unconstitutional to tap wires of those suspected of domestic subversive activity without first obtaining a court order. Only the suspicion of a foreign threat to the national security or the possibility of serious, organised crime justifies wire-tapping without court permission.

Democrats against Nixon : 9

ELECTION '72
Unique Chisholm



Washington, DC

Most humble of the Democratic presidential candidates in the material trappings of a political campaign, Representative Shirley Chisholm of New York is the proudest in spirit. "I am the only one who is unique," she said at a time when the field was more crowded than it is now, "they all look alike to me—all white and all male." Her scorn for Democratic leaders of the conventional stripe does not stop at their sex and colour. She elaborates with a cutting tongue, contemptuous of the etiquette that usually inhibits leading members of the same party from abusing each other in public.

When Mrs Chisholm addressed the National Press Club in Washington in April, an appearance which was a huge success, she said of Senator Muskie and Senator Humphrey, who then were, or appeared to be, the leading contenders: "Talked out, played out, worn out—neither man any longer has the attention of the electorate." Her audacious dismissal was quickly shown to be not altogether unfounded as far as Mr Muskie was concerned. For the less quenchable Mr Humphrey she had a special word:

> A fatally flawed relic of the old days . . . distinguished today mainly by the gift of compressing the largest amount of words into the smallest amount of thought.

Her scorn is perfectly sincere. Her self-esteem is intact. When she explains her qualifications for the Presidency to the modest crowds that turn out for her campaign meetings, as she often does at length, this does not seem to reflect any need for reassurance. Knowing how universally it is accepted that the American electorate would never vote for a black or a woman (and she is both), she is "out to repudiate the ridiculous notion." That is what her candidacy is primarily for. It does, however, have a second, more concrete purpose: to gather a sufficient body of delegates committed to herself to give her some power at the Democratic National Convention next month, power which she wants to ensure that the black interest gets attention. A hundred delegates, she thinks, would serve the purpose, but she only has about 30 so far and few, if any, more to come.

Her colour does not guarantee her the support of other black politicians or of black leaders generally. Male chauvinism is even more firmly entrenched in the black community than in American society generally. In Congress Mrs Chisholm has always gone her own way without much heed to anybody, including the black Representatives who repaid her by offering no encouragement to her candidacy. The National Black Coalition has not given her any support either. The thing about black male politicians, she has said, is that they are no different from white ones.

Thus Mrs Chisholm needs all the self-confidence with which she is so well endowed. Her ample stock of self-reliance can perhaps be understood by looking at how far she has gone already. Her parents came from Barbados to Brooklyn, where she was born in 1924; she did well enough in the New York school system to get scholarships and go to Brooklyn College and Columbia University. The hardest part of her life was finding employment as a black professional woman, but she became a nursery-school teacher and then a consultant on day care for young children to the New York City Board of Education. A series of audacious revolts against the black political machine in the Bedford-Stuyvesant section of the city and then against the borough, district and state Democratic party organisations got her first into the New York State

Assembly and, in 1968, into the House of Representatives in Washington. There have been, and are, women congressmen and black congressmen, but Mrs Chisholm is the first black woman in Congress.

As such she was something of a social lion before she became a presidential candidate and her record of attendance at the House of Representatives leaves something to be desired. When there she has voted and spoken as a somewhat idiosyncratic liberal—a root-and-branch opponent of the Administration's policy in Indochina, a champion not only of Negroes but also of other minority groups (she has an adequate command of Spanish), of more generous relief programmes for the poor and of women's rights, including the right to abortion; the prevailing laws restricting abortion she characterises as "compulsory pregnancy." Slim, angular but not unfeminine, and neither pretty nor ugly, she is not indifferent to vanities and has taken to dressing rather well. Mr Chisholm, a Negro of Jamaican origin to whom she is happily married, is not trotted out for display as the wives of the male candidates are; he takes no visible part in her campaign.

Busing in and out

Judge Roth of Detroit is not a man to be deterred by trends. Just eight days after a federal appeals court in Richmond, Virginia, ruled that schools in predominantly white suburbs did not have to exchange pupils with those in the dominantly black central city, in order to achieve racial equality, Mr Roth went ahead and ordered for Detroit the most far-reaching plan of this type contemplated anywhere in the United States. In March the judge had ruled that busing children around the entire metropolitan region was the only way to bring racial integration to the schools of Detroit. And now he has set a planning group to work out the details of achieving his goal: the "complete and final desegregation" of Detroit's schools by September, 1973.

The Roth order and the plan which emerges are certain to be challenged in the courts. The higher education bill just passed by Congress contains a controversial amendment stipulating that no court-ordered busing need be carried out until all appeals have been exhausted or until the bill itself expires in 1974. President Nixon wants Congress to pass laws halting such busing even more firmly. And in Michigan itself, ordinarily a liberal Democratic state, the unpopularity of busing in the interests of racial equality led to the victory of Alabama's conservative governor, Mr George Wallace, in the state's presidential primary election.

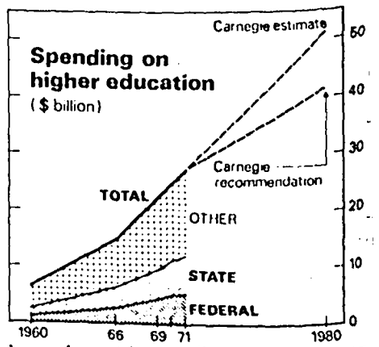
What Judge Roth envisages is a massive exchange of pupils, including even the youngest who attend school only half a day, and teachers as well, among Detroit and its 53 suburban districts. His intention is that the average school anywhere in the metropolitan area would have blacks comprising about 25 per cent of the student body and 10 per cent of the teaching staff. He believes that the length of the average bus journey to achieve this ratio would be around 40 minutes each way and that the burden of travelling should be shared by both blacks and whites.

Riding buses to school is by no means uncommon in the Detroit area, the judge observed; "the greatest change is the direction of the buses." But that is just what white suburban homeowners cannot accept—the transporting of their children back to the tensions and blight of the city which they moved to the suburbs to escape.

Grants at last

The protracted and bitter row about school busing has obscured the fact that Congress has dramatically improved and expanded federal aid to colleges and universities and to their students. The higher education bill, two years in preparation, finally overcome its last hurdle when the House of Representatives passed it this month. The bill has been called, without exaggeration, the most important piece of educational legislation since Congress created the "land-grant" colleges, the forerunners of many of the state universities, in 1861. The size of the funds —about $19 billion over three years—which have been authorised is not the least important part of the bill although Congress is likely to be less generous when the time comes actually to appropriate the money.

There are two major novelties in the bill. One is the provision, for the first time, of direct grants of money to colleges and universities to spend as they see fit. The other is the adoption of a system of guaranteed annual grants for all students, similar to that used in Britain. This will be the first time that the federal government has made money available in such a clear-cut form that any student, no matter



how low his family's income, can expect to have a university education if he meets the academic qualifications for a place.

The college community which has worked for this legislation for several years is not, however, entirely overjoyed. The specific formula for institutional aid laid down by the bill directs that 45 per cent of the money be shared among institutions on the basis of the number of federally assisted students that they have. Another 45 per cent is to be shared out on the basis of the total federal aid to students at the institution and the remaining 10 per cent according to the numbers of graduate students. What the universities had wanted was a direct grant based on their total enrolment. The bill's formula could compel universities to discriminate against the middle-class student and take in a preponderance of poor in order to increase their share of federal aid. Also the fact that the annual student grant will be reduced for students whose families can help with their expenses and that it will be taken away entirely from those with family incomes over $13,000 a year may also encourage the trend which worries many universities—the polarisation of their students into the very rich and the very poor.

Looking to the future, last week the Carnegie Commission on Higher Education delivered some harsh truths about university finances. If spending continues to grow in the 1970s as it did during the 1960s, the annual expenditure on colleges and universities will reach nearly $51 billion by 1980, nearly double the present amount. The commission recommended flatly that the rate of spending on higher education be reduced by 20 per cent in order not to consume an excessive share of the gross national product. The commission's recommendations were also succinct: an average university course of three, not four, years; a fuller working week for

academic staffs; the elimination of students who attend university only reluctantly; and a moratorium on new doctoral programmes to end the current glut of PhDs. Even with these cuts the commission found that current aid from the federal government would have to increase fourfold by 1980.

Monetarists' gain

Washington, DC

In a world of increasingly arcane groups and concepts expressed in initials, the addition of a new one cannot be welcome. But RPD may mark a significant evolution in the conduct of monetary policy—certainly in America, and eventually in other countries. RPD is the shorthand that the Federal Reserve Board, the central bank, uses to describe the newest refinement in its long search for a good operating "target" to enable it to do better what it has always been supposed to do: govern the growth of the nation's supply of money, however defined. The initials are derived from the longer name of the target: reserves available to support private deposits, excluding government and inter-bank deposits. This did not even exist as a concept, let alone in a statistical series, until early this year.

Apart from the discount rate (the interest charged by Federal Reserve banks on loans to member banks), which is largely psychological in its effect, the central bank's only real weapon is the supply—or contraction of—"reserves" in the private banking system. Over any extended period, the amount of reserves governs the growth of the total supply of money and bank credit. But from week to week, or even month to month, the Fed has found it very difficult to know just how to operate (buying or selling government securities) to achieve its own monetary goals. In the last half of last year, for example, the Fed wanted to slow the growth of its money supply and the other monetary "aggregates"; but, as it turned out, there was a virtual halt to growth, which the central bank never intended.

The new RPD operating target—aimed at better control of the "real world" aggregates of total bank deposits—was adopted in secrecy last February. Recently officials have become more free in discussing what is involved. Three main things can be said:

1. The new system has proved technically feasible, at least so far. In effect, it is a complex refinement of the instructions to the "manager of the open market account" in New York—who is similar to, but not identical with, the "government broker" in Britain. He now knows a little more precisely than before what he is supposed to do: namely, to achieve a specified percentage range of growth of RPD.

2. RPD is an almost natural outcome of the slow swing in emphasis in the Federal Reserve toward controlling monetary aggregates rather than interest rates. It is simply a more precise way of controlling the aggregates and it has been adopted in full awareness of the monetary paradox that controlling aggregates necessarily involves permitting more fluctuation of short-term interest rates than under the old system.

3. This refinement by no means involves a conversion of the Federal Reserve Board to the purely monetarist theories of the school headed by Professor Milton Friedman. In particular, it does not mean abdication of discretion. Although Mr Friedman, somewhat despairingly, has long urged that the Fed simply select as a target a reasonable rate of growth for the money supply and stick to it indefinitely regardless of the business cycle, a high official of the central bank said the other day that "adopting RPD is a long way from adopting a fixed rule." Indeed, the manager of the open market account can even deviate from his target if interest rates fluctuate too sharply. It is still a world of men and not of mathematics.

None the less, RPD represents a further gain for the monetarist view, in that it is based on the desire to control the aggregates better. With due humility, Federal Reserve officials, including the chairman, Dr Arthur Burns, have made the tentative judgment that the new system may help them avoid the unintended and destabilising swings in the money supply that have often characterised the recent past.

Court plays ball

Washington, DC

If there was ever any doubt that baseball enjoys a special affection among Americans of every stripe the Supreme Court has settled the matter. Candidly acknowledging that the sport's exclusive exemption from the anti-trust laws is an anomaly and an aberration, the Court none the less sustained baseball's ironclad "reserve system" and threw out a suit brought by Mr Curt Flood, a one-time star outfielder who was upset when the St Louis Cardinals traded him in 1969 to the Philadelphia Phillies.

Mr Flood had some powerful support in his attempt to modify baseball's standard contract, which binds a player to the team that owns him. His suit for $3.1m in damages was supported by the players' union and the appeal was argued in the Court by one of its former Justices, Mr Arthur Goldberg. They contended that, even if Justice Oliver Wendell Holmes was correct in 1922 when he established baseball's exemption from the anti-trust laws, the sport's subsequent financial growth, the switches of teams from one city to another and the mounting revenues from radio and television provided irrefutable evidence that today baseball is a business in interstate commerce and thus subject to these laws.

Much of this was accepted and conceded by Justice Harry Blackmun, who delivered the 5 to 3 decision. But five decades of tradition and the undeniable affection that the sport commands overcame logic and legalisms. Mr Blackmun sprinkled his opinion with the names of stars. He quoted poems by sportswriters and he referred readers of the court's opinion to the baseball encyclopedia and other writings on the sport.

Since Congress has also been unwilling to expose baseball to anti-trust laws, any change in the special economic status of the sport will have to be made by negotiation between the owners of the baseball teams and the players' union. Not having the law to fear, the owners are unlikely to be very yielding.

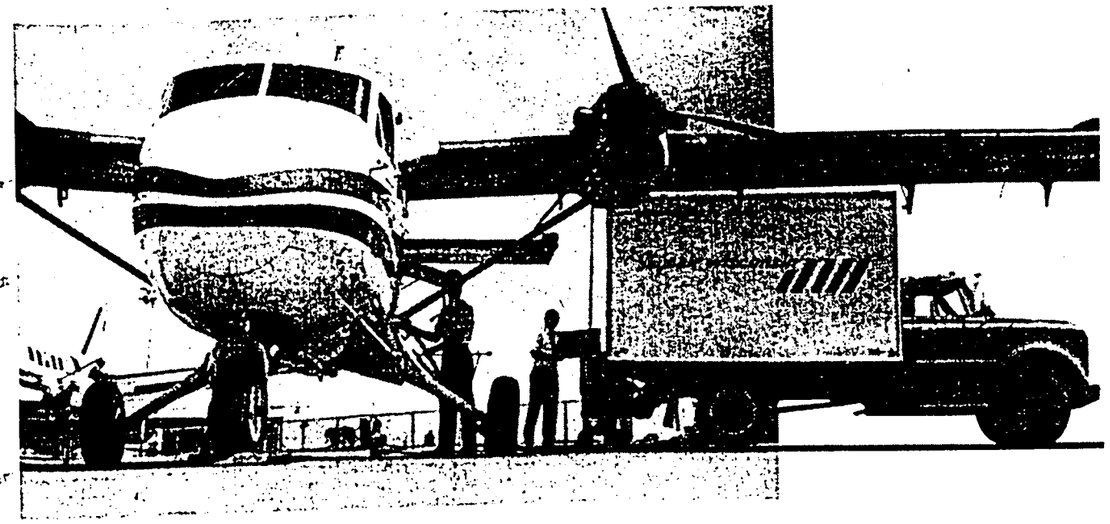


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Sports brief

Jack goes dormie two

Pebble Beach, California

Jack Nicklaus won the 72nd American Open Golf Championship on Sunday on the picturesque but difficult Pebble Beach course After his victory in the Masters tournament in April, this gives him the first two steps in his quest for a sweep of golf's four major tournaments: a feat so far accomplished only by the late Bobby Jones, golf's golden boy of the 1920s (and two of Bobby Jones's tournaments were amateur ones).

It can be argued that this latest victory stemmed as much from the awe with which Nicklaus's fellow golfers regard him as it did from his playing, which was decidedly shaky in places. As in the Masters, Nicklaus's competitors fell away from him just at those times when a surge from one of them would have put him under great pressure. His winning score of 290 for the 72 holes, two more than par, was unimpressive, even allowing for the unfavourable conditions.

The course conquers

From another point of view, the real star of this tournament was the course itself. It defeated all the players. Lying jewel-like along the cliff-tops of a rugged stretch of coastline, the Pebble Beach course has always been famed for giving away little and punishing mistakes severely; there are a number of holes where a wild shot can easily wind up on the beach. Last week, however, the course inflicted most damage with more mundane hazards : narrow fairways that demanded precise tee shots; long, thick rough that grabbed and twisted clubheads attempting to cut through it, and thus sprayed recovery shots in all directions; numerous bunkers filled with new, loose sand that prevented the players from pitching their shots as near the pin as they can from the bunkers at most courses; small greens that played at different speeds because the wind dried them out differently; and a sea breeze that on the final day grew so strong that a regatta scheduled to be held in the bay below had to be cancelled.

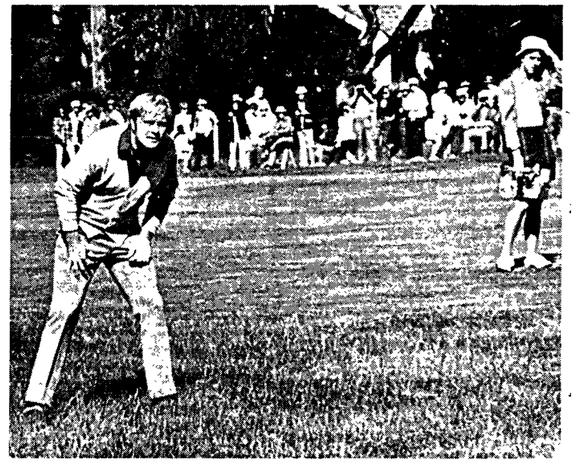
The course, which many experts rate as the best in America, was always made for a stern test; and the tension that always accompanies a major championship did not make the going easier. But this was never an electrifying contest, much more a slow war of attrition.

First three rounds

After the first day of play Nicklaus and five other players were tied for the lead at one under the par of 72. Forty-nine of the starting field of 150 were within five shots of the leaders, but it was significant that nearly a third of the field could not manage to break 80. Two unfortunate gentlemen wound up with 88, this bringing great delight to world-wide warrens of rabbits.

After the second day, six players were still tied for the lead, but at this point there were only 19 others within five shots. Some of the first-round leaders disappeared without ceremony. Orville Moody, the 1969 American Open champion, shared the lead with a 71 on the first day, but soared to a 77 on the second day and a 79 on the third. Only a few players charged back, most notably Arnold Palmer; he reminded his army of fans of old times when he shot a 68 on his second round after taking 77 shots on the first day. Lanny Wadkins, the 22-year-old former American amateur champion who is enjoying an unusually successful rookie year on the professional tour, also carved out a 68 after a poor first round; but, for perhaps the first time in his young and confident life, he collapsed badly under pressure to a 79 in the third round.

After this third round, Nicklaus was clear of the field by one shot with an even-par 216. There were only nine golfers within five shots of him, but five of these were within two shots. The close pursuers included at least three players of repute : Arnold Palmer, Lee Trevino (winner of both the American and British Opens last year), and Bruce Crampton (a tough tournament pro from Australia). At least one of these could be expected to have a go at Nicklaus in the final round, forcing the great man to gamble with his shots on this unforgiving golf course.



Nicklaus dominates



Crampton is toughly professional

Opportunities fluffed

But they didn't. In the final round all the other players quickly dropped shots to par. Before the first nine holes were finished, Nicklaus led everyone by several shots. Then, on the 10th, Nicklaus himself fluffed badly. Struck by a gust of wind as he was taking his backswing and thrown off balance, he sliced his drive on to the beach. The ball was plugged in the sand, and Nicklaus opted to take a penalty stroke and drop his ball in the rough. The 10th is 436 yards long; Nicklaus was still a long way from the green, but he now had a good lie and he decided to gamble. He hit a three iron.

The gamble was unsuccessful. Nicklaus pushed the ball out again, but down a bank and into new rough. This meant he was lying three, and was still short of the green on a par four hole. He popped the ball on the green on his next shot, but he still needed two putts to get down thankfully for two strokes over par.

Trevino, at this point lying four strokes behind Nicklaus, had a golden opportunity to apply pressure. He was on the green of the 10th hole in two with a long putt for a birdie; this would have allowed him to make up three strokes. Even two-putting would have moved him to within two shots of Jack Nicklaus.

It was typical of the whole tournament that at this possible turning point Trevino, normally an excellent putter, simply collapsed. He hit a weak approach putt 8 ft short of the hole. He then missed his second putt, and got a five. Nicklaus was now two over par for the tournament, but Trevino was five over. The best of the other contenders, playing ahead of Nicklaus and Trevino, were four over.

Missing from 18 in

Nicklaus was still wobbly. He might have succumbed to pressure if any had been brought to bear. He played the 11th hole well; but on the short 205-yard 12th he hit an overly strong three iron that pitched on the green, took one bounce, and came to rest in the deep rough behind. Nicklaus chopped at the ball with his sand wedge, popped it into the air, but not far enough to clear the rough. He then put the ball 7 ft from the pin, and sank the putt; but he had lost another stroke to par. On the next hole, he hooked his drive on to a dirt roadway that runs behind the left rough. Despite the barest of lies, he made a fine recovery shot and saved his par. On the next hole, he sliced his ball into the rough; but another fine recovery shot, followed by a good approach shot, allowed him to score a birdie on this long par-five hole. That made him the Open champion, and his shakiness disappeared. On the long par-three 17th hole, with a strong wind blowing in from the ocean just behind the green, he struck a one-iron so perfectly that the ball actually hit the flagstick. It bounced only a few inches away for a tap-in birdie. Nicklaus was then so confident that on the 18th, which runs for 540 yards along the rocky shoreline, he missed a putt that could not have been more than 18 in long. This would have given him a par for the hole, but he already had plenty of shots to spare. He finished three shots ahead of Crampton, who took second place.

Not to worry

While Nicklaus was wavering, his opponents were melting. Trevino played some bad shots and missed more putts. Palmer and Crampton and the other players up ahead continued to lose strokes to par. Whenever Nicklaus asked about the scores of his opponents, he never had anything to worry about. There was a feeling of fatalism overhanging the tournament, and Crampton expressed it almost openly in the interview tent after the presentation ceremony. He said he was proud to finish second to Nicklaus. Asked if there had been a turning point in his own final round, he said that he did not think so; he could point to many places throughout the tournament where he could have saved three strokes, but he did not think his doing so would have affected the outcome. If he had played better, then Nicklaus would have done so too.

Could Big Jack possibly ask for a more accommodating opponent? Nicklaus must now hope that he can continue to hold his magic spell over his competitors through the British Open (to be played at Muirfield, outside Edinburgh, next month) and the American Professional Golfers' Association Championship (to be played in August at a course outside Detroit). Arnold Palmer said on Sunday that since Nicklaus has now won two of the major championships, the pressure on him will increase. At Pebble Beach this sounded like the opposite of the truth. With such momentum going for Nicklaus, his opponents seemed to feel that nothing can stop him now. So long as they feel that way, probably nothing will.

Who will challenge?

Trevino was one opponent who had a good excuse for his dull finish. Suffering from pneumonia, he had been confined to a hospital bed until two days before the tournament; he was still obviously ill and was heroic to play as well as he did. After his round on Thursday, Trevino went to bed and slept for 20 hours. He swallowed pills throughout the tournament, and complained that his legs were so weak that he was having difficulty getting the ball into the air. If Trevino is in good shape for the British Open and the PGA, Nicklaus's chances of winning these two tournaments may be considerably reduced. Trevino, while expressing the greatest respect for Nicklaus's game, feels he can beat Nicklaus when the chips are down. Indeed, he has already done so. Last year he defeated Nicklaus in a play-off for the American Open championship.

Palmer is not quite dead either. His 68 on the second day of this tournament proved that, but his putting is still inconsistent. He could not mount a charge on the final day after Nicklaus had faltered on the 10th hole, although he realised that the kind of fast finish that brought him such fame when he was in his prime was just what was called for. Of the two other superstars of yesterday, Gary Player was a little off form, but his pluck might yet move him back into the centre of things; while Billy Casper finished 10 strokes behind Nicklaus. Casper looked better than he has for some time, but he has been in a slump for two years now and it is doubtful if he is out of it yet. Tony Jacklin was the only British player competing in the American Open this year. His finishing score of 307, 17 strokes behind Nicklaus, was hardly encouraging, especially as he shot an 83 on the final day; but Jacklin is playing better than he is scoring. He usually plays well in the British Open and might do so at Muirfield.



Trevino had pneumonia . . .



Palmer is still living . . .



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. . .Wadkins may be tomorrow's

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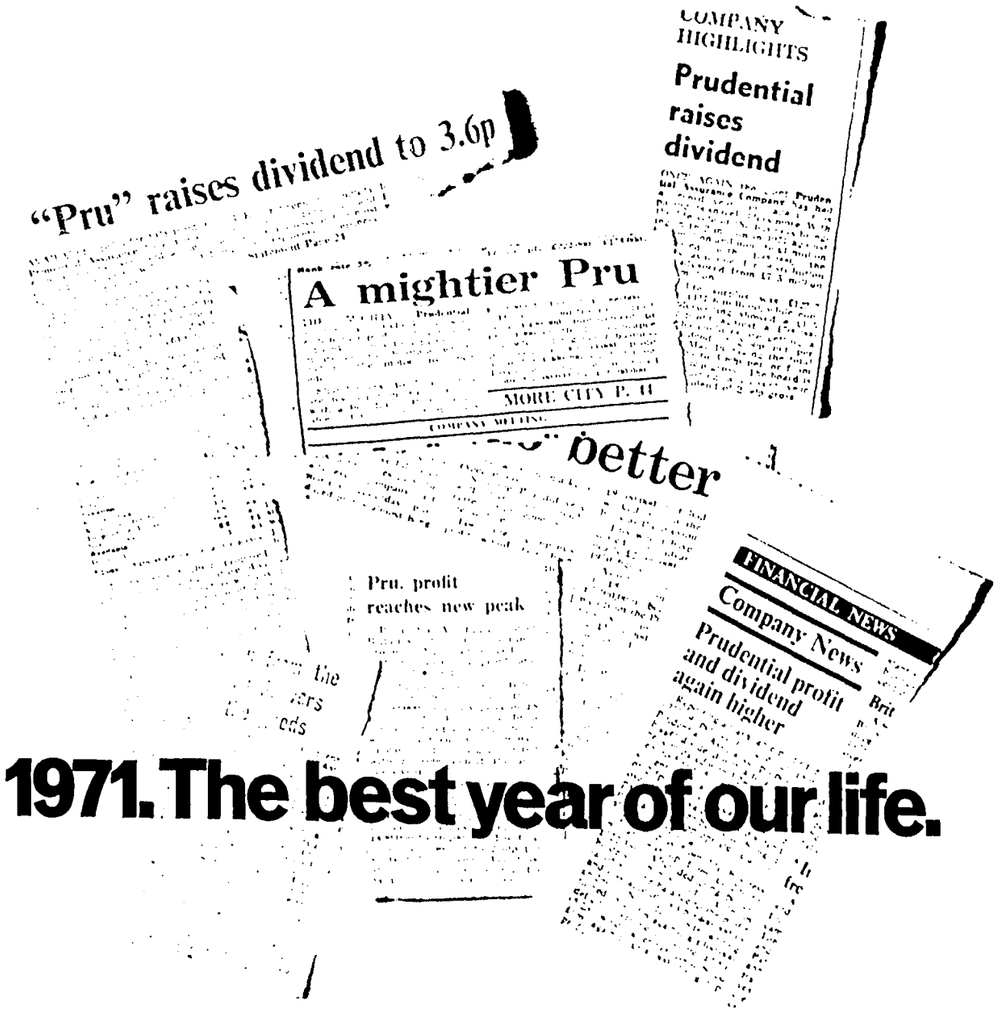
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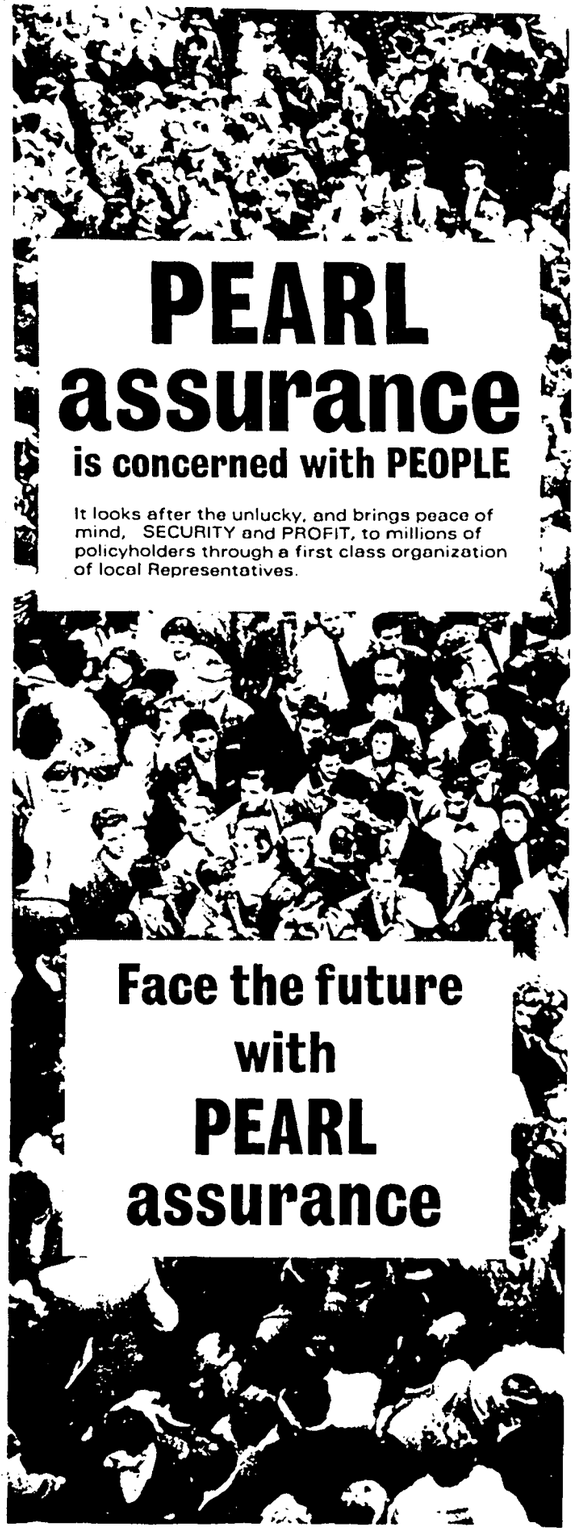
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In fact it can take weeks, months, often years until you're in a position to rebuild or re-equip your premises. Time without income.

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But it's not only after a business fire that you can get your fingers burnt. If your home and contents are not properly covered by insurance you could be left out in the cold.

Phoenix have also created a simple insurance 'package' to protect your home and contents from fire. As well as from theft and other perils. It's called Homeguard. It's a flexible policy, that allows you to choose the type of package you require. The Phoenix will combine it into one policy with one premium.

So come and talk to your broker. Or direct to us at the Phoenix. And do it before things become too hot to handle.

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Everybody's centre

London has long been the headquarters of up to a dozen multinational insurance companies, and the place where risks are insured by Lloyd's underwriters on behalf of some 5,000 rich British subjects. But to remain the hub of world insurance it must concentrate on being a centre for everybody to use. A mechanism to match up the needs of insurers and customers on the global level, rather than a shop where British insurance is sold

The money's rolling in all right. In the last two or three weeks Lloyd's names have been getting their cheques from their underwriting agents for the 1969 underwriting year. And most of them are happily convinced that it was worth sticking out those lean years in order to enjoy today's pickings and the even fatter ones promised for 1970 and 1971. Shareholders in insurance companies have also been delighted by the size of 1971's upturn.

Because insurance is a cyclical business, competition alone will ensure that this new-found prosperity will not last. All the more reason, then, for insurance men to give a little thought to London's long-term future. Herr Horst Jannott, managing director of the Munich Reinsurance company struck the right note when speaking to the Insurance Institute of London in March. His thesis was that for the world insurance industry to function properly it must have a single centre, or turntable, or primus inter pares, even though there may exist other lesser centres, and national markets. This role, he gladly recognised, is already performed by London. Further, insurance companies and institutions elsewhere have every interest in enhancing this role of London, and strengthening it, if they are to be able to meet the challenges that lie ahead of them. All this, of course, was music to the ears of those London insurance men who heard his address, or heard about it afterwards. What they may not have remembered though is that he also said :

> This . . . centre . . . cannot be the exclusive matter of one national market. This world centre must rather be open to all who earnestly want to participate in the solving of insurance problems which cannot be solved on national markets . . . (eg) the pollution of our environments. . . .

In other words London has a responsibility not only to set standards and generally keep its house in order : it must also be open.

In the seventeenth century London was not only a place where a shipowner or merchant could come and insure his ship or goods : it was also a place where he himself could share in the underwriting if he chose. Later came the companies ; the underwriters became semi-institutionalised into Lloyd's. The companies (through their branches and agents) and Lloyd's (through its brokers) reached out into all the corners of the earth for business, and the business duly came to London, with the risks carried by British citizens and British companies. London, in fact, had ceased to be a centre for insurance It had become a base. As a base it still does very nicely. The invisible earnings generated by insurance exceed those generated by all the rest of the City, banking and the much-famed Eurodollar market included. But its future does not lie as a base. It has got to go back to being a centre, a place where insurance companies from all over the world will need to have a foothold at least, and where more and

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Jannott : telling London what to do

more of the big risks will be brought to be covered. In fact, the tide is already flowing in this direction: London is already becoming relatively more important as an insurance market, and less so as a place where multinational insurance companies happen to have their headquarters. There are three reasons for this shift.

The first is the multiplying size and scale of risk, a subject that worries insurers and obsesses reinsurers (see page 22). Apart from a few coronaries and ulcers, its main consequences are mergers between companies, a greater need for reinsurance (on which Lloyd's has always been strong) and a greater need to split risks up between companies and other underwriters (ie Lloyd's). It is true that other countries have mechanisms for doing this. Where brokers exist, as in France and Holland, risks can be broked between several companies. Similarly, the general agent system achieves the same result in both these countries: the general agent underwrites, with wide-ranging freedom of action, on behalf of a handful of local and foreign companies. German companies have a well-established habit of sharing the big risks among themselves. But it remains true that the London market's "slip" system knocks all these into a cocked hat, for smoothness of operation.

The second reason is that there is now a good chance that the common market's harmonised insurance rules will be a good deal more liberal in one vital respect than had originally seemed likely: namely, the freedom to sell insurance across frontiers (see page 14). In practice this means a much greater freedom for British and other brokers to pick up business and place it in London, not just because London rates are cheaper (lately they have certainly not been), but because London offers a greater flexibility of types of cover than does the continent. Why ? Partly because because it has always operated globally, partly because brokers (who have an obvious incentive to discover new types of insurance needs of their clients) have always called the tune, but partly too because the continental insurer (except in Holland and Belgium) has always been hamstrung not only by rigid collective tariffs of his own making, but by the need to clear with the supervisory authorities not only his premium rates but also policy wordings and conditions.

The third reason is that foreign insurance companies from now on will increasingly come to London in order to pick up business here. In theory they always could. But it was never easy in practice. And continental insurers (apart from the Swiss) tended to be preoccupied with their own closely regulated and inflexible markets, while American insurers, their own market fragmented and subject to oppressive regulation by 50 states, never had the resources or the will to move on to the international level. But now in the past year or two American insurers—as was predictable—have stepped up their activity in Europe, eyeing the multinational companies but also paradoxically, in order to pick up American business in London that they would never see back home. American reinsurers are also active here. In reinsurance an important new tendency is for the so-called professional reinsurance companies (ie, those who do nothing else) like the Munich Re, the Swiss Re and the Mercantile and General, to make increasing use of brokers, especially in London, as a means of getting business, alongside the direct selling (to insurance companies) on which they have traditionally relied exclusively.

When it comes to direct insurance, too, European companies are coming to realise that things are at last going to change in their protected home markets, and that one good bet in the long term will be to set up shop in London. Here as a sign of the times Lloyd's now admits foreigners as underwriting "names." And, as Herr Jannott reminded his audience, the discussions about "corporate membership," to enable companies to belong to Lloyd's,

are being followed on the continent with great interest. And well they may; what better way in to the London market ? Lastly, with the formation of national insurance and reinsurance companies (see page 30) in more and more of the underdeveloped countries, these companies will not be content with merely reinsuring in London or elsewhere for ever ; they will want to take back other business—of a different type from their own stuff—and they know where to get it. The IRB (Instituto de Resseguros do Brasil), Brazil's state reinsurance company, has set up shop in London this summer.

So in the long run British insurance will sustain and increase its preeminence in the world by strengthening and improving itself as an insurance centre : as a place where companies of all nationalities operate, and where the big risks are placed—rather than as a base for multinational insurers to operate. That means it really is not worth expending too much energy in the losing battle against less developed countries that are determined to kick us out (see page 30). It means a fiasco like the V & G affair must never occur again ; and since the Government appears unlikely to do much to prevent it (see page 37), there is a strong case for the setting up of an Insurance Council with the aim of developing the role of London as an insurance centre, and in which representation could be given to the companies (the BIA), the brokers, Lloyd's, foreign companies operating in London, plus informed outsiders (eg, from the Committee on Invisible Exports, insurance academics) who could prevent the body relapsing into possible spells of smugness and insensitivity to outside opinion.

It means an end to the petty restrictions against outsiders—like those operated by the company marine underwriters' club, the Institute of London Underwriters. And it means that brokers must take more care than they now do to ensure that the old pals networks, with which the City is riddled, do not operate discriminatorily against outsiders and newcomers. There is no reason why a Ruritanian insurance company should have to write only bad risks for the first 50 years after it sets up in London, before being let in on the good ones. (Equally it cannot expect to be offered only good ones from Day 1.)

The same can happen on reinsurance. When the reinsurers all lost money around the time of Hurricane Betsy and the market contracted, brokers were only too glad to give part of the business to the Ruritanian National Reinsurance companies of this world, all anxious to break into quality reinsurance business to get something back for what they place in London. Now that the reinsurance market has expanded again, there are mutterings that brokers are merely saying "Sorry, I can place it all with the chaps now, thank you very much, and goodbye."

Churchill, reputedly, was apt to attribute Britain's strength and influence in the world to the fact that it lay where three vital political circles intersected: Europe, the Empire, (ie, a major segment of the Afro-Asian world) and the English-speaking Atlantic partnership. Just the same combination of factors—along with its inherited skills and capital—ought to enable London to become the world's insurance market, in the seventeenth century sense, and thus find a new role to compensate for the fact that British insurance companies can no longer go off and set up agencies through friendly merchants in Bangalore, or insure a new railway in Bulgaria.

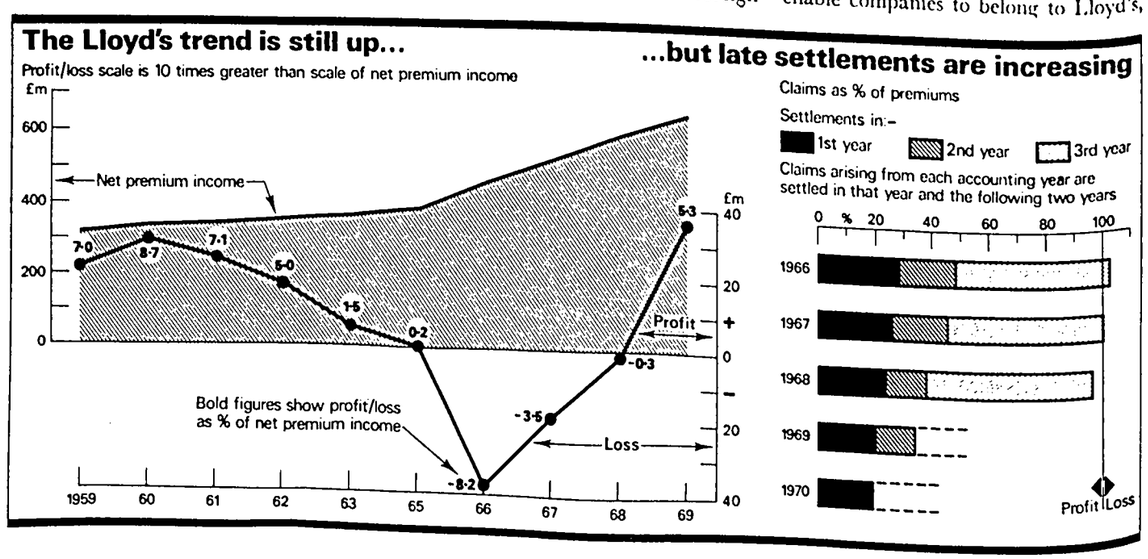
Underwriting comes right

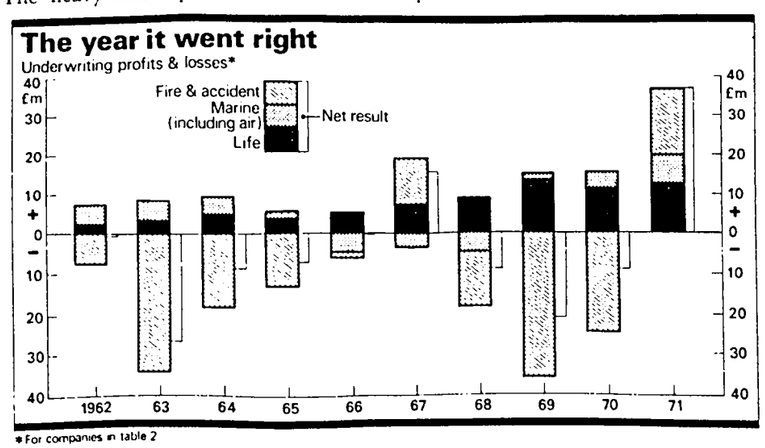
After two traumatic years, underwriting went comfortably into the black last year. The prospect is for even more goodies this year when the pay-off from the transformation of British motor insurance after the demise of the Vehicle and General begins to show up in figures. Insurers have learnt to live with inflation, at least at current rates.

Table 1 (on page 10) shows how impressive the turnround has been for the composite insurers listed there who, between them, lost £55m on non-life underwriting during 1969 and 1970. And the continuously falling expense ratio shows they have also become more efficient. But, of course, experience has varied according to the type of business.

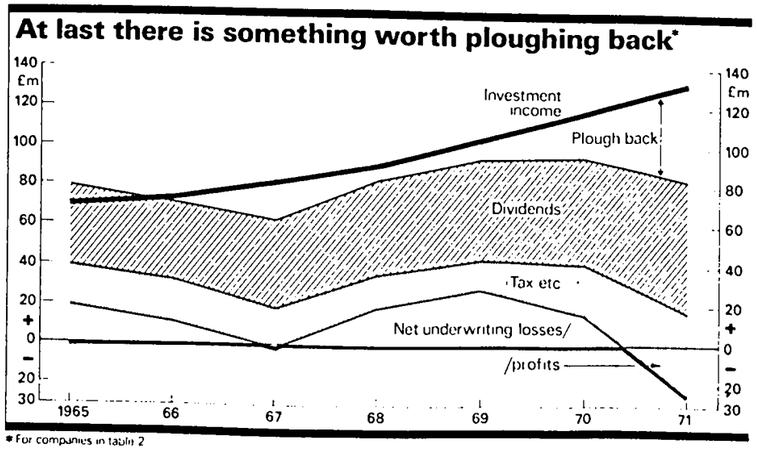
Losses were still being made on British motor business in 1971, though on nothing like the colossal scale of the preceding years. The BIA member companies' total loss was £25.5m (or 8.6 per cent of premiums) against £31.3m (or 14.5 per cent) in 1970. The heavy and repeated increases in rates from February, 1971, onwards, which begin to bite only as policies come up for renewal, ought to mean a break-even or better on motor underwriting this year. But even if motor underwriters at Lloyd's and in the companies resist the temptation to plunge into another cycle of rate-cutting, it is by no means certain that companies are pushing up their rates fast enough to keep pace with inflation at the particularly vicious rate at which it hits motor insurers (see page 34).

In America the motor insurance recovery has already made its mark on the figures. It is the result, not of an ebbing of competition among insurers, but of an easing-up by state insurance commissioners who now—under the file-and-use system—allow insurers to raise premium rates and then justify them afterwards rather than engage in a long process of justification on the basis of historic figures of claims costs that, even without accelerating inflation, became steadily more out-of-date. The success of the Massachusetts experiment in no-fault insurance has led to a big drop in claims costs which in turn has





*For companies in table 2



* For companies in table 2

prompted the insurance commissioner to order a cut in motor premiums rates (see page 41). Unfortunately no such miracle could be worked on motor insurance in Britain. Lawyers' fees here are only a fraction of the lush rewards that can be earned in America. Thanks to the health service the injured motorist here does not face the nightmare of crippling hospital bills (and arguing over who should pay them); comprehensive motor insurance is rare in America, though bought by three motorists out of four in Britain; and under a no-fault system British drivers now enjoying no-claims discounts would lose them.

As regards British **property insurance,** fire wastage in Britain seems to have levelled off. Although there was a jump last year, from £111m to £129m, Ulster damage (recoverable from the Ulster authorities) was responsible for a good part of it and the 1970 figure itself showed a £9m drop on 1969. Apparently the stream of fire protection exhortation and the successive increases in fire rates since 1963 (heavily loaded as they are towards the badly protected risk), have combined to reverse the spiralling wastage rate. For how long? **Household insurance** passed quietly through its first year free from a tariff with none of the competitive rate-cutting that occurred when the motor tariff went, but with modest improvements in the cover and packaging of household policies here and there.

Theft in Britain cost BIA members £21m last year, a tiny rise of 3 per cent on 1970. Burglaries from business premises actually fell 10 per cent in money terms, or perhaps 20 per cent if inflation is allowed for. This drop could reflect an improvement in security arrangements in industry and commerce. Equally it could reflect a redirection of effort by burglary gangs towards more inviting households, where theft losses last year were some 10 per cent up.

BIA members emerged from 1971 with a modest underwriting profit on their property insurance account (including home and overseas, fire and theft). For the future, underwriters are meeting an increasing tendency for owners of business premises to opt for self-insurance if the fire and theft risk is a good one ("well-protected," in the jargon) and demand insurance or reinsurance cover for big losses. Some insurers have already started to complain that they cannot afford to lose big chunks of premium income in this way: their expense ratio would be hit and they would have less of a cushion of regular premium income to enable them to absorb the big catastrophes, when these occur, which they would still be covering. But the job of insurers is to meet the needs of their customers, rather than expect their customers to pander to their own convenience by buying more insurance than they need.

More **ships** went down in 1971 than in 1970 and the cost of ship repairs continued to rise faster than costs in general. The English Channel continues to be a headache and will doubtless go on plaguing insurers until a one-way system can be instituted and enforced. Container traffic continues to produce more claims than had been hoped for, a fall in pilfering being offset by a rise in damage through badly packed containers or the occasional container being lost over the side, with damage most marked when containers are stowed on deck. As expected, the outcome for the 1969 underwriting account, closed last December, was a definite improvement on 1968. And 1970 will probably be better still. But 1971 will probably show a levelling-off.

Aviation has been a money-spinner for some years. The arrival of the jumbo jets brought a handsome increase in premiums, without, so far, a single crash. There are now some 150 jumbos among the 4,000 jets in airline service. But the sheer profitability of air insurance lately has attracted several new companies and Lloyd's members into

Table 1—Ten year's trading* (£m)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Non-life premiums	838.3	887.7	963.8	1042.8	1110.5	1206.6	1392.6	1499.3	1672.8	1934.4
Expense ratio (a) %	*38.4*	*38.5*	*37.7*	*37.0*	*36.9*	*36.2*	*35.2*	*35.2*	*34.1*	*33.0*
Underwriting profits from:										
Fire business	−10.0	−23.2	− 6.0	− 7.0	3.4	5.3				
Accident business	2.3	−11.9	−12.1	− 6.3	− 4.8	6.2	−13.4	−36.0	−24.4	16.3
Marine departments	5 0	4.9	4.8	1.9	− 4.3	− 3.2				
Total underwriting profits	− 2.7	−30.2	−13.3	−11.4	− 5.7	8.3	− 4.7	1.4	4.3	7.8
Life department profits (b)	2.2	3.6	4.7	3.9	5.2	7.5	−18.1	−34.6	−20.1	24.1
							8.9	13.7	11.1	12.2
Net trading profits (c)	−12.2(d)	−27.2(d)	−17.8(d)	−19.3	−12.0	1.7	−19.5	−28.0	−16.6	25.5
Investment income (e)	36.5(d)	38.1(d)	41.0(d)	69.1	73.0	80.5	90.3	103.2	118.1	131.6
Equity earnings (net)	24.3	10.9	23.2	29.7	40.8	61.7	53.8	59.9	76.7	113.8
Cost of dividends	23.5(d)	23.9(d)	23 9(d)	39.7	39.6	42.8	46.0	51.6	54.3 (f)	64.6 (f)

*By the offices included in Table 2. (a) Fire and accident departments. (b) Shareholders' proportion of life supluses. (c) After pension provisions. (d) After tax. (e) From non-life assets. (f) Excluding Prudential (net earnings from non-life business £0.8m in 1970 and £2.7m in 1971).

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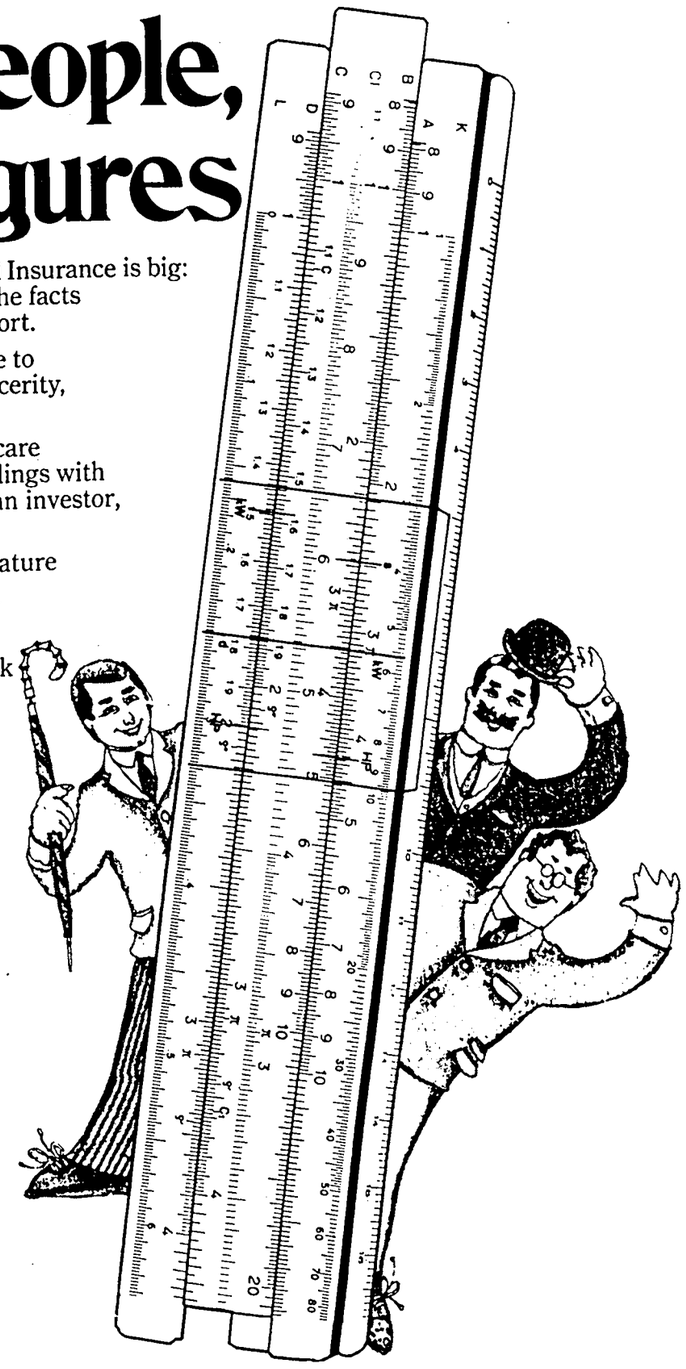
Royal Insurance is people—who care about people. And whether your dealings with Royal are as an insured, a broker or an investor, you'd be hard put not to notice this.

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Half a million pounds a day

£500,000 paid out in claims every working day. That's the measure of the size and strength of General Accident. An indication of its great financial resources built up over the past 86 years. General Accident is one of Britain's largest insurance organisations, with specialist companies and specialist departments covering the whole field of insurance and life assurance, offering complete protection, providing complete security.

General Accident Fire & Life Assurance Corporation Limited
Yorkshire-General Life Assurance Company Limited
Scottish General Insurance Company Limited
The English Insurance Company Limited
The Yorkshire Insurance Company Limited
Scottish Boiler & General Insurance Company Limited
The Guarantee Society Limited
The Lancashire & Yorkshire Reversionary Interest Company Limited
The Ulster Marine Insurance Company Limited

Operating through a network of offices in the British Isles
World Headquarters: General Buildings, Perth, Scotland
Branch Offices and Agencies throughout the world





They even go for kitchens now

the field, including, rather oddly, some American life assurance companies (initially as reinsurers but now even more surprisingly as direct writers). Rates have, therefore, been tumbling across the board and, in direct defiance of gloomy forecasts, there is now a disruptive surplus of capacity. The result is not just that underwriters are getting little opportunity to build up reserves in preparation for future crashes—including jumbo crashes at $100m a time or more if negligence can be shown. There is a strong fear that when there is a crash, or perhaps a run of them, the new underwriters will vanish from the market as suddenly as they have entered it; the remaining insurers will cut back their commitments and charge much higher rates for doing even that. If the market then manages to continue to cover fully all the jet airliners then in service it will do so only at the price of a sudden and massive jump in premium rates. This in turn will knock airline costs for six—a subject that has already begun to worry some of them.

Two-thirds of British companies' non-life business comes from **overseas**, principally America. American business last year was free from major hurricanes, motor insurance was profitable and American companies were recording spectacular underwriting profits, a pattern reflected in the results of those British companies with big American interests: the Royal, the Commercial Union, and the General Accident. By and large, business in developing countries has been profitable, which means that Indian non-life insurance—now on the point of being nationalised—will be missed. Life assurance there was nationalised several years back. Business from the white Commonwealth and South Africa varies. But continental Europe is a regular money-loser, partly because British companies tend to be able to participate in the usually unprofitable industrial fire and liability business but find it hard to break into the more lucrative personal insurances, which are sold through full-time agents in each town or village, each serving one company alone, and enjoying commission rates a good deal higher than is normal in Britain. One German company recently tried to enter this sector of the French business but got nowhere, at some cost.

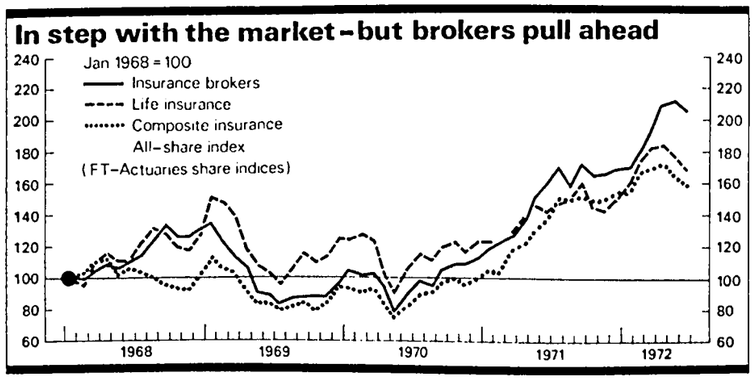
The charts on pages 9 and 10 illustrate the sharp changes in the figures already referred to in Table 1. Points to note are how little of their investment income insurance companies have been able to plough back until last year; and how the repeated underwriting losses have acted as a drag on the growth of dividends, which have risen only about 60 per cent since 1965, while investment income has nearly doubled.

The companies in Table 2 now enjoy solvency margins several times as high as the minima required by law (of 10 per cent of premium income). True, the minima will rise slightly when Britain adopts the likely EEC rules on solvency margins. Even so, the companies will still have an enormous cushion. In fact, there seems little justification for the common belief that they may soon need to raise fresh capital. Their premium income (Table 1) has expanded by £892m since 1965. On the British rules this increase would require an addition to free reserves of £89m to back it. In fact, the addition to free reserves from ploughed-back profits alone has been £98m over this period; and on top of that the companies have had large but unmeasurable capital gains on their investments. Yet 1965-71 is widely believed to be a period in which free reserves were run down in relation to premium income. Now, thanks to 1971, they have been

Table 2—Insurance earnings and dividends, 1971

Company		Total premium income (a) (1)	Underwriting profits: Trading surplus or deficit (a) (2)	Underwriting profits: Transferred from life etc funds (3)	Underwriting profits: Total (2)+(3) (4)	Shareholders' earnings: Net Investment income (5)	Shareholders' earnings: Taxation (6)	Shareholders' earnings: (4)+(5)−(6) (7)	Shareholders' earnings: Dividend cover (8)	Solvency margin(i): Statutory minimum (9)	Solvency margin(i): Shown in accounts (10)	Ordinary shares: Price June 13 (11)	Ordinary shares: Yield (12)
		£m	£m	£m	£m	£m	£m	£m		£m	£m	p	%
Commercial Union		467.8	2.7(d)	2.4	5.1	29.9	11.8	23.2	1.5	47.0	269.3	234	3.5
Eagle Star		102.9	— 2.8(e)	3.4	0.6	9.7	2.0	8.3	1.6	10.5	84.4	548	2.7
General Accident		231.4	2.0	1.3	3.3	14.9	3.3	14.9(f)	2.1	23.4	117.5	210	3.1
Guardian Royal Exch		236.2	— 2.2(g)	2.0	— 0.2	14.4	3.5	10.7	1.5	23.9	158.7	254	3.5
Norwich Union		86.8	0.6	—	0.6	4.6	1.7	3.5	1.8	8.9	17.7	(b)	(b)
Phoenix		110.2	0.2	1.2	1.4	7.5	2.7	6.2	1.6	11.3	49.1	252	3.7
Prudential		65.3	1.2	—	1.2	3.8	2.3	2.7	—	6.8	23.7	(c)	(c)
Royal		449.9	6.2	1.2	7.4	33.6	10.9	30.1	1.7	45.2	287.6	404	3.7
Sun Alliance & London		183.9	5.4	0.7	6.1	13.2	5.1	14.2	2.1	18.6	120.3	570	3.3
Total	1971	1,934.4	13.3	12.2	25.5	131.6	43.3	113.8	1.7	195.6	1,128.3		
	1970	1,672.8	—27.7	11.1	—16.6	118.1	24.8	76.7	1.4	169.4	779.9		
	1968	1,392.6	—28.4	8.9	—19.5	90.3	17.0	53.8	1.2	141.9	787.1		
	1966	1,110.5	—17.1	5.1	—12.0	73.0	20.2	40.8	1.0				
	1961	805.8						28.0	1.6(h)				

(a) Excluding life etc. (b) Shares held by Norwich Union Life Insurance Society. (c) Earnings mainly from life business. (d) Before £2.6m to reserve for extreme weather losses. (e) After crediting £11.5m from investment reserve to make good past underprovisions for claims. (f) Before £600,000 for Vehicle & General loss. (g) After crediting £2.5m from retained profits to make good past underprovisions for claims. (h) Net dividend. (i) The margins shown in the accounts understate the strength of the Norwich Union and of the Phoenix because of hidden reserves.



augmented to a degree greater than that required by law. True, in relation to premium incomes, solvency margins of these companies have fallen. But only because they were so extraordinarily high in the first place. In short, the big insurance companies now have ample scope for more liberal dividend policies. This is certainly what investors will be hoping for, rather than ambitious and dubious plans for insurance companies to turn themselves into financial conglomerates, including entry into fields in which they have no expertise at all.

This survey a year ago was overcautious both in its forecasts of 1971 underwriting results, and the prospects for composite insurance shares. These shares have, in fact, risen 24 per cent since June, 1971, only slightly less than the FT-Actuaries all-share index. What is fairly sure is that the new-found underwriting profits will not last for more than another year or two, at most. With non-life insurance the emergence of profits tends to generate enough competition to throw the business into loss. And the next four years may have more hurricanes, big air crashes and perhaps pollution claims and even earthquakes than the last four have had. So underwriting profits will almost certainly follow their usual cyclical pattern, peaking out this year or next, with a downturn to follow. If, by any chance, inflation in Britain and America should slow down, the composites should benefit handsomely. But vice versa.

Europe opens up

When our last insurance survey was published a year ago the European commission was just beginning to take a line on one crucial segment of insurance harmonisation: the so-called freedom of services, meaning the freedom for an insurer in one country to sell insurance in another through an agent or broker, without having an establishment of his own there. Now that line has come more sharply into focus.

As usual, the commission started by asking experts to rough out a community policy. Unfortunately in insurance the experts are the insurance companies and insurance supervisory bodies in the member countries. And in France, Germany and Italy, insurance companies are much more tightly restricted than in Britain over such matters as policy conditions, premium rates and investments. As a corollary, foreign insurers without a local establishment may operate on a limited basis only, or not at all. Supervisory bodies in these countries naturally insist that such restrictions are necessary. And local insurance companies (as in other industries) argue, and no doubt sincerely believe, that much suffering would result from unregulated blasts of competition from other countries, even if some of it took the form of Lloyd's underwriters selling types of cover that local insurers may not sell.

So it is easy to guess what sort of advice the commission got from its experts. The first draft—which was quickly rejected—virtually banned freedom of insurance services altogether. Even the second, more liberal, version "stupefied" one senior commission official and followed the first into the dustbin. So in July, 1970, Dr Theodore Vogelaar, the director-general in charge of harmonisation, redefined just what the common market for insurance is supposed to be all about. Since harmonised regulations will soon be in force, laying down how member countries regulate insurers in their countries, there can then be no logical reason, he said, for preventing any of these insurers from offering insurance in other member countries.

Even more heartening, a working paper from the commission, which began to circulate late last year, propogates what might be termed the Mance thesis. The much-respected chairman of Lloyd's, Sir Henry Mance, has argued on several occasions that a distinction should be made in the regulations according to whether the insured is a major company, which can be presumed capable of taking care of itself, or private individuals (including farmers and small firms) who need, and should get, further protection.

The commission's paper argues this point strongly. Transport insurance, for instance, enters into transport costs in a big way, and it is clearly an absurdity for transport insurers to be fettered by internal community frontiers. More to the point, perhaps, international competition has a stimulating and fertilising effect on the insurance industry, helping to improve coverage, as well as boosting the capacity of the insurance market.

The commission is clearly determined to achieve freedom of services for transport and major risks. It has also solved most of the technical problems that lie in the way. National laws about liquidation of insurance



Vogelaar: chief harmoniser

This survey was edited and partly written by Alan Parker

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Mance gets his way

companies and taxation of insurance premiums need to be co-ordinated. On the other hand, laws of insurance contracts do not need to be harmonised: the policy will simply say which country's law will apply (eg, where an Italian is insuring his factory at Lloyd's), or, if it is silent, the law applicable will be the insurer's.

But the commission will have a tough fight to get a directive embodying this sort of thinking through the Council of Ministers, although the task is not hopeless. The French government, in particular, seems less restrictive than it did. And, thanks partly to the outcry in German industry about soaring fire insurance premium rates (page 33), Bonn, too, has become more open-minded, though the supervisory authorities in Berlin are still fighting a rearguard action. Fortunately, the commission is in no hurry. Next year the British and the other new members will join the council and throw in their weight. So the directive is unlikely to appear before then.

Worryingly for the British, the equally important directive about "establishment" is at a more advanced stage. This directive harmonises the rules that will govern insurance companies having an establishment in member countries. Although a good deal more liberal than most national regulations, this directive is more restrictive than London would like. A British company operating through a subsidiary in Germany would need to localise "technical reserves" in Germany, based on the size of its premium income there. These technical reserves are supposed to match the insurer's unexpired premiums and outstanding claims on the business in question. On top of this, an EEC insurer would also need to maintain somewhere in the EEC a "solvency margin," that is to say, a surplus of assets over these technical reserves, calculated on a formula linked to his total EEC premium income and claims.

Insurers in outside countries would also have to keep solvency margins for their business inside the EEC. This cuts across one of the main contentions of British insurers operating abroad, which is that although they don't mind, but don't like, having to keep their technical reserves invested locally around the world, they must be able to keep their free reserves where they like. With Britain inside the EEC, of course, insurers would remain free to keep their solvency margins for EEC business in London. But they are afraid that other countries might then demand that British companies must keep solvency margins (and maybe big ones) localised too. The countries that leap to mind here are those American states still relatively liberal in this respect, Australia, and those developing countries that have not yet driven out foreign insurers.

Apart from Holland, present EEC members are not too worried by this because their insurance companies do little business outside the EEC. Britain, however, is vitally concerned, and protested to the EEC that the establishment directive ought not to be rushed through into law until Britain had a chance to have a proper say. Fortunately, last summer, Belgium put a stop to discussion about it in the council, because it was re-thinking its whole attitude to insurance regulation. But signs that its objection might now be lifted has induced London to invoke the consultation procedure (applicable during the interim period until Britain is a full member) to get the British arguments discussed. All Britain is demanding is the right for an individual member state to be "flexible" about making insurers from third countries deposit their technical reserves in that state and their solvency margins in the EEC, as regards business they do in that state, so that London would be able to be "flexible" towards insurers from outside the EEC operating in Britain, if it so chose.

On balance, the battle between the liberals (the British, the Dutch, the commission) and the retrictionists, has moved in the liberals' favour in the past year. It will continue to rumble for some time yet, especially when the commission issues its directive on freedom of services and as work proceeds on the even more fraught question of life assurance (where the once liberal Belgians have now prevented a takeover of a local life insurance company by the, British, Equity and Law).

Where is life assurance going ?

When the press started throwing brickbats at property bonds two years ago it was little realised that the whole mode of operation of the life assurance industry would start to be questioned in consequence. Critics of property bonds seemed to think they were discussing an upstart investment medium, on a par perhaps with offshore funds. The possible pitfalls of property bond policies were well-known: the inevitably subjective nature of the periodic valuations of the property portfolio, the problems that would arise if any fund (or all funds together) began to contract and unload property on to the market, the possibility of fund managers frantically having to invest massive inflows of new funds and so buying unsuitable or over-valued properties and so on. So the Scott committee was set up in February, 1971, with narrow terms of reference, aimed at possible hazards and abuses of property bond life policies and, for good measure, unit-linked policies.

But once the committee's work got under way, property bond managers were quick to make the point that just the same questions can be asked about life assurance policies as a whole, even those of the conventional type. Do not ordinary life offices share out the goodies between their policyholders on a basis even more arbitrary than by merely valuing a portfolio of property every month and apportioning the notional gains between policyholders? What would happen to ordinary life offices if they suddenly began to suffer a net outflow of funds for once? Don't they, too, ransack the market for new investments for their burgeoning funds, even though some of these later prove to be unsuitable or overvalued when they were bought? Are their selling

methods beyond reproach ?

Momentarily it was hoped that the Scott committee would gently widen its terms of reference and study the whole network of regulations governing life assurance in all its forms. Unfortunately it has chosen not to do so. Yet with the collapse of the Vehicle and General and the narrow escape of its life subsidiary from being embroiled, even the traditionalists in the industry concede that such a study is urgently needed. What has been demonstrated beyond doubt is the futility of trying to study segments of the life assurance industry in isolation from each other.

Thus although the big changes of the 1960s and the 1970s, which followed after Save and Prosper got its first unit-linked policy off the ground in 1963, were virtually all initiated by life offices on the fringe, they have affected the whole scene. In the first place, life assurance has been transformed from a traditional service industry, set in its ways, into a hotbed of aggressive competition, with a proliferation of new schemes and gimmicks aimed at particular investment and tax needs. Newcomers enter overnight and the traditional point of contact with the public—the part-time agent—is being by-passed.

Secondly has come the realisation that the life assurance policy is suitable for far wider and diverse investment needs than used to be thought. Indeed, because of the various tax reliefs, and the fact that it is less severely controlled than media like shares or unit trusts, it offers positive advantages, quite apart from the protection against premature death.

Thirdly, it has been found that life assurance salesmen, suitably trained, can sell complicated and varied policies, especially if likely customers can be pinpointed in advance or pinpoint themselves by replying to cut-out newspaper advertisements. Even the Prudential is experimenting with a few of its life assurance collectors to see if they can be trained to sell a wider range of policies.

But most big long-established life offices have not jumped to it. They have continued to bask in the unrelenting and impressive overall growth, 10 to 12 per cent a year, of the whole business. While not neglecting to set up their own versions, belatedly, they have tended to dismiss even unit-linked policies as merely a sales device by unit trust managers to exploit the tax reliefs on life policies. Nevertheless, they have come up with a few innovations of their own. Retirement annuity bonds, for instance, are partly responsible for the fact that single premium policies accounted for 39 per cent of all new life premiums in 1971. It is an embarrassing fact that these lump sum policies are not much bought to provide for old age, but for the high post-tax return they offer for 5, 10, 15 or so years, and their modest surtax advantages. More adaptable versions of the conventional life policy have also been appearing, notably the London Life's flexible whole life policy, under which the bulk of the benefits can be taken whenever the policyholder chooses (or as a pension), and which is drawn up like a contractual savings plan.

But what most life offices have not yet grasped is that both the growing overlap between life assurance and investment and the revolution in selling methods still have a long way farther to go. Unit-linked policies may already account for 30 per cent of current life premiums, but demand for them is bound to grow further. They are more suited to the principal investment need of today: protection against

Table 3—Ordinary life, annuity and capital redemption business of 34 British life offices

	Premium income 1971 £m	Expense ratio (a) excluding commission 1971 %	Expense ratio (a) including commission 1971 %	Fund end 1971 £m	Fund growth 1966-71 %	Fund growth 1961-71 %	Gross yield (d) %
Mutual life offices							
Clerical Medical & Gen	18.6	14.0	19.0	154	98	253	6.21
Equitable	10.7	8.6	8.6	127	72	192	7.15
Friends' Provident	30.7	12.3	19.8	285	58	188	7.60
London Life	12.2	10.3	10.3	137	80	149	6.79
Marine & General	4.1	18.9	28.5	33	79	187	6.79
National Mutual	5.6	19.4	28.0	58	56	180	7.22
National Provident	10.0	17.1	23.4	112	47	148	6.86
Norwich Union	70.2	16.4	24.3	697	56	158	7.43
Provident Mutual	13.0	13.1	19.3	91	78	196	7.27
Scottish Amicable	25.4	14.9	20.7	263	56	174	7.59
Scottish Equitable	9.9	15.2	21.0	96	86	214	7.62
Scottish Life	10.6	16.5	24.4	95	62	189	7.22
Scottish Mutual	9.0	12.8	18.8	77	85	239	7.51
Scottish Provident	13.8	15.6	25.1	156	61	147	7.37
Scottish Widows'	42.4	10.3	15.9	429	60	162	7.93
Standard Life	98.3	11.2	15.1	899	63	171	7.43
UK Provident	14.0	12.0	16.5	159	57	156	8.20
Average/Total	398.5	*13.2*	*18.9*	3,868			*7.31*
Proprietary life offices							
Equity & Law	22.6	20.3	31.4	303	93	227	5.93
Sun Life	50.3	14.3	18.6	446	51	159	7.35
Average/Total	72.9	*16.2*	*22.6*	749			*6.64*
Industrial-cum-ordinary life offices (b)							
Britannic	8.3	(c)	18.0	85	33	75	7.82
Co-Operative	26.9	9.5	19.1	234	50	130	6.86
London & Manchester	8.0	12.1	18.6	83	49	105	7.76
Pearl	28.7	16.1	25.4	293	47	127	7.81
Prudential	162.7	14.3	20.9	1,509	59	160	6.97
Refuge	12.3	12.4	16.8	132	23	57	7.67
Royal London	8.3	10.6	22.2	82	33	78	7.53
Average/Total	255.2	*13.7*	*20.9*	2,418			*7.49*
Composite offices							
Commercial Union	79.1	(c)	18.1	621	62	165	7.07
Eagle Star	36.1	11.3	16.6	450	63	169	7.74
General Accident	34.7	10.5	17.2	308	59	204	6.99
Guardian Royal Exchange	68.1	16.3	25.9	630	56	192	7.23
Legal & General	110.5	14.2	20.3	1,172	54	153	7.10
Phoenix	16.6	18.8	34.2	154	66	150	7.33
Royal	30.8	12.9	22.1	338	55	193	7.28
Sun Alliance & London	23.1	21.7	30.3	203	59	138	7.25
Average/Total	399.0	*14.6*	*21.5*	3,876			*7.25*

(a) This ratio is affected both by the office's own efficiency and by its mix of business. (b) Excluding "industrial" branch life assurance. (c) Not available. (d) On ordinary life and annuity funds only.

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£1,000 Policy affected in	1947	1952	1957	1962
Term in years	25	20	15	10
Total Net Outlay	£864	£877	£892	£950
Amount Paid in 1972	£2,648	£2,221	£1,784	£1,433
Effective Gross Annual Yield	13.5%	14.0%	13.8%	12.3%

The net outlay and yield figures assume that income tax was paid at the appropriate standard rates. All figures relate to policies effected in the U.K.

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For the year ended 15th November 1971 REVERSIONARY BONUS rates were £3.50% on the sum assured and £5.00% on attaching bonuses.

In addition, Standard Life, since 1963, have been paying Special Claims Bonus on claims by death or maturity. The amounts of these claims bonuses vary according to the year of issue of the maturing policy, but as an example of the effect of these bonuses, the amount paid in 1972 on the policy effected in 1947 (in the above table) includes a claim bonus of £679.

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inflation. They also offer considerable scope for further refinement. There is no need for the policy to be tied exclusively to equities (as in the original schemes), or to commercial property (as with property bonds). The policy can be linked to a mixed portfolio of equities, property, gilts and mortgages. Either the fund managers can be given discretion to vary the mix as conditions change; or the policyholder himself can have the right to say how much of each premium should be split between an equity fund, a property fund, etc, all run by the same group of managers—the concept, in fact, popularised by Mr Mark Weinberg's Hambro Life.

So out of the germ of the unit-linked policy has come the "managed fund." The premiums go not into a unit trust, which is bound by unit trust regulations, but into a special fund managed by the life office, or into several funds managed in proportions decided by the policyholder himself. But one distinguishing feature of all these schemes remains: the running and eventual value of the policy is clearly and rigorously linked to the investment performance of the fund or funds concerned. The investor gets exactly his slice of the cake, no more and no less.

With the conventional policy, of course, there is no such link and its value depends on arbitrary decisions by the life office about how much of the surplus should be dished out to policyholders as bonuses. But by paying terminal bonuses, life offices have shifted their conventional policies a step towards the "link" concept. Because terminal bonuses are only added on to a policy when it matures, life offices can be much more generous with them; they do not have to worry (as they worry with reversionary bonuses) that a future fall in the



Weinberg, still pace-setting

market might mean that they have guaranteed to pay a future bonus bigger than they can then afford.

Even so, the essential feature of arbitrariness still remains: the life office can pay whatever terminal bonus it likes, too little—or even too much (in which case other policyholders whose policies are not maturing suffer). Only the London and Manchester's system seeks to avoid this arbitrariness: its terminal bonus is intended to give the policyholder the average return on all L and M funds throughout the lifetime of the policy.

Some life offices have also been experimenting with managed funds. The Phoenix has recently produced one as modern as anyone else's. The Scottish Widows' (copied this month by the Legal and General) has a managed fund for pension funds which do not want to buy insurance policies to meet their future pensions commitment (reckoning they can perfectly well make their own forecasts of mortality and interest rates, thank you), but do want to subcontract the investment side of it. The Scottish Widows' also offers policies linked to a special equity fund under its own management, dubbed the "investor" policy.

These innovations are exceptional. Life offices have made no conspicuous efforts to offer their services as presumed investment experts to a wider market than the conventional policyholder (apart from a few unit-linked policies, sometimes, but not always, with the investment management provided by themselves). Perhaps because they are run by actuaries (with their compound interest and death-risk orientation), they have not muscled into the investment trust business, the unit trust business, property bonds or offshore funds, to say nothing of the fancier tax-minimising investment devices. And they have been slow to recognise and exploit new selling methods.

The traditional life offices have always relied on the part-time agent (solicitor, accountant, building society manager) for the bulk of their business. Yet these agents now look like being squeezed between direct salesmanship (newspaper ads plus visits by a full-time salesman) and high-powered brokerage firms specialising in life assurance with brand new networks of their own sales teams.

Meanwhile, the whole business of selling life assurance is becoming almost unfathomably complicated. Because of this, and because salesmanship has become increasingly aggressive, there is a growing need for tighter regulation of selling methods involved. This, indeed, has been a constantly recurring theme in the evidence to the Scott committee.

Registration of life assurance brokers and agents is certain to come sooner or later. It may appear in the common market's harmonised insurance rules, for both life and non-life insurance, whether Britain has acted first or not.

Table 4—Investment transactions of insurance companies *(a)*

	1969				1970				1971			
	Acquired	Realised	Net investment		Acquired	Realised	Net investment		Acquired	Realised	Net investment	
	£m	£m	£m	%	£m	£m	£m	%	£m	£m	£m	%
Mortgages and loans	485	285	200	26	360	223	137	15	336	286	50	5
British Govt stocks etc	1,634	1,561	73	10	1,563	1,501	62	7	2,398	1,908	490	42
Debentures and preference stocks	360	243	117	15	292	200	92	10	348	241	107	9
Ordinary shares	520	371	149	19	622	351	271(b)	31	828	468	360(b)	31
Property	206	20	186	24	239	41	198	22	244	48	196	17
Cash and assets with less than 12 months to maturity	50		50	6	130		130	15		47	−47	−4
Total	3,255	2,480	775	100	3,206	2,316	890	100	4,154	2,998	1,156	100

(a) UK insurance companies in the British Insurance Association and friendly societies which do life business (excluding overseas branches and subsidiaries), together with the UK business of Commonwealth life offices in the BIA. (b) Including £9m invested in unit trusts in 1970 and £10m in 1971 shown separately for the first time in 1970.

Registration would probably be followed by the setting of minimum qualifications and standards of competence, as is already done in Holland. Advertising would also be regulated more closely. So would commissions. And life offices would probably have to disclose market values of their investments (although this information is useless on its own ; what is equally important is how the liabilities of the life office are valued, a job that only the actuary can do or even understand).

The consequences of this caution, not to say inertia, on the part of the traditional life office will not be manifest tomorrow. But they will be crucial in the long-term. Mr Weinberg, speaking to the Insurance and Actuarial Society of Glasgow last November—forecast that the life offices as now known will virtually disappear, to be superseded by financial conglomerates—offering the full range of savings, investment, lending and life assurance services—within 15 years. Although that time span might seem a little short, in view of the entrenched positions of the heavyweights in the business today, his view, surprisingly, is widely shared among insurance men. If it is correct, the life offices are worse placed to be the masters of the new and emerging monsters than they were ten years ago. Unless they develop some taste for innovation fairly quickly, they cannot hope, at best, to be more than junior partners in the new conglomerates.

Reinsurance for the future

"I am sure you will agree with me that the future of insurance—worldwide—is bleak. Increasingly governments will nationalise it or regulate it and subordinate it to the supposed national interest. I would not put my children into insurance today." "Ah, yes. But would you put them into reinsurance?" "Hm. That's another matter."

This pessimist is biased: he is a reinsurer himself. But there is a lot in what he says. He might have added that the ever multiplying amount an insurer can lose today in one single catastrophe will also serve to ensure a buoyant demand from insurers for the specialist and esoteric services of their reinsurance colleagues. In the developing countries, where direct insurance is being nationalised or pushed into the hands of (regulated) local companies, the national companies need reinsurance in a way that the previous direct insurers, the Commercial Union, the Guardian and the rest, never did because of their size and international spread. In Europe, from what can be dimly discerned of the future EEC insurance regulations, reinsurers will remain free to offer their services across frontiers, while direct insurers will be subjected to all manner of impediments (see page 14), just as direct writers are variously regulated by individual states in America. Already reinsurers have started to exert a new and unaccustomed influence on the whole insurance scene, from the setting of premium rates to risk classification and "risk protection" (ie, steps by the insured to reduce the risk of loss). Reinsurance is the field of the future.

It is also a field in which London has effective competition from the continent. This is partly an historical legacy of the sheer size and comprehensiveness of the British direct writing companies themselves, and of the smoothness of London's Lloyd's/company/broker system, which allows risks to be split between several insurers without any of them having to resort to reinsurance, or not much. The big companies doing purely reinsurance are the Swiss Reinsurance Company in Zurich, and the Munich Reinsurance Company of roughly equal size (net premiums of about £250m in 1970), but very different character: the Swiss Re getting business from all over the world, while the Munich Re, despite a creditable recovery overseas since the war, still getting two-thirds of its business from German insurers. The General Re, the American Re and the Employers' Re (all American) are less than half the size. The Mercantile and General (by far the biggest professional reinsurer in Britain), is about one quarter.



Reinsurers will pay a slice of that

These professional reinsurers get business direct, by sending their salesmen knocking on the doors of insurance companies all over the world. In parallel with their operations are the energetic activities of the London brokers bringing some £500m a year of reinsurance to Lloyd's underwriters, the big British direct writing companies with reinsurance departments active on the marine and aviation side but doing little fire or liability, and a large, and very elastic, fringe of smaller specialist insurance companies, of varying national origin, that jump on to the reinsurance bandwagon when things are going smoothly, and jump off when they turn sour, or, more usually, a year or two afterwards. Brokers guess that the marine reinsurance they handle in the London market (which excludes what the Swiss Re and other professionals pick up direct) is split roughly 50:50 between Lloyd's and the companies ; on non-marine business the position is more obscure, as well as variable (as the fringe companies get in and out). What does seem true is that Lloyd's has a strong grip on the fire reinsurance placed in London by American companies.

For 100 years insurance students have had drummed into them that the reinsurer follows the fortunes of the direct writer, on whom he relies for the setting of premium rates and the selection of risks. But this idea took a hard knock in the 1960s, at least up to 1967. In those years, when there was over-capacity in the British and American markets, reinsurers suffered much more than the direct writers. For the old (and still the main) sort of reinsurance treaty, the proportional treaty, the premium and the claims are apportioned between the direct writer and the reinsurer. But in order to get his cut of the business, the reinsurer also has to pay a commission to the direct writer, to cover his presumed share of the administration, selling and commission expenses. But these rates of commission are variable ; when reinsurers are keen to get business, up they go. And since these periods are—by definition—periods of over-capacity in

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Mr. X, aged 35, earns £2,500
Mortgage: £5,000, 25 years, interest 8% p.a.
Method: ordinary repayment of interest plus capital
Average net monthly cost: £32·62*



Mr. Y, also 35, also earns £2,500
Mortgage: £5,000, 25 years, interest 8% p.a.
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What a breakthrough! Thanks to Legal & General's new Build-Up Plan, Mr. Y can now benefit from a with-profits endowment house-purchase contract, yet his monthly outlay compares favourably with Mr. X's, who is repaying straight interest plus capital.

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* *Based on present tax rates*

THE MERCANTILE AND GENERAL REINSURANCE COMPANY LTD

Record new business figures reported by Life Division

In his Statement, circulated with the Annual Report for 1971, Mr. H. K. Goschen, Chairman of The Mercantile & General Reinsurance Company Limited, reported record new business figures for the Life Division. As a result of the triennial valuation it has been possible to transfer £1,500,000 to Profit and Loss Account from this Division. Mr. Goschen also said "We are also able to take £500,000 from the Marine and Aviation Account whilst still maintaining a strong position. Unfortunately, however, the results of our Fire and Miscellaneous Accounts have again necessitated transfers from Profit and Loss. However, there are at least some welcome signs of recovery in the business of our General Branch Division. This is encouraging after so long a period of poor results, even though we cannot be satisfied by any means that we have stabilised the situation in all underwriting areas. Nor can we yet afford to relax our efforts for in that particular area traditionally regarded as the bread and butter of our business, the Fire and Miscellaneous Proportional Account, the out-turn is very disappointing.

It is essential that an international reinsurance company underwriting substantial risks should have adequate and flexible reserves to meet all possible adverse circumstances. Unfortunately, in the past few years we have been called upon to demonstrate our ability to deal with these circumstances by drawing on our inner reserves. The transfers from Life and Marine and Aviation have enabled us to reverse this trend and we have been able to strengthen both our published and inner reserves as shown in the Profit and Loss Account after, of course, having made provision for technical reserves on a conservative basis.

Life

New Life sums assured written by the M & G Group in 1971 were £610,000,000 (£537,000,000 in 1970). New business in the United Kingdom and Eire amounted to £324,000,000 (£282,000,000 in 1970). Business written through our Overseas branches and subsidiary again accounted for about 40% of our total production. The world-wide Life Premium Income was £15,600,000 compared with £14,000,000 in 1970.

Business written in the Continuous Disability Account again increased, the premium income at £1,900,000 being some 20% higher than that of the previous year.

General

The need for considerably improved profit margins in General Branch operations must be more widely recognised if a soundly based reinsurance market for this business is to prosper. The uncertainties of underwriting are greater than they were and the quality of information which we receive on major risks has not improved. This lack of means to bring the reinsurance of major risks of many descriptions under proper control remains one of our basic problems.

Two years ago there was much talk of insufficient capacity and lack of facilities for handling major risks. Today the position is very largely reversed and an excess of capacity in some areas, notably Marine and Aviation, is now bringing about a reduction in rates which we observe with some misgiving.

We are concerned too at the demands already being made upon us for increased terms in markets where after several years of poor figures one year's result has shown a marked improvement. There is still a need for wider recognition that reinsurers should be allowed to accumulate from the better years the reserves they need for the lean ones that always follow.

Fire

We recognise the difficulties that persist in the direct insurance of industrial fire risks. We want to play our part in bringing this important class of business under proper control. Our Fire business in the United Kingdom was satisfactory in 1971, helped by the general increase in premium rates. Elsewhere the worst territories were the highly developed countries of Europe, especially Germany and Scandinavia. We welcome and are watching closely the remedial measures being taken there.

Motor

The premium rates for Motor business in the United Kingdom have been raised now to a level where both insurers and reinsurers should find themselves in a substantially improved position. But in an inflationary situation, the cost of repairs, court awards for personal injuries and the other factors that affect the claims situation, will not stand still and one must foresee the necessity for further rate increases.

Marine and Aviation

The Marine and Aviation account has grown rapidly in recent years. On the Marine side, there was an increase in rates following the poor results a few years back. The present trend of our account is satisfactory, but we are apprehensive about the continuing rising cost of hull repairs. Another problem concerns the high insured values of super tankers and such sophisticated vessels as natural gas carriers. It is much to be hoped that the rates of premium in this most competitive market remain adequate.

In Aviation, our satisfactory experience over the past few years reflects the experience of the aviation market as a whole. The first few years of operation of the wide-bodied jets have, fortunately, been satisfactory for underwriters but we wonder if enough attention has been given to the extraordinary fluctuations to which a modern aviation insurance account must remain vulnerable.

Investment

During 1971 the greater part of the new money arising in the U.K. was invested in equities and property, which now amounts to just over 50 per cent of our total funds.

Overseas we increased our equity holdings in North America, Australia and New Zealand, South Africa and Europe and commenced investment in three new territories, Japan, Hong Kong and Singapore, all of which performed well."

Head Office: Moorfields House, Moorfields, London EC2Y 9AL.

the market, reinsurance commission rates go up in just the times when competition is narrowing or eliminating what underwriting profits there are. Conversely, when the cycle enters its up-phase, with a shortage of market capacity—such as in Britain and America from 1967 to 1971—brokers find it harder to place risks, premium rates tighten, and the direct writers themselves find it harder to get reinsurance. Not only does the whole business become more profitable, for both insurers and reinsurers, but falling rates of reinsurance commission ensure that reinsurers do particularly well.

So proportional reinsurance enjoyed a spell of profitability in 1967-71. But it may now already be on the downswing again. Reinsurers are chasing proportional business; commission rates are edging up. In the other type of reinsurance, excess of loss reinsurance (see next article), the same tendency has been evident—though in a more dramatic form.

Where the buck stops

Under excess-of-loss treaties, the reinsurer's interest is quite different from the direct writer's. What he does is to insure the peak claims. For any claim arising on, say, the underwriter's North American fire book, the deal might be that the direct writer pays the first $25,000 of any claim and the reinsurer any excess. For this, he sets his own premium rate (unlike the proportional reinsurer); but even so, in some of the past few years excess-of-loss reinsurers have been having a far less happy time than direct writers.

The reasons are simple. Advancing technology means big claims come to represent a larger share of the total. In addition, inflation means excess points become too low. So the reinsurer suddenly finds himself paying a much bigger proportion of the total claims than he bargained for. In the late 1960s inflation in Britain and America speeded up, the incidence of really big fires rose and the excess-of-loss reinsurers carried the can. So although proportional reinsurance was looking up by about 1968, on excess-of-loss business recovery has been more patchy.

But business written this year and last will probably prove profitable. Inflation at 5-10 per cent is now allowed for when premiums are set, as also are the growing delays before big liability and marine claims are settled. On excess-of-loss motor reinsurance (which applies only to big injury claims, which can now exceed £50,000 a time in Britain) reinsurers have started to use an excess point (ie, the $25,000 in the illustration above), pegged to a suitable inflation index.

These underwriting improvements and refinements are important because it is the excess-of-loss side of the business that is growing the faster and will continue to do so.

Indeed reinsurers are often surprised that it has not grown more quickly. One reason is that traditionally, especially on the continent, the raison d'être of a reinsurer was merely to add to the capacity of the insurance market rather than to protect the insurer against catastrophe losses. This still holds in Germany. Because the supervisory authorities make German insurance companies keep such high solvency margins (see page 33), motor insurers have to cede huge chunks of their motor insurance to reinsurers, by means of proportional treaties. In almost any other country, proportional motor reinsurance has disappeared as it makes little sense. Assuming the insurer is not short of capacity, all he needs is protection against the big claims, and this he would get by excess-of-loss reinsurance. But in all countries, insurance companies are used to working with proportional reinsurance in fire and marine fields, and have been slow to make the logical switch to excess-of-loss.

There are other reasons why the switch has been slow. Where the basic premium rate structure is weak (as up to 1967 in marine and fire), direct writers cannot afford to pay the right rates for reinsuring their excesses of loss. So they don't, and get proportional reinsurance instead. Moreover, even the reinsurers themselves have mixed feelings about excess-of-loss business. Lloyd's underwriters like it: they prefer the freedom to fix the rate (which they don't have with the proportional business); they don't have the same kind of long-standing links with insurance companies as the professional reinsurance companies (although the placing brokers may do). But the professional reinsurance companies are not so sure. The Munich Re, in particular, is used to working with German insurance companies (especially the Allianz, Germany's biggest fire insurer, with which it has cross shareholdings of 25 per cent), and this cosy partnership relationship is obviously more suited to proportional business than excess-of-loss, where there is more of a buyer-seller relationship. It is typical that the German reinsurance companies now take part in the discussions between the insurance companies themselves about what premiums should be charged, rather than forcing them to charge adequate rates by market forces alone. What is more, reinsurance companies everywhere seem occasionally uncertain about the right method to fix excess-of loss premiums. With inflation and



More goes up in one go

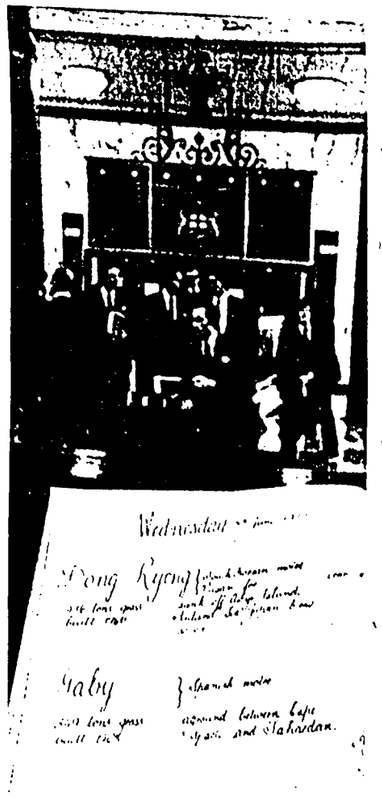


Neave : let's see what we're in for

the multiplying scale of risk, they are in constant danger of coming badly unstuck.

Yet is is precisely because of this growing riskiness that the need for excess-of-loss reinsurance will grow. Take plastics. Everybody knows that plastics factories are bad risks. What has now been painfully realised is that almost any factory of any size has a good deal of PVC around somewhere and burning PVC means hydrochloric acid fumes all over the place, which corrode metal in the structure of the building, machinery, and, nastiest of all, the computer, resulting not only in huge material damage, but business interruption claims (eg, if the production process was controlled by the computer) of several times the size. Box girder bridges are another illustration of how insurers (and, even more, reinsurers) had no idea of the sort of risk they were underwriting. Similarly with injury claims : for those designing buildings, evolving new drugs, etc, the range of possibilities of things that might go wrong is so vast, and so expensive to explore thoroughly, that, beyond a certain point, the contractor or manufacturer must just rely on his insurance. This, in turn, means that the reinsurer (which is where the buck stops) must turn himself into an expert on obscure hazards so that the premium he levies gives the necessary incentive to the manufacturer to carry out all feasible research.

One welcome sign of the times is that the insurance on the Olympic Stadium at Munich was negotiated while the project was still at the drawing-board stage. But generally reinsurers nowadays need a very different expertise from what they did in the past. It is not surprising, therefore, that the more outspoken of them, like Mr Julius Neave of the Mercantile and General, have been reiterating the need for joint action to get big new hazards studied jointly and properly classified, rather as the Lloyd's Register has long done with ships. This line of argument is convincing. The insurance industry will not be able to cope with the shadowy but threatening new challenges that modern technology will present, unless it can rely on a viable reinsurance market. But the initiative will probably have to come from the reinsurers themselves.



Lloyd's knows, you know

Japan stays shut

Tokyo

If past form is anything to go on, Japan will overtake America in sheer size of gross national product in the closing years of this century. So, although there is no immediate prospect that the Japanese insurance market will ever have the importance that the American one does, it would be a brave man who would stake much on it not becoming so in due course. In the meantime, like Japan itself 100 years ago, its insurance market today is still largely closed to foreigners and the Japanese insurance industry itself sells little overseas. But in other respects it is a microcosm of the economy : in its links with the big industrial groups, in its continuous dialogue with the government, in its gradual, though so far meaningless, relaxation of discrimination against foreign interests, and, above all, in its discipline.

Predictably the non-life market operates a tariff, covering the whole of the market, which is approved by the Ministry of Finance. Commissions also are standardised. To the man in the street insurance is sold through agents. There are no brokers ; in fact they are specifically disallowed by law. So competition has a muted and appropriately Japanese form. Big risks are shared between the big companies by means of reciprocal reinsurance, but with surpluses reinsured in London.

But although approval is needed before the industry changes its tariffs or policy conditions, in practice this has been forthcoming when necessary and Japanese insurance has been consistently profitable. When motor insurance turned sour in the late 1960s, partly because of a jump in crashes by taxis and dump trucks, insurance companies persuaded the Ministry of Finance to allow a 50 per cent increase in premiums. A special pool was also instituted for special risks. As a percentage of premiums motor underwriting losses had risen from 4.7 per cent in 1965 to 9.4 per cent in 1969. That was followed, however, by a profit of 6.3 per cent of premiums in 1970, even though the new rates had been effective for only part of that year. So sharp an increase in rates (50 per cent) as occurred in 1970 would have been hard to get past the state insurance commissioners in America ; and the recent jumps of this order in London came about only after much more serious underwriting losses on motor business than Japan has experienced. Japanese insurers are keenly aware of the dangers of letting premium rates get out of line in an economy where money gnp is growing at 15 per cent a year. But, equally clearly, competition between insurers in no way prevented the rate adjustment, as it would have done in many other countries.

Japanese discipline applies not only to its insurance market, but also to the way its industry is run. A £50m petro-

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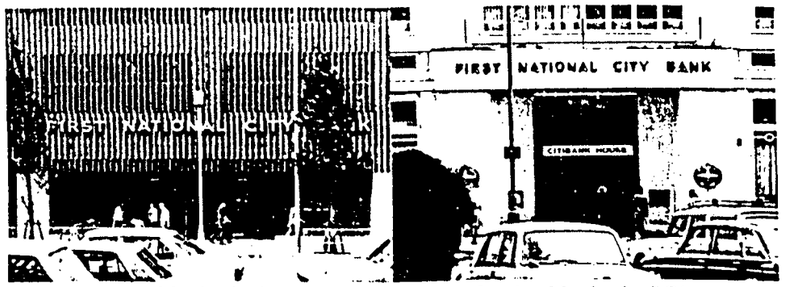
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chemical complex is cared for in Japan like a sacred imperial treasure. White lines are drawn all over the plant, safety zones established, interminable fire drills carried out, and every regulation checked over and over again. Disasters, of course, will occur. Earthquakes, in particular, are a lurking menace. But the Japanese safety record is outstanding. That is why reinsurers abroad fight to get their hands on Japanese fire reinsurance treaties.

Japanese isolationism, however, has had one other predictable consequence: life assurance is relatively underdeveloped. Most life assurance contracts are of the conventional with-profits endowment type. Equity-linked and property bond policies, which have had such spectacular growth in Britain, are not allowed. But the authorities are in the process of revamping the whole life assurance set-up. Early next year the finance ministry is expected to give approval to equity and property linked policies. This ought to give a boost to life assurance as a medium in Japan. Shares and property have been appreciating handsomely in Japan recently: shares by 35 per cent in six months. Yet life assurance companies are restricted to holding no more than 30 per cent of their assets in equities and 20 per cent in property.

The pensions business also has a peculiarly Japanese flavour. The state pension is low—£12.50 a month—though shortly to be doubled. In consequence, company pension schemes are extensive, run by trust banks and insurance companies on behalf of employers, with the banks holding about 60 per cent of the business. But so far companies have shown little inclination to run their own funds.

The structure of the insurance industry reflects the structure of the rest of Japanese industry. There are 21 companies. Each of the big ones is linked to one of the major Zaibatsu groups of industrial and commercial companies. On the non-life side the picture is this:

Mitsubishi group—Tokyo Marine
Mitsui group—Taisho Marine and Fire
Fuji-Yasuda group—Yasuda Fire
Hitachi-Nissan group—Nissan Fire
Sumitomo group—Sumitomo Marine

Intra-group contracts are drawn up on a commercial basis, with special provision made for exceptional risks. Since almost all lines have so far been profitable, the insurance companies in the big groups are happy to accept all the business offered to them. Similarly, the members of the families have, in theory, a power to place their insurances outside the group; but in practice, not least because of inter-company and intra-group shareholdings, priority is given to the insurance company in the family.

It is this habit that has given insurers abroad only a tiny cut of the Japanese marine insurance business, even though the Japanese are now the biggest shipowners in the world. Every ship is insured in Japan. The authorities stress that shipowners are free to insure elsewhere. In practice, however, the contract would need approval from the Ministry of Finance, which, in turn, would require to be convinced that the shipowner could not get cover in Japan. This has not happened so far and is unlikely to in the future. Insurance companies are, anyway, among the top 10 shareholders in almost all Japanese shipping companies and for several years these companies paid no dividends. "Giri," the Japanese sense of obligation, is therefore involved. In the meantime, the reinsurance need is considerable, and is, of course, largely met in London, where all Japanese insurance companies are familiar clients of the big City brokers.



But the Japanese complain that reinsurers make too little allowance for the high quality of Japanese fire and marine business, that rates go up just because experience deteriorates in Europe and America. The Japanese insurance companies are, therefore, always studying the possibility of "increasing capacity in certain lines," notably tanker reinsurance. "A lot of tankers have exploded," one Japanese insurance man complained, "none of them was Japanese-owned, but they want us to pay higher rates just the same." But whether or not the London reinsurance underwriters do well out of Japan, the brokers certainly do: Japan probably accounts for 5-10 per cent of all reinsurance business now reaching London. For the direct writing companies, however, Japan is stickier.

The 31 foreign insurance companies operating in Japan have only a 1 or 2 per cent share of the market. They have combined to form groups, of which the British Insurance Group is the largest with 12 members. Nor, despite discreet pressure from foreign insurance interests, is there much prospect of liberalisation in the future for all the hot-air talked about it. For the moment the best hope of foreign insurers is to offer reinsurance.

Conversely Japanese insurers have hardly set foot overseas so far. Premiums earned overseas in 1970 totalled only £10m. Many of them have branch offices in America, London, on the continent, and in south-east Asia and south and central America. But only in Singapore and Indonesia do Japanese insurers regard themselves as being among the dozen or so most active companies. The reason is plain. Where Japanese business is expanding steadily, as in south-east Asia, it is easy for Japanese insurers to move in. Latin America (particularly Brazil) is another region where Japanese business penetration promises to grow fast. In theory, therefore, British, American and continental insurers hoping for a slice of the Japanese cake may use this growing Japanese activity overseas as a bargaining counter. But they may be disappointed. To take only one example, although Swiss insurers operate globally, no foreign insurers have found it easy to break into the Swiss domestic insurance market.

The chances are that the Japanese will eventually become net exporters of insurance. If their companies could be encouraged to add to the capacity of the London market that would be something.

After Santiago

At the third United Nations Conference on Trade and Development, held at Santiago in April and May, more attention was paid to insurance than at Unctad II, at Delhi four years ago. The Group of 77 started off with a draft resolution that went beyond earlier discussions. Britain and most of the other western countries registered strong objections to a number of the provisions, including those saying that:

—member countries should all adopt a standardised system of insurance statistics.

—in developing countries, local industries (even if foreign-owned) should insure with local insurers wherever possible.

—that all insurers operating in developing countries should be made to invest their technical reserves (ie, provisions for unexpired premiums and outstanding claims) in the countries where the premiums arise; loans guaranteed by the governments should be regarded as suitable investments as regards security, liquidity and so on.

—where goods are supplied to a developing country as part of an aid programme, the transit insurance (ie, sea, rail, etc.) should be placed with the local insurer.

—donor countries should not specify that the insurance on local projects forming part of their aid programme should be placed with their own insurance companies (even if their motive is purely to ensure security).

Opposition from the developed countries at Santiago led to a compromise resolution. Even so the British, on instructions from London, alone abstained, and voted against the three paragraphs that said:

—local insurers should be favoured in developing countries.

—technical reserves should be invested locally.

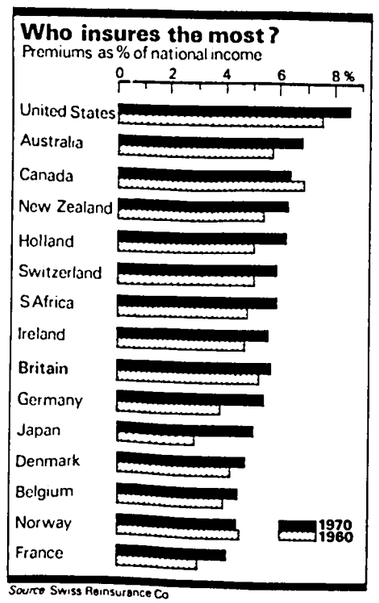
—direct investors in developing countries should use local insurers wherever possible.

Having more extensive overseas insurance interests than any other developed nation, Britain has once again ended up as chief opponent of the endeavours of the developing countries to run their own insurance.

Does it matter? Superficially, perhaps not. Resolutions passed at Unctad conferences usually have little impact on what happens in the real world outside. What they do, however, and what the surrounding discussions also do, is to influence the climate of opinion in the developing countries, and, to some degree, in the developed countries too.

For insurance this is important. The developing countries have it within their own hands to implement the three points that Britain voted against in the final draft. But, as it happens, developing countries do not automatically obey what Unctad recommends, any more than developed countries do. They have, for instance, been slow to force foreign insurers to keep their technical reserves localised, even though Unctad has been talking about this for eight years. What may have done harm, however, is the impression of Britain fighting a last ditch battle in defence of economic interests inherited from colonial days. For this clumsiness the Government itself appears responsible, unlike the situation in 1964, when it was the British insurers who made themselves unpopular by taking a blinkered and intransigent line and were even given to occasional mutterings about HMG "selling us down the river."

For British insurers are beginning to recognise that they have been fighting a losing battle. It is useless for them to insist that freedom of insurance (ie, freedom for the British insurers' agencies and branch offices to operate as they please) is a vital prerequisite for economic wellbeing when continental Europe and Japan are flourishing, with tightly regulated domestic insurance industries, partly or totally closed to foreigners. The natural response from the developing countries has been to build up their own insurance industries, behind the insurance equivalent of tariffs, ie, rules that favour local insurers and hamper foreign ones. Indeed, it is surprising that these rules have not been more severe than they have. True, the standard of insurance service (ie, cost, administrative efficiency, and security) probably falls, but this is the exact parallel with what happens when a developing country puts restrictions on imports: the local stuff is not so good, if indeed there is any at all.



Source Swiss Reinsurance Co

The British have meanwhile been doing conspicuously little to help the emergence of local insurance interests (apart from the useful work done by the Chartered Insurance Institute in training local personnel). The result in numerous Asian and African countries (India is the latest) has been that insurance has just been nationalised outright and British insurers have been kicked out altogether, without compensation or a residue of goodwill. The local population is then almost certainly less well-served than it would be by a vigorous home-grown private insurance industry.

This is important, because London has a vital interest in what happens in these markets once the Royal, the Commercial Union, the Phoenix and the rest are ejected, or cut down to size there. One big composite company in London reports a big recent increase in its business from abroad that is not placed in the traditional way—through the local branch or agent—but comes, probably through a broker, direct to the London head office. These are the risks that are too big or tricky for the local companies to handle, nationalised or not.

Nationalisation or the evolution of a local industry also means far more reinsurance, for obvious reasons. London ought to hog the lion's share of this. Unfortunately, because the big British companies are too often identified with the rearguard action to preserve their direct writing interests in these countries, they are usually on the wrong foot to pick up the reinsurance that comes afterwards. The Swiss Re and the Munich Re are renowned for being much quicker on the draw. The interest of the London market is that there should be an active local industry, state-owned or not, that will sell insurance vigorously, and so

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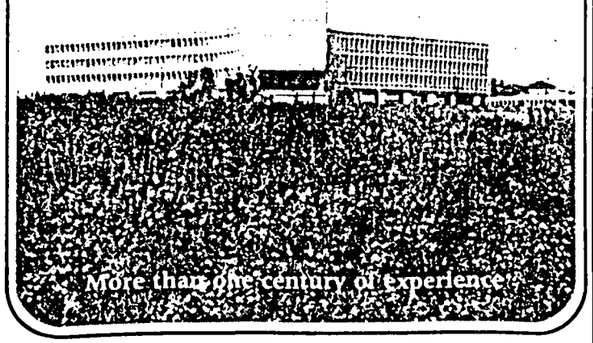
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- a new and powerful IBM computer 370/145 with teleprocess, which is the first of its kind in Spain.

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In 1971 we reached a premium volume over a thousand six hundred millions of pesetas.
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1) Insurance and co-insurance of persons, properties, transport and credits.
2) Insurance and reinsurance in this country and abroad.
3) Agency and other services for home and foreign insurance companies.
4) Insurance of earthquake risks.
5) Study and participation in preventive and repressive measures in insurance and co-operation with State Authorities and other organisations interested in the realisation of these measures.
6) "Yugoslavia" does business concerned with other activities through which damages are lessened and avoided.
7) "Yugoslavia" also does other businesses which are foreseen in the Statute and by the decisions of the Assembly as its sphere of action.

The Company was founded by the merger of the Republic Insurance Communities of Srbija and Crna Gora, with twenty-seven insurance companies in and out of the six Socialist Republics of Yugoslavia and two of the autonomous districts, forming together the Yugoslav Community of Insurance to carry out the 1967 reform of insurance. The company was established on December 12, 1967.

The founders of the Company included many of the largest enterprises and banks in Yugoslavia. The Company is made up of 101 business units throughout the country, situated in the largest towns and economic areas, thus making it the only insurance company with real character and importance in Yugoslavia.

"Yugoslavia" has good business and partnership relations with over 300 insurance companies throughout the world. It employs 1,575 people, of whom 305 are concerned with contracting insurance. In addition, there are 1,030 agents working in the field on a commission basis.

In the financial years up to now, this company has consistently realised complete solvency and liquidity.

"Yugoslavia" has made business arrangements with 28 Yugoslav banks.

Almost all the giants of the Yugoslav economy have entrusted to and have successfully done insurance business with this Company.

More than 2,000,000 citizens of Yugoslavia are supplied with policies by the Insurance and Reinsurance Company "Yugoslavia," covering life insurance, accidents, house implements and furniture, cars etc.

increase the amount of surplus business that comes to London (or New York, Zurich or Munich), either as direct business through brokers to the companies and Lloyd's, or as reinsurance, because the capacity of the local companies is not big enough to keep it.

That is why the move of the IRB, the Brazilian state reinsurance company, to set up shop in London is encouraging. Brazilian rules require local insurance companies to reinsure specified proportions of their business with the IRB. The growing tendency is for national reinsurance concerns like the IRB to try to spread their risks further by reinsuring among themselves. This is the solution that Unctad recommends (incidentally. Unctad has never advocated nationalisation of insurance). However, it is fraught with problems. The reinsurance would work through a regional pool, or a jointly-owned company. But there is endless scope for argument about the terms on which the pool or company should accept reinsurance from the different participating countries, as well as for national jealousies including fears that the strongest member country would do best out of the scheme: Kenya in East Africa, Singapore in the Pacific Basin, and so on. Just as with the airlines' abortive plan for a joint insurance scheme, London will need to be only moderately clever to lure the business here instead. Regional reinsurance pools, in fact, are probably a dead duck.

Nevertheless, the Chinese were unexpectedly active at Santiago, offering to exchange reinsurance with all less developed countries, and exhorting them to steer clear of the machinations of the imperialists (ie, America), the running dogs (ie, Britain and France), and "the other superpower" in the insurance field. Whatever comes of this, Unctad's insurance work now moves back to the soberer atmosphere of the Unctad secretariat in Geneva, where insurance, along with other invisibles, falls into the domain of the formidable Mr W. R. Malinowski. Mr Malinowski, a skilful and provocative Pole, has now established himself as the demon-king in the folklore of British insurance. Haranguing the representatives of the rich countries like an irate schoolmaster, denouncing the supposed colonial mentality of British insurance men, Mr Malinowski has done much to convince British insurance men that Unctad bodes nothing for them but ill.

This impression is false. The Unctad secretariat has done much to quench the wilder fantasies about insurance in the minds of many developing countries, such as the idea that it means a massive outflow of foreign exchange in the shape of premiums (while claims are apt to be overlooked). It has helped to focus attention on the help that can be given to developing countries in setting up proper systems for regulating and supervising insurance industries, compiling proper statistics, and building up local expertise. Once set up, local insurance industries are obviously capable of underwriting most of the small scale personal and simple insurance risks, while the big ones go on to the world market. It is this basic pattern that the Unctad secretariat (as distinct from politicians in conferences) has sought to encourage. British insurers could still do themselves a good turn by encouraging it too.



The demon-king

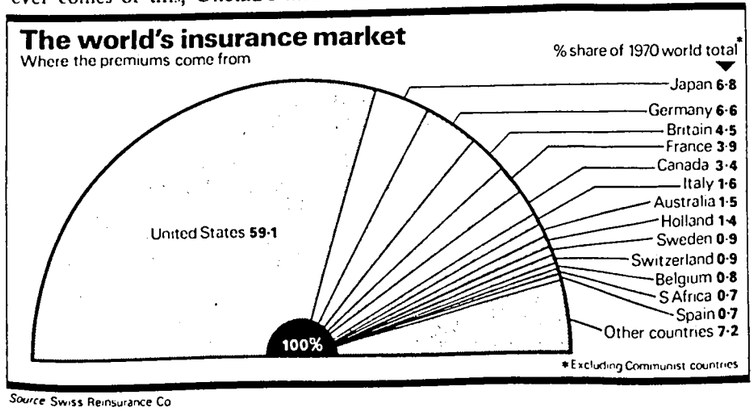
Germany hits problems

British insurance companies now trying to muscle in on the continent have two choices. They can either (a) try to build up in Holland, or Belgium (ie, the countries sharing the relatively liberal British approach to the business), or (b) they can go for one of the two big markets, France or Germany.

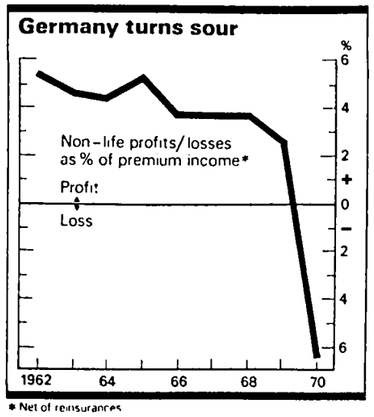
Germany is far the most important market in Europe (see chart below). But things have now come unstuck there in the industry in a big way. Abysmal underwriting results have made their mark on the British offices' 1971 figures, even though their stake there is tiny. German fire insurance has been passing through the same problems that hit British insurers about five years ago and the Americans ten years ago. Fire wastage has suddenly but persistently leapt ahead far more quickly than has the money gnp. So fire premium rates, although based on money values, have become seriously inadequate.

The increased fire risk of modern buildings (ie, the damage resulting from a single fire) is the main factor. Two-thirds of the premiums of German fire insurers in 1970 were absorbed by big fires (over DM 1m or £100,000 each). The chart on page 34 shows how these fires have risen in number and cost since 1965. Admittedly, it gives a slightly exaggerated picture of the deterioration, because of inflation. Even so, the trend is clear enough. 1971 was regarded at the time as exceptionally bad—one fire alone, at Linde-AEG, cost as much as £22m. But the 1972 figures look just as bad. Premium rates

The world's insurance market
Where the premiums come from



Source Swiss Reinsurance Co



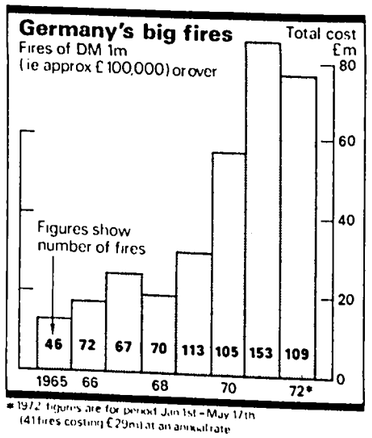
for industrial fires have virtually doubled since 1966; even so, insurers reckon that another 10 to 25 per cent is still needed and that another loss will materialise in 1972. Not surprisingly, Germany's equivalent of the Confederation of British Industry has kicked up a fuss about the size and frequency of the increases, and has not been mollifed by being told that German fire insurance rates are low compared with those of other industrialised countries.

Tariff increases are expected to induce German firms to become more fire-protection minded, helped by the efforts of the Allianz and other leading companies. But they have also allowed several smaller companies, including some American ones, to start writing selectively, charging the officially approved traiff rates (though sometimes with special discounts), but picking only the better risks within each category, and so leaving the big companies with a below-average mix.

German insurers are also losing money on so-called simple insurances (houses, shops and farms), which have traditionally produced profits in the past. The problem here is also familiar to British insurers: as inflation speeds up, householders and other small policyholders tend to become underinsured because they forget, or refuse, to raise the sums assured. In theory, if a house is 20 per cent underinsured, the insurer can disallow 20 per cent of any claim, no matter how small. In practice, it is impossible to prove this for small-scale insurances. At the same time the excess ("you pay the first DM100 or whatever, of every claim") on each policy becomes eroded by inflation, and the insurer finds himself, in effect, paying an ever higher proportion of each claim. For simple insurances German insurers have the appalling handicap that they must give policies that run for five or sometimes ten years. Rates of premium cannot be raised, meanwhile, even though the incidence of risk may rise during this period. What insurers have done, however, is to take measures against under-insurance. Although the supervisory authorities needed some persuading, insurers now have permission to raise automatically a householder's sum assured in line with inflation unless the policyholder protests (which few do).

Motor insurance rates have also been pushed up repeatedly in Germany. As in Britain, the problem is not a rise in the number of accidents, but the soaring costs of injury awards and of labour-intensive motor repairs. Insurers hopefully demanded rate increases of no less than 39 per cent on January 1, 1971, to allow for inflation including that expected for 1971: the government allowed 25 per cent, with another 17 per cent to come in August. In the event, there was less inflation than insurers had feared, and motor insurance that year was in a much healthier condition than expected. When they appear the 1971 figures will probably show that the turnround on motor went some way to offset the deterioration on fire business, though not enough to swing non-life underwriting back into overall profit. This is fine, but a price has been paid.

The government has started to jib at carrying the political odium for approving rate increases, when it has no real control over insurers or their efficiency. If they ask for a rate rise, brandishing figures showing increases in claims and costs, Bonn has to agree. So it has been toying with the idea of



setting motor rates free: A special study by a professor at Mainz University concluded, as would be agreed in Britain and Holland, that it is perfectly possible for the government to safeguard policyholders' security by simply controlling insurers' solvency margins properly, without any need to control premium rates too; and that in the long run the price of motor insurance to the policyholder would be just the same as if rates were officially controlled.

Bonn would probably have been glad to bow out of being nominally responsible for motor insurance rates. But German insurers were terrified by the prospect. They would then be held directly responsible (which would make them vulnerable politically). And worse, competition would break out and they might find it harder to get rate increases when they needed them. So that hot potato has been dropped.

Motor is in gear

For once British motor insurance is in gear. The business is close to breaking even for the first time since 1968, after underwriting losses which amounted to £26m in 1971 and £31m the year before

So ends a traumatic ten years that began with the appearance of the Vehicle and General on the scene in 1961. The new company's low premiums initially attracted the better drivers who had been paying too much under the outmoded and rigid tariff charged by the big companies. However, the V and G grew far too fast and the average quality of its business declined. We now know, too, that its directors deluded themselves, as well as the public, the British Insurance Association and the then Board of Trade, by making inadequate provision for their future claims and so—in published figures—exaggerated their success.

Even so, the V and G's activities—supplemented by more prudent and selective rate-cutting by other non-tariff offices and Lloyd's underwriters—caused the tariff offices' share of the business to shrink to well under half the total. And it was probably the worse half. Apart from the youthful sports car demons who got their cover at cut rates from Fire Auto and Marine and the other unsound cut-price com-

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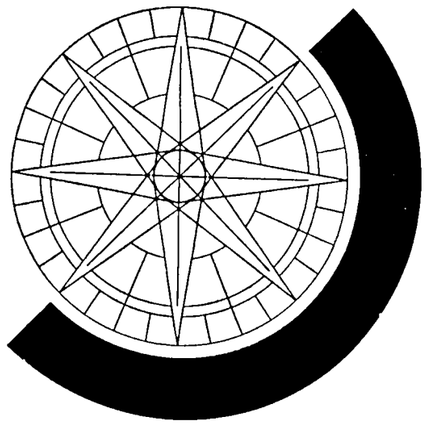
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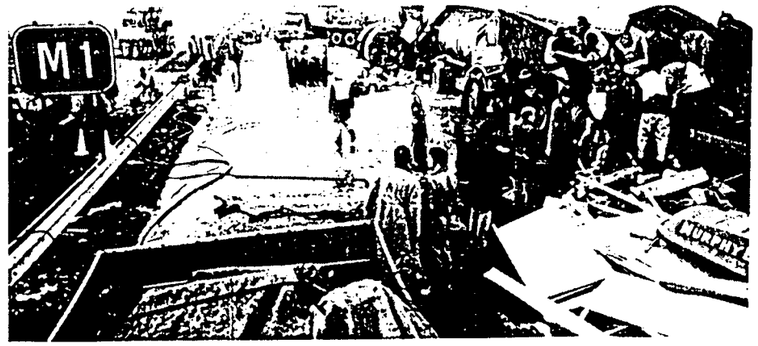
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They all wanted to underwrite more of it

panies that flourished momentarily in the mid-1960s, the tariff companies had found themselves left with the poorer risks. Yet modifying the tariff to meet the challenge from the non-tariff operators proved (eg, in 1966) a lengthy and laborious business, resulting in a new tariff of ludicrous complexity that nevertheless failed to lure back the better drivers. Tariff company underwriters began to itch to go it alone.

So the tariff was scrapped at the end of 1968. The tariff offices fell over themselves to attract back the better drivers. It rapidly became obvious that everyone was going to lose money in the scramble: both the price-cutters and those who stayed aloof but thereby lost business—much of it good business. Cynics have since suggested that losing money was the whole idea, on the view that the big companies could sensibly inflict a few years of losses on everybody as the price for putting the V and G—by then the country's second largest motor insurer—out of business. In this scenario the V and G would go into the red, its volatile share price would slump, and it and its dynamic Mr Anthony Hunt would be taken over by one or other of the tariff offices.

This did not happen. The price-cutting war happened to coincide with a smart acceleration of inflation from 6 per cent to 10 per cent a year. So the losses proved much larger than anybody had expected. There was also a stock exchange slump which halved the value of the V and G's free reserves. And even without the speed-up in inflation, it would soon have become apparent that V and G had been systematically, though probably inadvertently, underproviding for its claims.

So the V and G crashed, rather loudly, in February, 1971. Scarcely a single one of the next few days was free from an announcement by one company after another of premium rate increases across the board (even for the much vaunted good drivers) of quite staggering size: 25 per cent, 30 per cent, 35 per cent. These were followed by a further round of increases, sometimes within 12 months. Some motorists found themselves paying increases of 50 per cent on renewal. One company (the Sun Alliance and London) having rashly promised not to increase premiums for two years, has now had to raise them 62 per cent in one go. Another company raised its rates three times in 12 months. Some companies will now only give cover for six months at a time, or charge above the odds for an extension to 12 months.

Motor insurance has been brought back to a sound basis. But is this really any achievement by the big companies? It has been bought at huge cost: shareholders' losses totalled £71m in 1969-71 with figures swollen by the £4m-£5m paid by insurers through the Motor Insurers Bureau for the V and G's third party claims, the £1m levied from BIA members for the V and G's unpaid passenger claims, and the £2m paid out by the whole market for last resort claims involving two-car crashes, where the V and G driver was partly to blame. In addition, the cost of the restoration of commonsense must also be deemed to include: the losses made by Lloyd's underwriters on British motor insurance, the considerable losses which have been passed on to the reinsurance market, all the unpaid claims of Vehicle and General policyholders and the unexpired proportions of their running policy premiums.

Throughout most of the 1960s underwriters were telling each other that the V and G could not last. If they were so sure, it seems absurd for them to have thrown away such vast sums to correct a situation that was bound to correct itself anyway. Why did they not just scrap the tariff as soon as it had become clear that it had become a hindrance, say about 1964, and then individually concentrate on getting their premium rates right?

The answer is in three parts. First, some of them undoubtedly did want to bring the V and G to its knees. Secondly, 50 years of underwriting with a fixed tariff meant that many tariff offices had forgotten how to write motor insurance, beyond the rejection of obviously bad risks; they were unused to deciding how to subdivide the risks and set premium rates. Thirdly, motor insurance has its own built-in disadvantages which may mean it will always lose money. The next article looks at the future of motor insurance.

But where is it going?

"Half of all advertising expenditure is wasted," said Lord Leverhulme, "only you don't know which half." Half of all motor risks, too, are bad: they are going to cost you money whatever premiums you charge. Only you don't know which half.

But you do have some idea: the driver's record, the type of car he drives, and, above all, his age are the key influences. In making allowances, however, for these and other less important factors, the aim is merely to graduate the premiums accordingly. You assume that other insurers will behave in the same way, and that you will all—as under the tariff—charge roughly similar premiums and get a roughly balanced mix of business. This balance is essential. You are still going to lose money on your bad risks, because you cannot spot them in advance, and a single injury claim can now cost you £50,000. You need the good risks to pay for them.

This system is fine until somebody starts writing selectively and refusing to take the non-A1 risks at any price, or takes them only at higher prices than the market is charging. This is what the V and G and several other non-tariff offices were doing. But had the tariff offices just sat idly while the V and G captured a comfortable 10 per cent of the growing market and then settled down to charge normal rates, that large slice of the business containing a disproportionate share of the good risks would have ended up permanently with the V and G. It was the same

fear that impelled one company after another to enter the headlong pursuit of the good driver when the tariff ended in 1968, the fear of perhaps a drop in claims of 5 per cent (ignoring inflation) but a loss of premium income of 10 or 20 per cent.

For the moment, the problem has vanished. Insurers are too busy trying to get their rates up fast enough to keep pace with inflation.

But they are also making profits. And this means two things. First, competition will reassert itself sooner than the market now thinks. It only needs one insurer to make conspicuous efforts to attract the better driver and the whole cycle will begin again. And this process could begin within 12 months. It might be sooner were it not for the fact that the place where it usually starts—the Lloyd's market—happens to have its hands too full at present absorbing the influx of new risks that came in the wake of the V and G affair. The companies, too, have powerful compulsions to increase their motor business, even though it is certain to produce underwriting losses over the years as a whole. It is also the easiest sort of insurance for newcomers to enter: most of the claims are small, the big ones can be reinsured; the business moves easily from one insurer to another and motor insurance needs little insurance expertise.

Yet the big companies cannot afford to see their business contract. They are the prisoners of their existing scale of operation, their office and agency networks, branch staff, head office size, computers: a reduction in business leads to a higher expense ratio. Above all, motor insurance is a door into other types of business, just as the personal account is for a clearing bank.

So competition will return. When it does, policyholders will again be exposed to the risk of a company going bust, through, for instance, underestimating the pace of motor insurance inflation. In the next general election campaign, say in 1974, the Labour party will remind them of this. Much may therefore be heard of the Labour party's plan for state motor insurance (see also below), not only because it may have some electoral appeal but because it may also be one device for heading off pressures from the Labour left for nationalisation of banking, insurance and building societies.

The Tories will need a reply to all this. Their present plan seems to be to extend the Motor Insurers' Bureau to all categories of motor insurance risk from the third party (and from this year passenger) injury it now covers, and which has usually represented about one-third of the premium. If this is what Mr John Davies, the Secretary for Trade and Industry, meant when he talked about safeguards for policyholders in liquidation in the V and G report debate on May 1st, it makes sense. Motor insurers would then have to fork out to meet all the motor claims of an insurer who went bust, instead of just the third party and passenger injury ones. But does he intend to be as bold as this?

Is it so bad abroad?

Even now motor insurance is cheaper in Britain than in any other developed country. A premium (before no-claims discount) of £90 in London compares with £120 in Hamburg, £130 in Brussels and £202 in New York.

The reason is that most foreign markets operate a tariff system that has not been under constant attack from a batch of outsiders holding 30 per cent or more of the market, as used to happen in Britain. It usually covers the whole market and is agreed with the authorities. The foreign insurer may not be allowed to write a selective portfolio, and has little incentive to keep repair and other costs down. He knows the authorities will only allow rates to go up if insurers collectively show a small loss. Even when government approval is secured this is no defence against a furious outcry from the public when rates are increased, as recent experience in Switzerland has shown. All in all, in Europe and most of the states of America, a tariff covering the whole of the market and requiring official approval has meant costly insurance for the motorist, and small but regular losses for insurers, who, however, have the benefit of the investment

Table 5—Underwriting experience of 15 British offices. 1971 fire, accident and miscellaneous insurance

		Premiums £m	Claims %	Expenses %	Commission %	Increase in reserves % (e)	Profit £m	Profit %
Century		19	61.5	18.7	19.0	3.4	*— 0.5*	*— 2.6*
Commercial Union (b)		428	65.5	32.8(f)	—	1.6	0.5	0.1
Co-operative		30	54.7	19.4	17.3	6.0	0.8	2.6
Cornhill		19	57.6	19.7	14.6	5.0	0.6	3.1
Eagle Star (c)		91	67.8	18.1	16.4	— 0.5	*— 1.6*	*— 1.8*
General Accident		223	60.9	16.3	16.1	5.7	2.2	1.0
Guardian Royal Exchange (d) (e)		236	65.5	14.1	16.0	4.0	0.9	0.4
Legal & General		22	49.5	28.9	11.2	10.7	*— 0.1*	*— 0.3*
Norwich Union		79	57.3	18.9	15.3	7.6	0.8	0.9
Pearl		15	55.9	27.3	15.3	6.0	*— 0.7*	*— 4.5*
Phoenix		96	63.3	15.6	16.6	3.8	0.6	0.7
Provincial		19(g)	68.3	21.0	—	9.8	0.2	0.9
Prudential		63	52.8	23.5	13.8	7.7	1.4	2.2
Royal (e)		450	63.9	16.7	15.2	2.8	6.3	1.4
Sun Alliance & London		155	57.5	19.8	15.6	4.3	4.4	2.8
Totals	1971	1,944	62.6	17.4	15.6	3.6	15.8	0.8
	1970	1,650	64.3	17.9	16.3	3.1	*—25.6*	*— 1.6*
	1968	1,378	63.1	18.3	17.1	2.5	*—13.7*	*— 1.0*
	1966	1,112	61.1	19.4	17.4	2.1	*— 0.3*	—
	1961	801	59.0	20.4	18.2	1.5	7.3	0.9

(a) Provision for unexpired risks and unpaid claims. (b) Before charging £2.6m to reserve for extreme weather losses. (c) Before crediting £11.5m from investment reserve to cover increased cost of claims from pre-1971 business. (d) Before crediting £2.5m from retained profits for increased cost of motor claims from pre-1971 business. (e) Including marine account not shown separately. (f) Including commission. (g) Net of commission.

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	Free	$ 843.982.—	$1.188.681.—	$ 849.241.72	$1.191.842.36
II.	REAL ESTATE	$ —		$ 86.171.46	
	Less Amortization	$ —	$ —	$ 664.67	$ 85.506.79
III.	FORMATION EXPENSES	$ 50.617.—		$ 53.865.82	
	Less Amortization	$ 50.616.—	$ 1.—	$ 50.616.08	$ 3.249.74
IV.	FURNITURE AND FIXTURES	$ 24.659.—		$ 59.680.87	
	Less Depreciation	$ 9.744.—	$ 14.915.—	$ 14.074.41	$ 45.606.46
V.	AVAILABLE FUNDS				
	Cash In hand	$ 6.389.—		$ 4.996.39	
	In Banks (Home)	$ 853.592.—		$ 311.080.71	
	In Banks (Foreign)	$2.175.758.—	$3.035.739.—	$2.764.982.47	$3.081.059.57
VI.	COMPANIES REINSURED				
	Current accounts :				
	Marine Hull Business	$ 42.214.—		$ 135.391.79	
	Aviation Business	$ 199.882.—	$ 242.096.—	$ 400.735.49	$ 536.127.28
VII.	DEBTORS FOR PREMIUMS				
	Direct business	$1.226.680.—		$2.048.029.21	
	Reinsurance acceptances	$ 10.861.—		$ 42.376.—	
	Aviation Insurance	$ 127.618.—	$1.365.159.—	$ 135.180.68	$2.225.585.89
VIII.	PREPAID TAXES		$ 14.249.—		$ 33.824.32
IX.	TAXES PAYABLE		$ —		$ 494.99
X.	SUNDRY DEBTOR ACCOUNTS		$ 14.165.—		$ 446.664.83
			$5.875.005.—		$7.649.962.23

LIABILITIES

		1970		1971	
I.	CAPITAL		$3.000.000.—		$3.000.000
II.	RESERVES				
	Ordinary Reserve	$ 73.022.—		$ 129.526.03	
	Extraordinary Reserve	$ 17.700.—		$ 54.999.56	
	Extraordinary Reserve (Deval. £ Stg.)	$ 28.210.—		$ 28.210.44	
	Special Reserve as per Art. 10 of 148, 1967 Act	$ 37.178.—	$ 156.110.—	$ 45.921.17	$ 258.657.20
III.	TECHNICAL RESERVES (MARINE HULL BUSINESS)				
	Reserve for Unexpired Risks	$ 267.498.—		$ 431.787.16	
	Reserve for Outstanding Claims	$ 498.000.—	$ 765.498.—	$ 887.310.01	$1.319.097.17
IV.	TECHNICAL RESERVES (AVIATION BUSINESS)				
	Reserve for Unexpired Risks	$ 179.530.—		$ 433.945.—	
	Reserve for Outstanding Claims	$ 65.000.—	$ 244.530.—	$ 349.999.68	$ 783.944.68
V.	REINSURERS (MARINE HULL BUSINESS)				
	Creditor Accounts	$1.571.863.—		$1.599.720.54	
	Less Debtor Accounts	$ 492.365.—	$1.079.498.—	$ 289.217.07	$1.310.503.47
VI.	REINSURERS (AVIATION BUSINESS)				
	Creditor Accounts	$ 330.764.—		$ 716.383.46	
	Less Debtor Accounts	$ —	$ 330.764.—	$ 157.68	$ 716.225.78
VII.	REINSURERS COMPANIES				
	Hull Insurance		$ 91.767.—		$ 18.821.72
VIII.	COMMISSIONS DUE		$ 1.067.—		$ 1.052.71
IX.	TAXES PAYABLE		$ 21.—		$ —
X.	SUNDRY CREDITOR ACCOUNTS		$ 16.795.—		$ 45.402.27
XI.	DIVIDENDS PAYABLE		$ 180.322.—		$ 182.231.96
XII	DIRECTORS' FEES		$ 8.533.—		$ 10.809.27
XIII.	PROFIT AND LOSS ACCOUNT		$ 100.—		$ 3.216.—
	Balance carried forward				
			$5.875.005.—		$7.649.962.23

income that results.

The alternative line of approach is socialised motor insurance. In New Zealand, for instance, you buy your third party injury motor insurance at the post office with your driving licence. So far, needless to say, the state has lost money on the scheme. This has not deterred the socialist New Democratic Party in Manitoba from setting up a state-run motor insurance corporation : nor has the fact that Canadian insurers have generally made a loss since 1945. Indeed, the political impetus for the Manitoba scheme has been drawn from precisely the efforts of Canadian insurers to end losses and get their rates straight.

For British insurers the lesson is that state motor insurance will probably come anyway some day (and once the state gets into the insurance business it probably won't stop at third party motor). What will hasten that day will be any lingering fears of insolvency of insurers or any suspicion of overcharging, collective rate-fixing or arbitrariness in premium rating. Here the sudden massive jumps in rates have made a bad impression, although it would have been worse still if the British motorist had not briefly been convinced (by the V and G affair and the rate-cutting that preceded it) that he was getting his motor insurance too cheaply. The old tariff system—which combined the maximum bad publicity for rate increases with the minimum flexibility in rating—was little better. What with luck may now evolve may be a new set-up where insurers shift their rates regularly but in small jumps, where their rates tend to be roughly in line with each other, but are determined individually, and where the more enterprising are quick to cut the rate for any category of driver who is being notably overcharged, but do not keep trying to grab a bigger share of the good risks at sub-market rates.

No-fault makes little progress

New York

Efforts to introduce "no-fault" systems in many states of America this year have generated considerable sound and fury in state legislatures. But present indications are that they will signify little. Of the 35 states that have tried to enact no-fault laws of any description this year, only three look like reaching the statute books, in addition to the seven that already had them in force.

"No-fault" means that no effort is made to apportion the blame when a motor accident occurs. This means that the usual system of adversary law suits must be restricted or eliminated. Instead motorists are given rights of claim against their own insurance companies. In this way they can claim back medical and hospital bills, loss of income, funeral expenses and other tangible dollar benefits. The various proposals set an upper limit on the amount that may be claimed, ranging from $2,000 to $50,000.

The proponents of no-fault are a large and articulate section of the population, including state legislators, government officials, journalists and commentators, academics and teachers. They argue that the victims of motor accidents now suffer badly from the legal battles—often bitter and protracted—over fault, and that victims should be reimbursed for their economic loss as quickly and painlessly as possible.

The present system, they claim, has resulted in court congestion, high insurance premiums, and a distorted and unpredictable pattern of benefits to victims ; and it benefits nobody except lawyers, whose fees, normally based on "results," slice deeply into awards and settlements to victims, sometimes absorbing 50 per cent of them.

Needless to say, opponents of the change consist of the embattled legal profession itself, especially those members of the bar specialising in motor liability legislation. The lawyers are aghast at the vicious threat to the common law rights of the American citizen to sue for damage he has suffered, and argue that no-fault is a fraud and a deception. They claim that it is not enough for motorists to be compensated for economic losses, as under no-fault. They should receive "general damages" (otherwise known as pain and suffering) too.

The no-fault supporters attack this argument as bogus, saying that what the motorist really wants is prompt reimbursement for his dollar losses, rather than taking a chance on finding a sympathetic jury keen to give away the dollars of rich insurance companies, but at the price of years of waiting without funds, anxiety over the outcome, legal costs and huge lawyers' fees.

Nevertheless, the argument over pain and suffering has been pushed strongly enough to force the adoption of compromise no-fault plans. Under these a motorist would retain his right to sue for pain and suffering.

Delaware, Oregon and South Dakota operate no-fault schemes that allow the motorist to claim against his own insurance company for economic losses, but still leave him free to sue for pain and suffering if he pleases. The no-fault proponents say these are spurious no-fault laws. Trial lawyers, needless to say, regard them as the ideal solution, allowing prompt reimbursement of economic losses, while preserving legal rights intact. Massachusetts and Florida allow pain and suffering claims to be lodged in certain circumstances : eg, in the case of Massachusetts, when the victim has suffered medical expenses of $500 or more. In both states the new laws have been highly popular, claims have been cut, insurance premium rates reduced. But trial lawyers in Massachusetts, which had the first scheme, complain that their income has been cut, some practices endangered, and that the public is being victimised.

In New York a bitter struggle centred on Senator Bernard Gordon's plan to enact a no-fault law with pain and suffering claims restricted to those having suffered $5,000 medical expenses or more, which would have ruled out all but a few rich claimants. But early in 1972 a law in Illinois was declared unconstitutional—on the ground that it would discriminate against the poor—even though its "threshold" of medical expenses was as low as $500.

So Senator Gordon agreed to extend the right to sue also to cases where the victim had suffered death, dismemberment or significant disfigurement. Even so, and despite the backing of Governor Nelson Rockefeller, the bill did not make the statute book. However, although the advocates of no-fault have suffered several disappointments in the state legislatures this year, there is hope yet.

The Nixon Administration is supporting a draft bill now before the Senate which would require the states to introduce no-fault legislation, and with provision for pain and suffering claims to be lodged only when medical and economic losses exceed $100,000. If this bill survives the violent opposition it will certainly provoke, no-fault will be a reality by 1974, virtually throughout America.

Make insurance academic

Although there are four university chairs financed by the banks and six other banking chairs in British universities, insurance has yet to establish its first chair. For an industry which provides half the invisible exports of the City some explanation is needed.

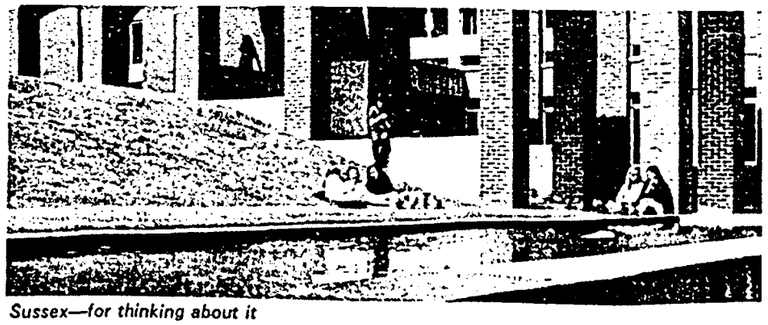
Insurance is not without university links. Sussex University has a Centre for Insurance Studies financed by the British Insurance Association which, in its five years of existence, has sponsored a dozen research projects and organised a top-level European insurance seminar (April, 1971) which was very highly regarded by leading European insurers. Nottingham University this year has 16 students taking the insurance option in the BA degree in Industrial Economics. Some research has taken place at Stirling and one or two other universities. There are signs that this sparse catalogue is on the verge of expansion. At the City university Mr Hugh Cockerell has been appointed senior research fellow in insurance studies, after a distinguished 25 years spent as secretary to the Chartered Insurance Institute (CII). He has now come up with plans for an optional subject, "insurance and risk management," to be included in an MSc course of the graduate business centre there.

But even with this development and probably one or two other advances the university links of British insurance are paltry compared with their international counterparts. In the United States well over 100 universities teach insurance. On the continent it is commonplace to find insurance taught as a university subject. Even in a small country like Norway there are professors of insurance at Bergen University and two insurance professors at the University of Oslo.

Why is Britain out of step? Paradoxically the prime cause is the success of Victorian insurance men in founding a highly efficient insurance educational system — the present Chartered Insurance Institute. In the 19th century lectures on insurance were regularly given at the University of London but with the formation of the Insurance Institute of London in 1907 they were discontinued. The Chartered Insurance Institute now has over 50,000 members, nearly half of them diploma holders. The 6,500 fellows have mastered the technical intricacies of insurance after some five years of study (mostly in the evenings or more recently through schemes of daytime release). And even if the pass rate is low (41 per cent last year), British insurance men have an international reputation of technical accomplishment. Not surprisingly then some insurance men argue that there is no need for radical change. Others taking a different view, arguing :

Even admitting that British insurance is the most successful in the world, this is not solely or even mainly an achievement of the present generation. It merely reflects its success in maintaining the predominant position painstakingly built up by its predecessors over the past two centuries—helped incidentally by European 19th century instability and the setback to American insurers during the civil war. The underwriting upsets of the past few years disclosed a weakness at what should have been insurers' strongest point—financial forecasts—and a surprising failure to recognise the revolutionary changes needed in insurance practice to take account of inflation. True, the British Insurance Association finally commissioned Professor E. Victor Morgan and his Economists' Advisory Group to study the problem last year. But any forceful economist could surely have analysed the problem and suggested remedies years earlier.

As the number of university students grows, fewer and fewer brighter school-



Sussex—for thinking about it



The CII—for teaching it

leavers take jobs straight from school. Back in 1967 Mr W. Horrigan, then lecturer in Insurance at Nottingham University, wrote : "Certainly the efforts of the accountancy profession in establishing academic contact are being rewarded. This can be judged from the number of students applying for places in industrial economics who indicate that accountancy is likely to become their career after graduation. Rarely, if ever, is there any motivation towards insurance."

Not only does insurance need its fair share of university talent but wider benefits would flow from getting insurance firmly established in the universities It would enable broader and longer-range problems to be examined and discussed.

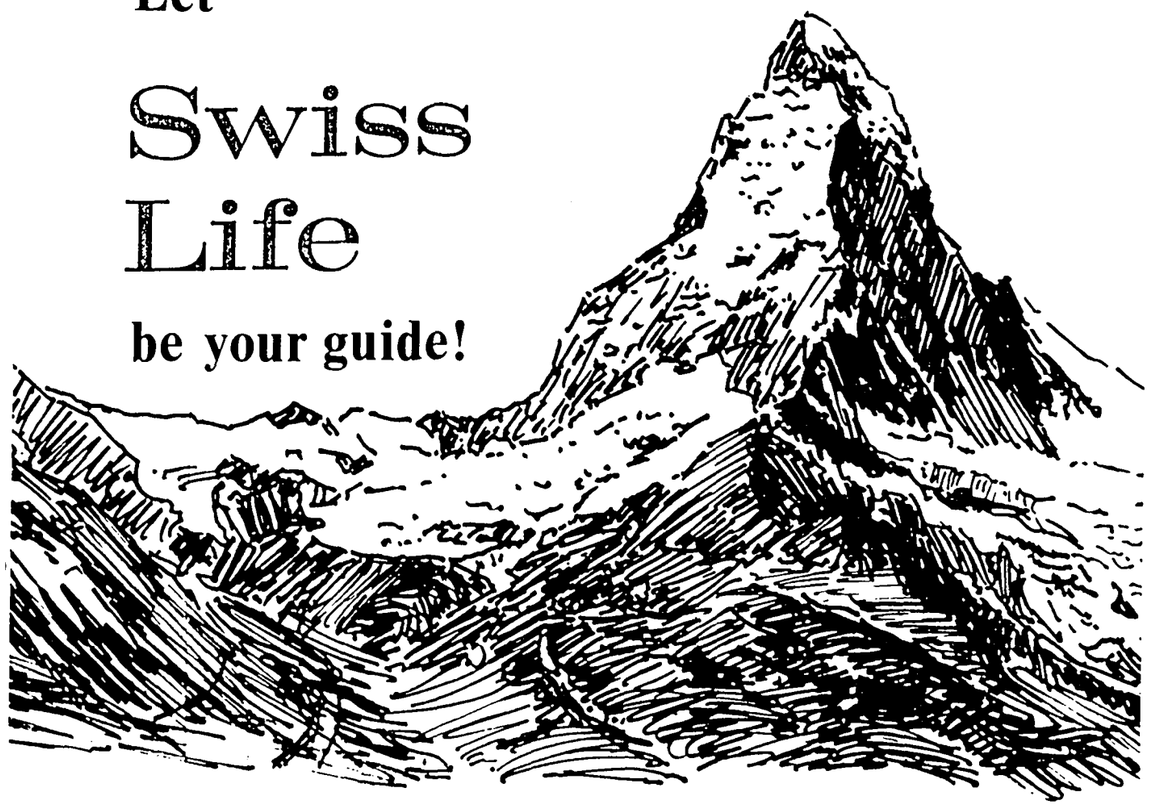
Besides the impact of inflation, these might include : the evolution of reinsurance in a global context ; the effect of European integration on insurance ; the balance of payments implications of insurance, especially as regards the developing countries ; the interactions between life assurance and savings in the economy, and between life assurance and flows of funds in the economy, and (in future perhaps) on the flows of funds between EEC member countries ; the scope for no-fault and other radical changes in the motor insurance set-up.

Many of these lines of study involve insurance plus one other separate field. Pursuing them would therefore mean that insurance would be studied in a much wider social and economic context, and it would lead to cross-fertilisation with other disciplines. It is high time that insurance came to be recognised as a subject deserving study and thought for its own sake, and as part of the wider scheme of things.

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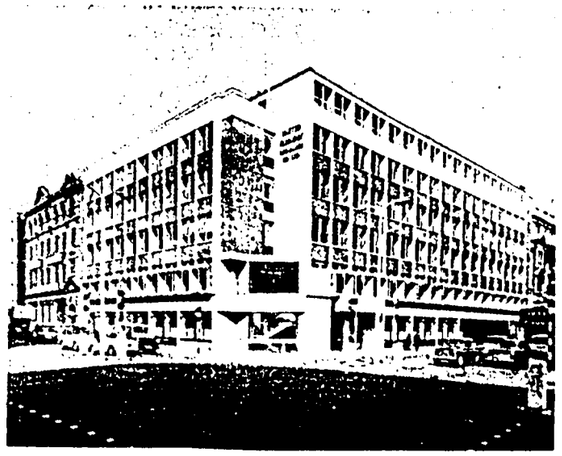
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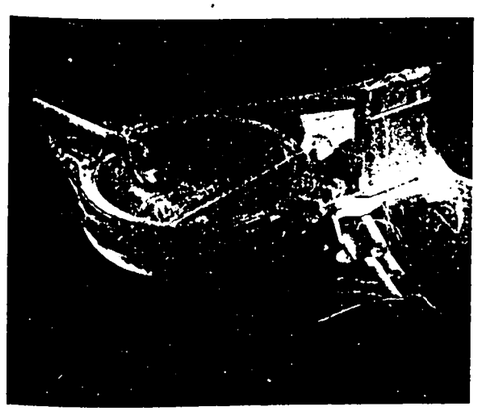
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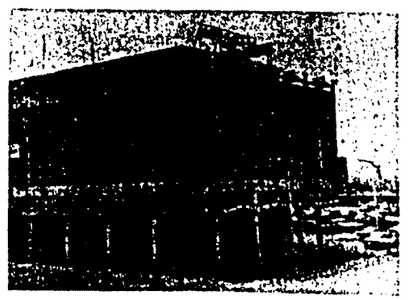
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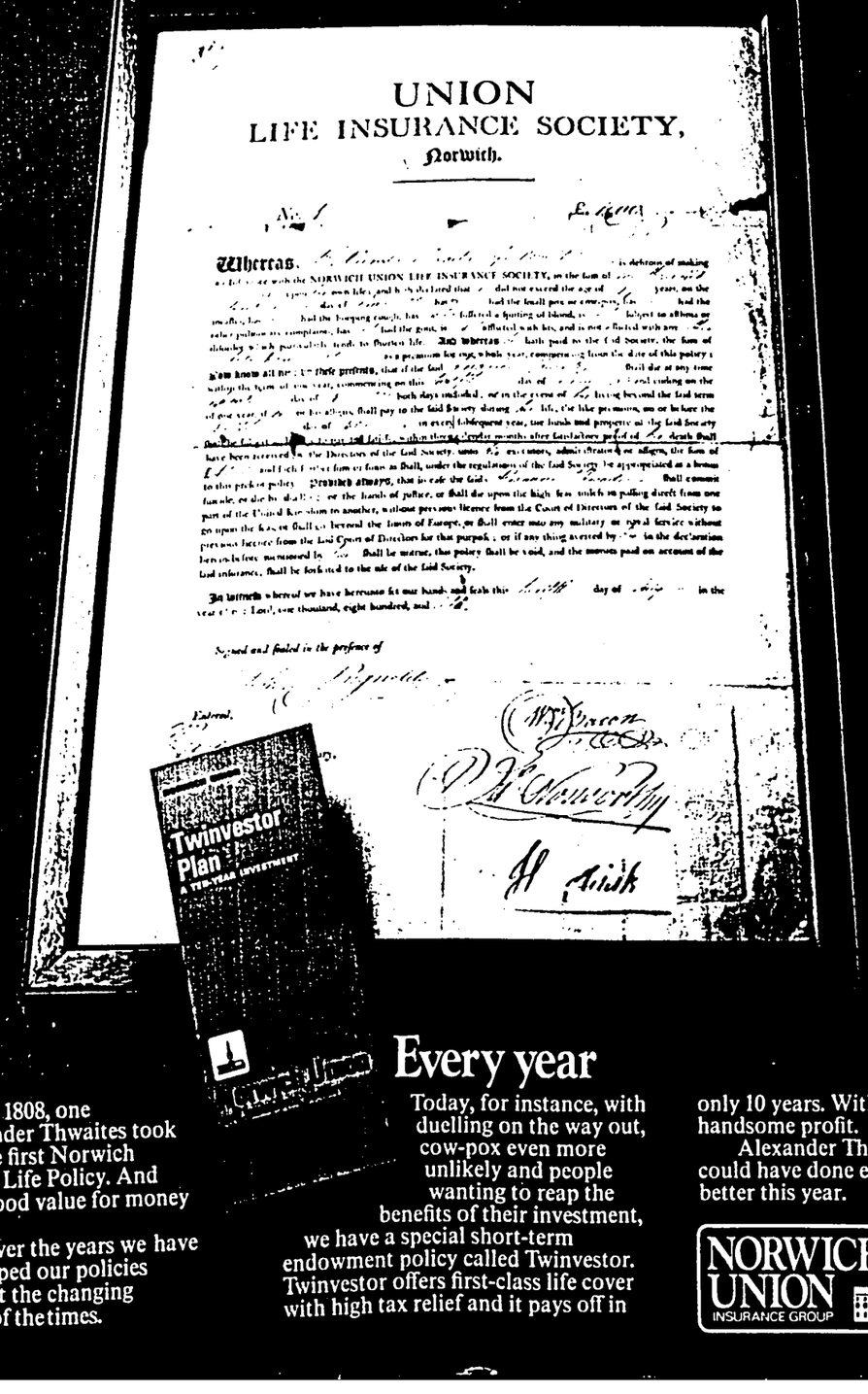
*"Influential European Attitudes to International Business" done for Newsweek, 1971.

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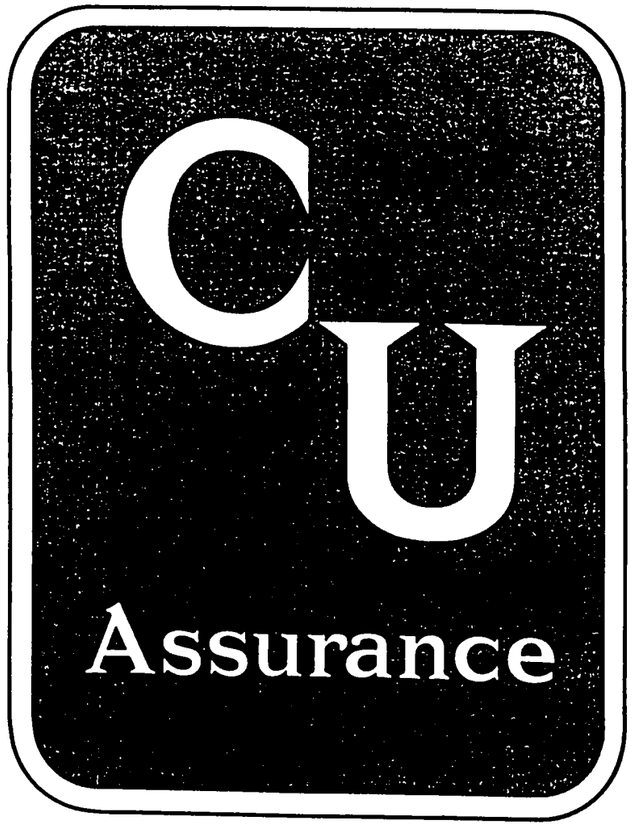
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Books

Little big man

LORD JOHN RUSSELL
By John Prest.
Macmillan. 558 pages. £5.95.

The literature on Russell is extraordinarily meagre for a statesman who was twice prime minister and the primary author of the great Reform Act of 1832. This book therefore bears an aggravated weight of responsibility. Mr Prest is perhaps rather too conscious of this. He seems to be poised uneasily between the desire for a thorough job of rehabilitation and a rather despairing lack of conviction as to whether such a rehabilitation is desirable, let alone possible. Before Russell died, as Mr Prest says, he had thrown away a great reputation, and done it, moreover, "in such a way that no one has ever been able to restore it since." What distinguishes above all this worthy and laborious book is an entire absence of any claims or pretentions to have restored Russell's reputation. Consequently it is informed throughout by a certain air of defeat. "Nobody," again says Mr Prest, "who wishes to raise Lord John in the eyes of posterity will dwell long upon his tenure of the Foreign Office from 1859 to 1865." And accordingly the reader is spared as much as possible of those painful scenes of international farce and fiasco culminating in Poland and the Danish duchies.

Yet one wonders whether the reader must thus necessarily get the worst of both worlds. To be sure this is essentially a biography; but it is political biography. And the best way, in fact, of redeeming Russell—for example, over this episode in foreign policy—would perhaps be to have worried less about the *brutta figura* cut by Russell and to have concentrated more on explaining how it could have come about that a man of such obvious intelligence should have found himself conducting such an obviously unintelligent policy. This in turn would require a full understanding of how that policy came to acquire orthodox or "national" status; which possibly would take a biographer of Russell fairly far afield, but which is the only convincing way of showing how Russell came to be Palmerston's prisoner. Mr Prest is right to insist on the tragic aspect of this: Russell, the man of large and noble ideas, eclipsed by Palmerston, a man who stood for nothing, who represented nothing. Precisely because Russell was a man who felt himself to be the embodiment of ideas and principles, the best approach for his purposes will be from the issues to the man, rather than, in the more orthodox biographical way, from the man to the issues. This is true equally of events where Russell comes out at his best. Over the reform issue, the biographer of Russell would serve his subject best by contributing substantially to the current historical debate about the assumptions underlying franchise reform in relation to attitudes about legitimacy and prerogatives of political leadership in early nineteenth-century England.

Mr Prest's general recourse, and where he is at his best, is in constantly reminding us of how dogged Russell was by inimical circumstance. By the dramatic sacrifice of his party in 1846, Peel cornered any credit and reputation to be had on the domestic "progressive" market. Hence at the very moment of first becoming prime minister Russell was overshadowed by his fallen rival. Then, no sooner had Peel died in 1850 than Russell passed into the shadow cast by another rival more favoured by fortune. Palmerston eventually trumped Russell for the Liberal leadership by exploiting the cheap popularity to be coined out of a blusteringly assertive foreign policy. Only with Palmerston's death in 1865 was Russell able to get a little political sunshine again, but by now it was too late. Already the shadow of Gladstone was coming before him to portend greater events than Russell could comprehend; and even Russell's last stroke for a second Reform Bill was filched from him by the adroit and unscrupulous Disraeli in 1866.


Russell: irretrievable reputation

Unquestionably John Russell had cause for a sense of generalised injustice, of not getting the credit and deserts to which his ideals and his merits gave him fair claim. This ill-fortune has dogged him since. Compared with the vast literatures of Peel and Palmerston studies, the printed Russelliana consists merely of the official life by Spencer Walpole, itself vitiated by Russell's second wife and widow, Fanny Elliot (whom Walpole referred to as "the Influence"). Two editions of his correspondence have been badly or haphazardly edited. Of Victorian prime ministers only Aberdeen and Derby have fared somewhat as badly. They, after all, were Tories and reactionaries in an age of Liberal dominance; and of all the standard-bearers leading the march into what Liberals assumed was to be their new world in the 1820s and 1830s none was more ideologically confident than "Glorious John." No cause of liberty and advance, excepting civil service reform and the ballot, found him wanting. Especially, Russell's devotion to the cause of justice for Ireland gives this book a curiously topical air; all the more poignantly so, perhaps, for the ultimate collapse of Russell's "appeasement" hopes and expectations.

It is of the essence of Mr Prest's book that Russell was largely to blame for his own discomfiture. There were of course factors beyond his responsibility or control. He was a seven-month child and never recovered from this initial handicap. In his prime Russell stood under 5ft 5in and weighed eight stone. He had the grace to shrug off this littleness with jokes: he writes of returning to his political tasks "like a dwarf refresh'd." But it rankled all the same and had important consequences on his temper and behaviour. Historically such things are far from insignificant. It was quite important for Russia that Nicholas II was a small man whose father and grandfather and

uncles were all big men. In Nicholas's case it led to timidity and henpeckedness ; in John Russell's case it led to a peppery chip-on-the-shoulder disposition as well as henpeckedness. Above all, Russell was a Russell, and bore from birth as the younger son of the brother and heir of the fifth Duke of Bedford an inescapable inheritance which cursed as well as blessed.

Russell's essential fault was to compound rather than reduce these inherited dispositions. Seduced by a Scottish education, he fell all too readily into the intoxicating intellectual traps of the new era of ideology. He was quite unnecessarily dogmatic and he misread important problems. He swallowed political economy whole, with bad consequences for Ireland in the years of the famine ; at the same time ideological dogmatism made him contemptuous of financial affairs and budgets, which is where Peel scored heavily at his expense. Cuttings from *The Economist* could not make up for this.

Russell handled people badly. Proud and insensitive, his notoriously short letters offended even close friends. He had an altogether excessive respect for the opinions of his father and his elder brother, who repaid this deference with stinginess, and by forcing the indignant Queen Victoria to provide Russell with a decent country house to live in. Above all, Russell was culpably weak with his wife's relations, the ineffable Elliots, led by the egregious Minto. These are the areas where Mr Prest is at his best. One understands very well why and how Russell was in many ways his own worst enemy. But the larger issues at the heart of the painful contrast between the high hopes of the 1830s and the demeaningly spoiling antics of the 1850s remain too much in the background ; Russell deserves a fuller exploration of them.

Between Georges

THE ROYAL GRIFFIN
By John Walters.
Jarrolds. 232 pages. £2.50.

This biography of Frederick, Prince of Wales (1707-51), is enjoyable light reading with no apparatus of footnotes and no pretensions to scholarship. Students seeking enlightenment on the obscurities of Georgian politics will seek it in vain here, but readers who are content to know about the social life of the upper crust, with special reference to the royal family, will not



Frederick failed to reign

be disappointed.

Born in Hanover, the great-great-great-grandson of James I, Frederick was placed, by the vagaries of international affairs and of English party politics, in the direct line of succession to the throne. His grandfather and father, George I and George II, and his son and grandsons, George III, George IV and William IV, all achieved that succession. Frederick's untimely death deprived him of the prize, and left his reputation to the mercies of government pamphleteers and gossip writers. These depicted him as an unfilial and —worse—ineffective intriguer in opposition politics. In fact the heir in each generation of the house of Hanover intrigued similarly, constituting a "reversionary interest" at the centre of the opposition of the day. Only Frederick failed to reign and thus live down his early transgressions against authority. Mr Walters reminds us that the prince's political papers were burnt by his family at his death, but it is worth pointing out that the papers of his confidant, the Earl of Egmont, now repose in the British Museum and throw a good deal of light on Frederick's political activities.

Interest naturally centres on the prince's personal qualities. He is treated sympathetically by Mr Walters, and indeed his contribution to British institutions, as a result of his personal interests, compares favourably with that of some of his near relations. A keen amateur botanist, he was responsible for bringing the "curious" collection in the garden of Kew House into the possession of the royal family, to form the basis of the world's greatest botanical garden. A romantic with a penchant (unfulfilled) for runaway marriage, he was also an idealist who wanted to clean up and, if possible, destroy the party politics of his day by uniting the best of the Tories and Whigs under himself. Whether he would have succeeded in this object any better than his son did is questionable ; his idealism simply made him a confederate of opposition adventurers like Bolingbroke or fellow-romantics like Bute. Frederick's ideals were his chief legacy to his son George, the boy who brooded on his father's political objectives and tried in due course to put them into practice.

Radical puritans

THE WORLD TURNED UPSIDE DOWN
By Christopher Hill.
Maurice Temple Smith. 353 pages. £5.

SEVENTEENTH-CENTURY ECONOMIC DOCUMENTS
Edited by Joan Thirsk and J. P. Cooper.
Clarendon Press : Oxford University Press. 871 pages. £8.

"Only in our own day, with the beginnings of the widespread rejection of the protestant ethic . . . can we grasp the vastness of the achievement of those who initially imposed it." The Master of Balliol has for many years been writing with ever-widening perception about the social implications of puritanism. Here he is concerned with puritans who, in the moment of triumph, moved towards a greater revolution, "rejecting private property for communism, religion for a rationalistic and materialistic pantheism . . . asceticism for the unashamed enjoyment of the good things of the flesh. . . ."

Levellers, advocating democracy within a "capitalist society", and Quakers of the later passive style are firmly separated from Diggers, Ranters, Seekers and the writers and preachers who escaped completely from the assumptions of governments and churches. They came from, or attached themselves to, the poor—the "masterless men" of cities, moorlands and woodlands rather than stable agrarian communities. They were young, confident and certain that nothing was too sacred to overturn. A meticulously organised, balanced and comprehensive study of such men would of course have enormous value, but, happily, "The World Turned Upside Down" is none of these things. It ranges from extravagant enthusiasm to intense historical argument, and incorporates

some of Dr Hill's most profound statements yet about the seventeenth-century revolution as a whole. The chapters on "Sin and Hell" and "Life against Death" contain arguments about the connections of the state and the changing economy with protestantism that make some of Tawney's (and some of the earlier Hill's) look crude in comparison. More surprisingly, the "mechanic preachers" throw light on what is perhaps the biggest problem in current seventeenth-century studies —how astrology, alchemy, and prophecy as well as puritan faith were compatible with, and indeed contributed to, the emergence of modern science. As always, Dr Hill brings to life characters most of us have heard of dimly or not at all : Samuel Fisher, who when devotion to every word of the bible was at its height not only produced textual criticism of the scriptures but made it accessible to the unlearned ; John Warr, the most uncompromising enemy of a legal system designed to enable the rich to oppress the poor ; Abiezer Coppe, whose splendidly uninhibited denunciations deserve fuller quotation.

There are a few traces in the book of high-speed production ; and of course there are the sins in which Dr Hill always delights, such as his placing at the head of a long list of names that demonstrate the "cultural impact of the North and West" of John Donne, "separated by at least one generation from a Welsh forebear." But the quotations are as magnificent as ever in their range and aptness. One wonders whether there is anything left in the output of Giles Calvert and his rival printers of the 1640s and 1650s that Dr Hill has not read and cited. Certainly no one has demonstrated more cogently how literary sources can break the barriers that even now keep the poor in the background of history. But for most historians the raw material is still largely the less inspiring masses of paper left over from the activities of government and management. The large collection of economic documents which Mrs Thirsk and Mr Cooper have produced (primarily to give Oxford undergraduates a long-needed seventeenth-century equivalent of the three volumes by Tawney and Power on the Tudor period) combine the activities of the state and the great merchants and industrialists with a wide and varied view of the troubles and interests of ordinary men. It could be seen as a salutary counterbalance to revolutionary enthusiasm ; for one could skim through most of its sections without noticing that there had been a civil war at all.

Old world plague

THE GREAT WINE BLIGHT
By George Ordish.
Dent. 237 pages. £2.75.

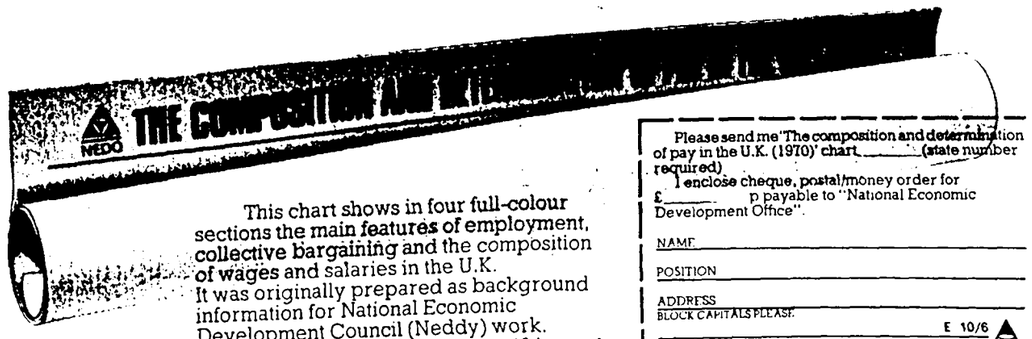
No one knows for certain who brought the phylloxera to Europe, though there was a good deal of mud-slinging at importers of American vines once its source became known. But the earliest importers, Mr Ordish makes clear, were guiltless : it was not until the railway and the steamship expedited the journey that an infected cutting would survive long enough to be planted in Europe. So the pest did not spread until the 1860s : but by 1880 it had covered most of France's major



America's kiss of life

wine-producing areas ; by 1890 it had reached Champagne ; in Germany it is still spreading. *Phylloxera vastatrix*, one botanist called it ; since he was not the first to give it a Latin name, that is not its proper botanical title—but it is much the most apt. The phylloxera destroyed 40 per cent of France's vines : some of the vineyards were never replanted, much as English wine-growing was ended not by an unsuccessful struggle with the climate but by that earlier nineteenth-century plague, the mildew.

Eventually, 80 per cent of the wine-growing areas were replanted with American roots, the cure that was adopted once any number of bizarre and expensive remedies had failed or at best proved to be stop-gap measures : flooding the vineyards, injecting gas into the soil, surrounding



This chart shows in four full-colour sections the main features of employment, collective bargaining and the composition of wages and salaries in the U.K.
It was originally prepared as background information for National Economic Development Council (Neddy) work.
The chart measures 60 ins x 42 ins and costs £1.50 to personal callers (£1.75 by post).

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the vine with sand. Even replanting was a tricky business: not all American vines are phylloxera-resistant; not all American vines will suffer the different soil of France. Then, a European stock had to be grafted on: most American vines produce a wine whose taste is usually and accurately described as "foxy." Mr Ordish is very good and clear on the botanical family history of the vine, and on the nasty little pest (one of the greenfly tribe) itself. He worked on pest control in the French vineyards himself as a young man, and his description of the dying vine, with its rotten roots and flushed leaves (the parallels with the fashionable human ailment, consumption, caused the phylloxera to be nicknamed the *étisie* when it first appeared) are quite passionate. He gets busy with figures, too, substantiating the famous judgment that the phylloxera cost France more than twice as much as the war indemnity it was forced to pay to Prussia.

Mr Ordish's book is a slight jumble, as a formidable and fascinating amount of information is packed into digestible chapters, but he possesses understanding, shrewdness and a quaint wit. And unlike some of his fellow entomologists, he does not discuss wine as if it was some kind of protein-building animal fodder: he does seem to remember what it tastes like.

Ad hominid

A long report on a new batch of semi-human fossils excavated in the Lake Rudolf area of Kenya, which appeared in the scientific journal Nature at the beginning of this month, is going to require the rewriting of most of the standard textbook descriptions of man's origins. The idea that some of the early apes evolved into hominids, or near-men, developing by smooth progression into recognisable human beings in the (geologically speaking) relatively short space of between 3m and 4m years had always struck a number of scientists as suspiciously tidy for such a messy old crone as nature, who tends to be prodigal with species and who, to judge from fossil remains, was experimenting with a whole variety of hominids simultaneously before discarding the rest in favour of what became homo sapiens. The Kenya finds show that at least two recognisable breeds of hominid co-existed there between 1m and 2½m years ago—each probably regarding the other as a species of sub-human troll.

Anyone who wants to get up to date with theories that argue man and ape



A family likeness?

developed quite separately, in a process that has been going on not for 3m, but for at least 35m years, will find them in Björn Kurtén's **Not From The Apes** (Gollancz, £1.75). This is a good read for anyone who wants a change from the standard detective story. But whether to take all Mr Kurtén's arguments at their face value must be a matter of taste. Herbert Wendt's **From Ape to Adam** (Thames and Hudson, £3.50) which is a more pedestrian, more turgidly translated and so, inevitably, a less entertaining account of developing theories of evolution, is something of a corrective; it shows how often, and how violently, theories thought proved beyond doubt have had to be discarded.

Man-hominid emerges here as a predatory, meat-eating cannibal and in his later development as a big, clever, good-looking and probably quite cultured brute. Since then the human race has degenerated physically and perhaps mentally too. A few of the old, stone-age ways still survive among primitive groups and these have been collected by Carleton S. Coon in **The Hunting Peoples** (Jonathan Cape, £3.95), an extraordinary mixture of field-craft, folk-lore, myths, magic and some quite effective herbal medicine, ranging from eskimo to aborigine.

Cost-effective Chamberlain

DIPLOMACY OF ILLUSION
By Keith Middlemas.
Weidenfeld and Nicolson. 510 pages. £4.75.

Mr Middlemas gives a new twist to the familiar, depressing story of Anglo-German relations in the late 1930s.

English people over 50 cannot forget the outline of the tale. He, though still far from 50, knows more about it than most of us can remember; for he has worked through the newly opened cabinet, defence and diplomatic documents to discover the details. His publishers suggest that he has used "the full range of the archives," which of course he has not; he says himself that secret service papers were unavailable to him. His dealings with the secret data that he says the cabinet handled would command more confidence if he did not place a colonel at the air ministry, and had not got the security and intelligence services somewhat muddled up.

Readers of the life of Baldwin by Mr Middlemas and Dr Barnes will have anticipated slips of this kind. And they do not much matter. On the well-worn paths of diplomatic history, Mr Middlemas treads with some assurance. He has several discoveries to impart; and he does appreciate, as diplomatic historians writing 40 years ago did not, the connection between armaments and foreign policy. On his very first page, he says that "Knowledge of Czech, Polish, Italian and Jugoslav sources has become, for the historian of international affairs, a necessary supplement to the better-known British, German and American documents." But he does not use them himself; he relies largely on British official papers, as befits his sub-title: "The British Government and Germany, 1937-39."

It is curious to find the retrospective historian settling for a view put forward at the time of the Munich crisis, and denied by Neville Chamberlain's apologists: that Chamberlain set up "a rigid satrapy" in Downing Street, insisted on running foreign affairs in his own way and brought to them the obtuseness of a man brought up in business, not diplomacy. The leitmotif of the first half of this book is that Chamberlain kept British armaments low, and made no attempt to assert British authority against the visible nazi peril, because to do otherwise would be too expensive: the accountancy of cost-effectiveness invoked to doom a continent. The author then describes the Berchtesgaden-Godesberg-Munich meetings, by which time:

> Continued appeasement had the effect of reinforcing the German belief that Britain and France were far gone in the slough of bourgeois decadence. The time was well past when Hitler desired anything that Britain could offer.

London pride

CROSSING LONDON'S RIVER
By John Pudney.
Dent. 186 pages. £3.50.

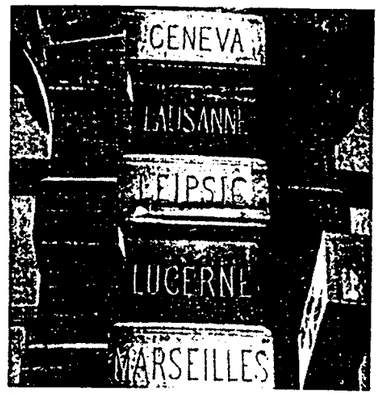
LONDON'S HISTORIC RAILWAY STATIONS
By John Betjeman.
John Murray. 126 pages. £3.50.

A LONDON STEEPLECHASE
By R. G. Ellen.
City Press. 178 pages. £3.

Mr Pudney's should take precedence of these three books: London is there because of the river, the "strong brown God" of T. S. Eliot's fancy. Or rather, it is there because the river had to be crossed: ferries, fords and eventually a bridge fixed the importance of the marshy land along these first tidal stretches of the Thames. The history of the early wooden bridge is sketchy in the extreme. But its Roman function was quite clear: London was a staging-post, its bridge a link in the network of Roman roads, a function that was curiously lost in the construction of the Victorian network of railways. Then, London became a place to get from or to, but not through. Not all the Victorians were so short-sighted: Brunel, Mr Pudney tells us, planned a terminal for the Great Western Railway near Vauxhall Bridge, convenient for the railway systems of the south. But Paddington, close to the original terminal of the Great Western, was the final choice.

Paddington is, Sir John Betjeman believes, admirably well-planned: he writes with enthusiasm of both "the only London terminal without an exterior" and the company: "Before the advent of nationalisation and the gradual breaking of its spirit the Great Western was the best railway in the world." Sir John is particularly adept at distilling such spirit, and perhaps best of all on the obscurest old termini—the "mutilated masterpieces" such as Holborn Viaduct, Cannon Street and Blackfriars, the old St Paul's terminus. On the walls of this confusing complex of underground and old railway stations are engraved the names of the farthest destinations of the South-East and Chatham Railway ("deadly" enemy of the London, Brighton and South Coast line): Bremen and Brindisi, Leipzig and Lucerne.

Sir John believes that looking at railway stations can be as diverting as looking at old churches: both, in the end, are conducive to fallen arches and a crick in the neck, but anyone on the hunt for London's myriad half-hidden churches could do no better than take



Try Victoria, dear

Mr Ellen's guide with them. Mr Ellen, who bears the antique title of Master of the Parish Clerks' Company, has produced an invaluable survey of the 150 living and demolished churches of the City and adjacent parishes. Only 39 still survive in the City, and many of these have an uncertain future. Mr Ellen provides notes on each, whether destroyed or still standing, and his knowledge of old London is profound. Here stood St Margaret Moses, at the corner of Pissinge Alley; there St John Horseleydown, built after the fire under the Fifty New Churches Act of 1711 to relieve the pressure on existing parish churches. That sounds ironic now, but St John is as defunct as the purpose for which it was built, a victim of the second world war.

BOOKS THIS MONTH

P. Sargant Florence
THE LOGIC OF BRITISH AND AMERICAN INDUSTRY
A classic analysis of economic structure and government. 3rd edition brings trends in both countries up to date.
Routledge & Kegan Paul £6.00

Editors: Sir Robert Matthew, John Reid and Maurice Lindsay
THE CONSERVATION OF GEORGIAN EDINBURGH
A fully illustrated report of a conference held to study the "New Town" of Edinburgh.
Edinburgh University Press £3.00

Jean-Pierre Cot
INTERNATIONAL CONCILIATION
A thorough study of the role of conciliation in the settlement of international disputes.
Europa Publications Limited £4.50

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Business Brief

European chemicals: still struggling

The European chemical industry, in the doldrums for at least two years, is showing signs of picking up. At least, prices for the worst-hit products—plastics, polyesters, synthetic textiles—have ceased to fall. But the industry is not really over the hump. Profits have not recovered yet, and investment plans for this year and next are well down. It may take until 1974 or even 1975 to put it all together again.

What went wrong? Virtually all the troubles can be traced back to the vast overcapacity generated by heavy investment in the second half of the 1960s, when the industry was riding on the crest of a boom. Output in western Europe was going up by an average of 10% a year; in Britain, which was losing ground to its western European competitors, growth was rather below this, but at 7% a year still increasing at nearly twice the rate for manufacturing industry as a whole.

This was not the only reason why investment went ahead at such a breakneck pace. From 1970 on, chemical manufacturers were faced with inflation at rates well above anything they had seen since the second world war. Their way of coping was to seek the large economies of scale that improvement in plant design was opening up. This meant building bigger plants than sales prospects alone could justify and inviting all the delays and running-in problems associated with projects on this scale.

A few voices in the industry were raised against it, usually from the finance directors' departments, but were brushed aside. The size of a basic ethylene plant rose in this period from 100,000 tons a year to 500,000 tons. The hunt, therefore, was on for new products to use the huge new tonnage of basic chemicals and for still cheaper production methods.

By now most plants are so large that there is little more to be gained from making them bigger still. One huge additional plant coming on stream now would batter prices still further. Inflation has been having its effect on plant costs at a time when, because of the already large surplus of capacity, prices cannot be raised to compensate for the extra investment costs.

The search for new, cheaper processes is also becoming progressively less rewarding for large sectors of the industry. The cost of research and development has been rising so sharply, and the chances of discovering a really new and revolutionary product or production method have become relatively so slim, that most companies have cut back drastically on their research spending. Only in drugs—where new products are vital to the industry—has there been no paring down in the laboratories.

Investment in chemicals has always followed a cycle, but the present trough is particularly deep because the preceding peak was above average. The industry's marketing has also been remarkably inflexible. Its attempts to find new outlets for existing products have been less than successful. The plastics makers' onslaught on some of the market now held by steel has made less headway than expected. Steel users are a conservative lot, not easily persuaded to switch to substitutes, and the chemical industry was not all that effective a persuader. But slow inroads are being made: plastics now appear in anything from car grilles to watch gearwheels.

There was a time when chemical manufacturers could protect their profits by buying up their customers, so guaranteeing themselves sales outlets. But this game has lost its popularity, partly because it turned out that chemical expertise was of little help with the engineering problems of plastics fabricators, partly because most chemical companies no longer have enough spare cash to make such acquisitions. There is more talk now of backward integration, in which engineering companies buy their way into plastic moulding or set up their own extrusion plants.

Still thinking big

The plastics section of the chemical industry will now be hard put to reach its target of passing world consumption of steel in sheer bulk by 1980 and in weight by 1985 (plastics weigh appreciably less than steel), but on the continent the industry is still thinking big.

Only British manufacturers, once they saw the slump coming, seem to have opted out of this push. Shell Chemicals delayed a large part of its £200m Carrington petrochemical complex near Manchester (including two polyethylene plastics plants) by at least three years. Some people in the industry think that by doing this Shell will miss the boat twice over, because the market will have picked up before the extensions are on stream. The recent large-scale additions to capacity at Baglan Bay by BP Chemicals and at Grangemouth by Bakelite Xylonite were both sanctioned before the slump; and, although they may be embarrassing now, they put these companies in a position to cream what there is off the market before Shell is ready to move.

The fertiliser and pesticide markets have been hit round the world by the environmentalists. Even so, world sales of pesticides have doubled over the past five years, and the market, already worth £1.5 billion last year, should increase considerably again this year. The banning of DDT in America should not affect sales too disastrously because it applies only to home consumption, not to exports. Half the world production of DDT is bought by the World Health Organisation, which spends £25m a year on it.

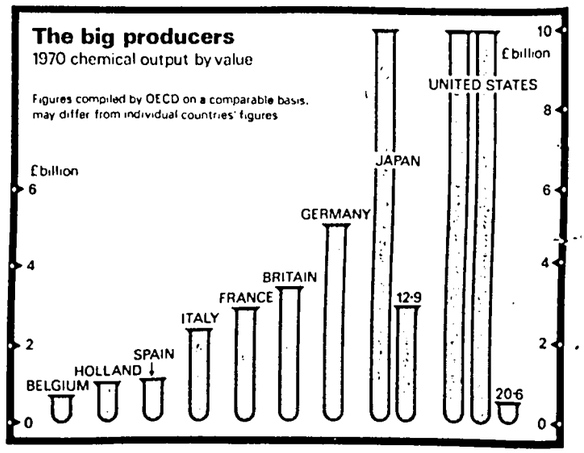
Environment lobby or not, pesticides are expected to continue to sell well. A quarter of the crops sown in Europe, a third of those in North America and Australasia and 42% of those in Africa are lost to pests and disease, and without an element of chemical protection it is reckoned that losses would account for about half of all crops. Hence the industry is confident sales will keep up. The only other products that can expect a similar boom are drugs.

Even so, drugs have their troubles just like the rest of the industry; mostly markedly so in France, where since 1968 the number of pharmaceutical firms has dropped from about 1,000 to only 400. This slimming-down has been part of a massive restructuring of the domestic chemicals industry in France into much larger units over the past three years. The emergence of Rhône-Poulenc and Pechiney-Ugine Kuhlmann are two examples. The expected improvement in profits has yet to materialise, but should happen over the next three years when the mergers have had time to pay off. A measure of aid and protection from the French government is favouring domestic manufacturers, and foreign companies are virtually debarred from buying up any of the multitude of small drug firms still surviving.

Europe's league table

1971 turnover	£m
Hoechst	1,547
ICI	1,524
BASF	1,361
Montedison	1,325
Bayer	1,237
Pechiney-Ugine Kuhlmann	1,049
Veba-Chemie	980*
Akzo	971
Rhône-Poulenc	923
Ciba-Geigy	773
Royal Dutch/Shell	581†
Hoffmann-La Roche	510*
Solvay	396
Henkel	364*
Sandoz	307
Snia Viscosa	237
Degussa	235
British Oxygen	236
Unilever	216†
L'Air Liquide	215

*1970. †Chemicals only



France races on

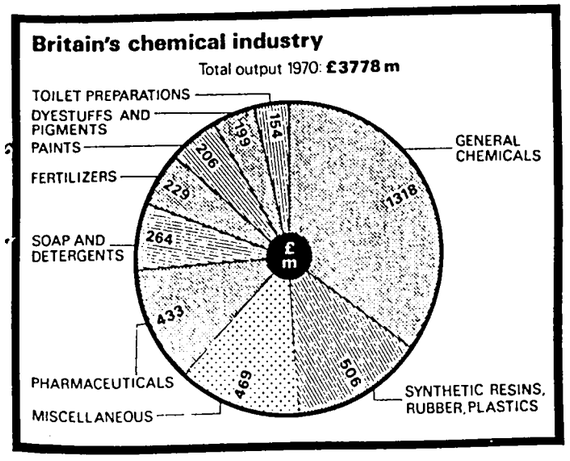
Unlike Britain, a heavy investment programme is now in progress in the French chemical industry, in which the government has a 10% stake: Rhône-Poulenc alone is planning to spend £460m in the three years to 1973. The object is partly to make up for lost time; the French got rather left out of the massive investment boom in world chemicals in the late 1960s. The French are anxious to improve the performance of their companies, which have been overshadowed by the expansion of foreign chemical companies in France. Foreign-owned firms now account for as much as 30% of the French industry. France is also a net importer of chemicals, while Germany exports more than twice as many chemicals as it imports, and Britain at least 40% more.

Other countries are not overly sympathetic towards France's investment programme. They reckon that the French industry has put up a better performance over the past two years than the official figures indicate. The French have a way of collecting production statistics by weight, rather than value, which does not reflect improvements in profitability. Even so, the French companies did not have a brilliant 1971. After only 18 months of the current five-year plan for the industry, the forecast annual growth rate of over 12% has been revised downwards to 10%, and a further cutback at the end of this year seems on the cards.

The Italians have even bigger problems. There the government, through its many holding companies and through its stake in Montedison, controls 50% of the industry, but does not seem to know what to do with its powers. At one point it looked as though Montedison was to be used as a vehicle for rationalising the industry; the appointment of Signor Eugenio Cefis from ENI as head of Montedison was seen as the first step. But Signor Cefis has been showing remarkable independence in the running of his affairs.

He is believed to have made a direct approach to the Italian government for aid amounting to £1.2 billion to offset immediate losses on chemicals, adding the rider that if the group is to be saved then the government must either take over the company's old, inefficient plants or compensate Montedison for running them as a social service. He has also gone to the international capital market, through his newly-established Montedison Holding Company in Switzerland.

The current round of pay negotiations will inevitably bring problems for Montedison. The smaller, independent Italian companies find it easier to digest wage increases. Both their plant and their management techniques are very much more modern than Montedison's. They have also steered clear of the most depressed sections of the industry, while Montedison seems determined to gain the lion's share of the European synthetic fibres market, currently the most depressed of the lot. Unless the Japanese can be dissuaded from flooding this market with imports, the future for synthetic fibres looks even bleaker than the present. Some form of international co-operation—such as a joint plan for future capital investment—is now urgently needed if the fibres market is not to bankrupt itself, but this might run up against EEC cartel legislation as well as against American anti-trust laws.

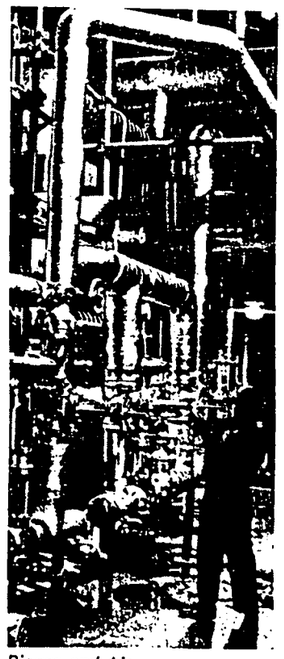


German worries

West German chemicals, too, have taken a knock in the past two years, but in its annual report published last week the industry sounds a more buoyant note for this year. Profits, which dropped by 30% in 1970 and by a further 10% last year, are now looking up again. The current year will still see an investment trough, but things should get better after that. What is still worrying the Germans is export profitability after the D-mark's upvaluation. Germany is the world's leading exporter of drugs, and is second only to the United States on total chemicals exports (although Japan may be about to overtake it). Exports take up more than a third of turnover. Yet many firms reckon that their export business was in the red last year.

The weak spots are the organic chemicals—plastics, chemical fibres and fertilisers—all areas where international competition is fairly murderous. In fertilisers particularly, German home production and exports are now dropping and imports are taking their place. The bulk of imported fertilisers comes from eastern Europe, which is selling them off cheaply in exchange for hard currency. British manufacturers, mainly ICI and Fisons, also intend to expand their share of the German market as demand slackens at home, as it is expected to when the British Government phases out the fertiliser subsidy after joining the EEC.

The German chemical industry has been among the quickest to respond to agitation about pollution. In 1970, the chemical industry spent about £74m on pollution control. Germany now has very strict laws, helicopters inspect chemical plants from the air to see if they are polluting rivers, and land to serve a writ if they are. If this is the sort of bill chemical industries will eventually have to face in other countries, as their pollution controls catch up with Germany's, the date for a return to profitability should perhaps be pushed off another year or so. In Britain, Mr Peter Walker, Secretary of State for the Environment, has forecast capital expenditure of £1.3 billion over the next five years in sewage disposal and plant for treating liquid industrial waste. Industry will pay indirectly for this, and chemical companies for much of it.



Bigger and bigger

DUNLOP

The Chairman reviews progress of the Dunlop-Pirelli Union



Extracts from the Chairman, Sir Reay Geddes' speech at the 73rd Annual General Meeting of the Company in London on June 19th.

"Despite a number of unfavourable factors, not least the lack of real growth in the economy, there was a significant turn-round in the fortunes of the Company in the United Kingdom last year.

Timing of the Union

"As shareholders will know, 1971 did not prove to be a favourable period for the Union's first year of operations in Italy.

"We were not just looking to the present or even to the immediate future. Our sights covered not just the next few years but the decades beyond. A decision was necessary because the opportunity was there. It may well not have recurred.

Current Initiatives

"In Europe in recent years we have invested heavily in new production facilities in advance of rising tyre demand.

"Outside Europe, further expansion is planned with over a third of our capital spending in the next three years taking place overseas. This does not, in any sense, imply that we are neglecting the home countries of the Union; it does however reflect the fact that growth elsewhere will require additional investment to ensure that no opportunities are missed.

"Currently, the most exciting technical development is the 'Total Mobility Tyre' which was demonstrated to the European press and vehicle manufacturers early this year and created an immediate response. Although it was initiated by Dunlop, it has increasingly a Pirelli technical contribution based on parallel work they had in hand. And with the Union's worldwide relationship with major vehicle manufacturers, we hope to exploit this important safety feature more effectively than either partner could have achieved separately.

Progress of the Union

"The first advantage we foresaw was that together the two groups could use their existing resources more effectively by obtaining the benefits of larger scale. The consequent economies in supply and gains from common services being benefits which each partner would have been unable to achieve without the Union. The most immediate and tangible gain has been in joint purchasing and in the streamlining of our buying operations.

"Secondly, we believed that the joint capacity to innovate and exploit the results of research and development would be improved by co-ordinating the research programmes and utilising the separate skills and flairs of each partner.

"A small research policy group has been set up to advise on the major priorities for research and development within the Union, and to ensure that we are making the best uses of our men and facilities.

"The third potential advantage of the Union was the complementary nature of its geographical operations.

"Europe is the heartland of the Union and will remain so. Faster growth in Brazil, Mexico and Greece has helped to offset the downturn in two major Dunlop areas of activity – India and South Africa – whilst increasing returns from Dunlop's operations in Nigeria, Malaysia and Zambia have helped to offset more difficult trading conditions in Argentina and Turkey.

"Fourthly, it was foreseen that the greater product range would mitigate the cyclical fluctuations affecting particular products. For Dunlop shareholders, the major change was the inclusion of the important Pirelli cable sector which accounts for about a fifth of the Union's total activities. With the increasing demand for electricity generation and transmission on the one hand and the increasingly sophisticated telecommunication needs on the other, the cables business is growing profitably round the world. In a year when some major overseas tyre markets had mixed experience, cables brought a degree of underlying stability to Union activity and profitability.

Future Progress

"To sum up, in many areas progress has been faster and relationships easier than we had dared hope. This, I suggest, reflects great credit on all the parties concerned, in view of the difficulties facing the Union in its inaugural year. There is more to do: much more. But the Union is now in a more competitive posture and in the last 18 months we have, I believe, laid sound foundations for the future."

Dunlop Holdings Limited

BUSINESS

Can the snake escape ?

If Britain's community partners have to continue to support the pound for long, a small devaluation might seem a better alternative to them

Central bankers of the enlarged European Economic Community are busily trying to prove, not least to themselves, that the European monetary union (Emu) will work. Emu was the chick born on April 24th when the Six brought into operation an experimental procedure to halve the possible divergence between any two of their currencies from that generally permitted for other currencies. The four candidate members of the EEC (Britain, Ireland, Norway, Denmark) came in shortly afterwards. Until last week the participating currencies had all remained snugly within their community band, without help from central bankers. Then the poor battered pound set Emu its first test, and it came out of it looking rather tattered. That is probably one reason why the Bank of England tried to shore sterling up by raising Bank rate to 6 per cent on Thursday—although, in the event, the exchange markets seemed little impressed.

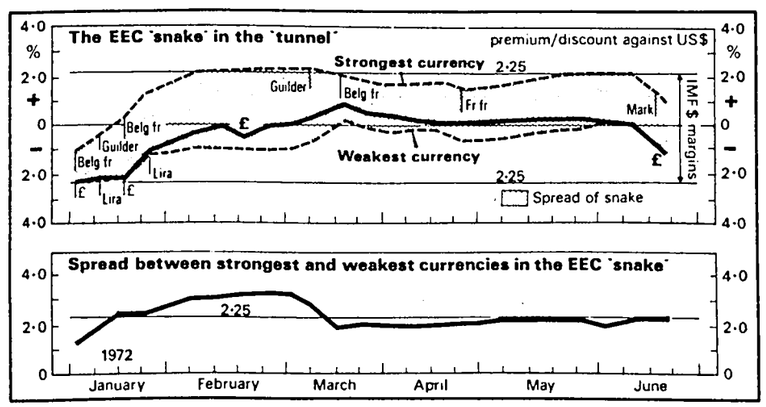
Our chart shows what Emu is supposed to do. Under the Smithsonian agreement of last December rates for most currencies are allowed to fluctuate between margins of $2\frac{1}{4}$ per cent on either side of their parities against the dollar, so that the rate between any two can vary by $4\frac{1}{2}$ per cent from their cross-parity. Under Emu, EEC countries are committed to seeing that the rates between any two of their own currencies will not diverge from their cross-parities by more than $2\frac{1}{4}$ per cent. The effect is the "snake" (a community band of $2\frac{1}{4}$ per cent) within the "tunnel" (the total $4\frac{1}{2}$ per cent range of fluctuation).

In practice, the snake has never been narrower than 2 per cent (ie, the margin between the strongest and weakest member currencies has never been less than 2 per cent) ; and sterling has been consistently in the lower half of the band.

Until late on Wednesday, even at its weakest during this past week, sterling had been only 0.8 per cent below its own central rate ; but it had to be supported there to prevent it piercing the snake's skin, since the strongest EEC currencies were about $1\frac{1}{2}$ per cent above their parities. Under the Smithsonian agreement the pound could have fallen to just below $\$2.54\frac{3}{4}$, but Emu required it this week to be artificially supported at around $\$2.58\frac{1}{2}$, thus making British exports nearly $1\frac{1}{2}$ per cent more expensive than they needed to be. The sensitivity of the situation was revealed in late dealings on Wednesday after the European central banks had left the market : selling from New York sent quotations in London down to $\$2.57\frac{3}{4}$. The snake had come out of its skin. It got back into it when the Europeans came in again on Thursday morning. But by then their task was to hold sterling at a lower level, 1.2 per cent below its central rate. The snake was still in its skin only because the strongest currency, the D-mark, was no more than 1.0 per cent above its central rate. Presumably it had been weakened

Emu on trial

It's hard to get a test at two months' old. Probably no one foresaw the pound running into trouble quite as soon as it has done this week. But it is a seasonally weak time for sterling anyway.



by the bagfuls of D-marks the Germans were having to unload on the market to buy sterling.

Emu did not formally break down on Wednesday. When the central bankers drew up the rules for their new game, they agreed to play it only during hours. When the Europeans closed their doors at 4 pm on Wednesday, the whistle blew, even although New York was open and went on selling sterling. Obviously this adds another twist of speculation to Emu's complicated rules of intervention.

Emu's rule is that intervention at the limits of the community band must take place in community currencies. (Theoretically, intervention can also take place in dollars when the entire snake shifts up or down to the point when a currency reaches its official dollar buying or selling rates at the limits of the tunnel, but sterling has not yet done so.) Instead of the Bank of England having to buy sterling with dollars, as it used to do when the pound came under pressure, the central banks of the community countries whose currencies have at one time or another been at the top of the band this week (Germany, France, Belgium, Holland and Norway) have had to use their own currencies to support the pound, and all five were actively doing so on Thursday. Britain will have to pay these European central banks back on the next settlement day at the end of July. (Theoretically, settlement comes at the end of the month following the one in which the value of the deal is agreed, and this occurs a few days after the deal itself).

The settlement will be made in a package of assets—gold, SDRs, currencies—apportioned according to the proportions in which they are held in the borrowing country's reserves. Britain has a lot of dollars in its reserves, and will therefore shell out a high proportion of dollars in its repayment package. The Germans and French will be unhappy about adding still more to their stockpile of inconvertible dollars, just as the British should be unhappy at having their exchange rate again artificially propped up with borrowed money. If the pressure on sterling continues, and Britain's community partners have to continue to support it to any extent, some of them might not view unfavourably a small devaluation of the pound.

Out of court

The Government appears wholly at a loss to know what its next move on the wages front should be

The Government had hoped that in the Industrial Relations Act it had a means of moderating wage demands in the public sector, but it now recognises it has nothing of the sort. This has left the cabinet at a loss to know what to do next. The Confederation of British Industry obviously thinks the Government has lost its way too, because the CBI is trying to do its own deal on wages and conciliation over the Government's head. As the law rolls majestically through a series of test cases, it may end by introducing some much-needed discipline into British labour relations. But the Government now has no such hopes on wages. Civil servants have consistently opposed any attempts to reform trade union legislation on the ground that the law could never be made to work, especially on short-term economic ends. But all that means is that the direction of the economic policy of the country is something only governments can do, and it cannot be shuffled off on to the shoulders of judges. It does not follow that either attempts at reform or the Industrial Relations Act itself are doomed to fail just because judges may take decisions that upset ministerial applecarts.

Two major decisions by the National Industrial Relations Court have now been reversed by Lord Denning on appeal. One reversed the NIRC's decision that trade unions are legally responsible for the actions of their shop stewards, but as it has now gone to the House of Lords, the outcome remains open. It may need several test cases to clear this point because the rule books of some unions are more specific about the functions and powers of shop stewards than others are. But Lord Denning's second decision has led Sir John Donaldson to make important alterations in the NIRC's procedure.

From the outset, one of Sir John's difficulties has been the refusal of trade unions to attend court hearings, for which Mr Vic Feather at the TUC must bear his share of the blame since he ordered the unions to boycott the court. This led Mr Jack Jones, whose Transport and General Workers Union was getting fined for contempt of court, to demand that the TUC should pay all fines incurred by obeying TUC orders. The ban has now been lifted and union officials have been appearing to put their unions' case. But individual shop stewards have not, and the law of contempt being what it is, this left Sir John no option but to order arrest. That was how he found himself in the position last Friday of instructing the tipstaff to collect the three leaders of the dockers' picket outside Chobham Farm container depot.

When the Official Solicitor emerged from the shadows to put the case to the appeal court that the dockers should have put for themselves, arguing that arrest was too serious a matter to go by default, Lord Denning and his colleagues immediately ruled there was not enough evidence to justify putting the pickets even temporarily in jail. Sir John has now taken this argument the logical next step, and asked the Official Solicitor to send a barrister to his own court to perform the same function of amicus curiae there.

The Chobham Farm blacking resolved itself on Thursday in the worst possible way. The depot is going to take on 40 dockers that it does not want, bringing its staff up to 100. The management was making what it could of the rout, saying that when it could work normally again it would actually need that number of men.

Were that so, why did it not take them on before? And was it necessary to make life even more difficult for other container depots by agreeing that Chobham Farm should in future be classified as "dock work?" The price of peace is high.

There is a widespread fear that the pickets who have spent the past six weeks outside Chobham Farm will now move on to their next target, which is expected to be Dagenham Cold Store. Several other container depots are still being blacked in other parts of the country, three of them involved in the question, now in the House of Lords, of union responsibility for shop stewards. But, from the comments that Sir John was making on Wednesday, he hopes that his own discussions will clear up how far pickets can go before what they do becomes "unfair."

Many of Sir John's, and the Government's, difficulties come from the fact that unions have refused to register under the Act. Registration was automatic, gave great legal protection and considerable tax advantages. All this, it was thought, would give unions an incentive to stay on the register, and at the outset there were signs that some of them might. But pressure from the TUC proved too strong; one union after another deregistered, although it is probably costing the union movement as a whole £6m a year in lost tax concessions. The penalty for not staying on the register, the fact that an unregistered union cannot call a strike without laying itself open to prosecution and a fine, has proved a paper tiger because, as experience in the NIRC has shown, there may prove to be a host of legal loopholes through which the court's strong arm can be avoided. It has, however, meant that the court has found itself clamping down on men for doing what, if their union were registered, would be perfectly legal and straightforward.

What cannot, however, be avoided either under this Industrial Relations Act or the much-watered-down version produced earlier by Mrs Barbara Castle, is the fact that if unions or shop stewards or anyone else within the court's reach either disobey or ignore it, they are guilty of contempt of court. And the ultimate penalty for disobeying a court order is jail. There are many who would wish that in the industrial court it were not. But, as the law stands, there are going to be martyrs whom not even the Official Solicitor will be able to save.

The Government's hopes for a gradual reform of the unions which would bring the moderates to the top, and so lead to more rational wage bargaining, have been dashed. Because unions have refused to stay on the register, their rules are not subject to scrutiny by the special registrar, who could have pressed for reforms on pain of being removed from the register. This would have taken a long time anyway: the reform of industrial relations is a slow process, and if the present Act follows the pattern of earlier reforms in America and Sweden there will be some years of upheaval and violent union resentment before the law shakes down.

During Britain's running-in period, all kinds of conciliation procedures designed to keep wage bargaining out of the NIRC—and as merrily inflationary as ever—will be, and are being, put forward by the TUC, by the Confederation of British Industry and even, unofficially, by parts of Whitehall. None of this will help the Government with a raft of inflationary wage settlements in electricity, coal, the railways, local government and the rest behind it, and more claims coming up in the autumn. The nationalised industries are being subsidised now to the tune of 1 per cent of the country's gross national product. Because their goods and services are being sold below cost, from steel to coal and railway seats, the nationalised industries are distorting the pattern of demand, and the Government's only way out of this must be through a sharp rise in prices and an equally sharp cut in manpower. The Prime Minister had the chairmen of all the nationalised industries round to No. 10 on Tuesday evening, to give them a rough run-down.

Price rises are difficult to engineer under the CBI's price freeze, but the signs are growing that when the freeze is renewed next month, as it looks like being, the new arrangements will be as full of holes as a sieve. Prices will be kept to within 5 per cent across the board, allowing the prices of some products to rise sharply, provided the average can be shown to be within 5 per cent. The agreement looks like being for no more than an initial three months, in place of the expected six—ie, until shortly after the TUC meets in September—and will ignore all past increases made in the preceding 12 months, so that a company could raise its prices on July 1st by 5 per cent, while the present freeze is in effect, and then again by 5 per cent on August 1st, when the new freeze begins. The first nationalised industry to take advantage of this is going to be steel, now losing £100m a year and under an obligation to go into the EEC on January 1st on a profit-making, unsubsidised basis.

Even under these conditions, the nationalised industries will need to shed large numbers of men after the sort of wage increases they have just handed out. Ministers no longer pretend, as they did immediately after the miners' strike, that the coal industry will stay at its present size. But, if cuts are carried through, there will be anguished complaints from those ministers who do not have to foot the subsidy bill but who do carry responsibility for any rise in the rate of unemployment. Unemployment is now politically more quiescent, but it would not take much to stir it into life.

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Bearing with the Japanese

Unjustified squeals from British industrialists will not help the Government to persuade the Japanese to open their lucrative home market

The leaders of the Japanese ball-bearing industry who visited London this week for trade talks were at first amazed by the demands of the British. By the time they left, they were extremely angry. On the back of the strong warnings that Mr John Davies, Secretary of State for Trade and Industry, made during his visit to Japan three weeks ago, the British bearing manufacturers had grown in bravery. It is believed they asked the Japanese to cut sales in Britain by a half and gave them until the end of July to produce an answer. If they are not satisfied, they will be back pounding on Mr Davies's door; demanding that action is taken in September when the British Government re-opens talks in Tokyo. They hope Mr Davies will exercise the safeguard clause either in Gatt or the Anglo-Japanese trade treaty.

There seems little likelihood of the Japanese coming up with any offer at all. In broad terms, the Japanese hardly seem to be disrupting the market: they supply 6 per cent of the £100m a year of sales of bearings in Britain. But, in the usual Japanese way, they have concentrated on one sector. They have won around 15 per cent of the market for small single row ball bearings up to 70mm in diameter, used mainly in small fractional horse power electric motors of the kind that crop up in vacuum cleaners and the like, and here they have won around 80 per cent of the total British market.

Since production of these small, high-volume, mass-produced bearings helps a manufacturer to spread his overheads, the Japanese invasion is deeply resented. Instead of taking the warning when it was first on the wall—and doing something about it by investing in new and competitive plant—British manufacturers waited until they were overtaken. Now they are screaming for big daddy in Whitehall to hold their hands. They are probably right when they say that the present prospect of profits from making a new investment in small standard bearing plant is slight. But it is questionable, to say the least, whether this was true five years ago.

The Japanese also visited France and Germany this month. Although the Japanese are making even greater inroads there than in Britain, the continental manufacturers are trying to get back on to an equal footing by investing. SKF, for example, is putting over £50m a year into recovering its competitive position.

The British makers of bearings claim that they are losing their market because of price-cutting. Manufacturers of small electric motors could tell them that this is not true. They were initially attracted to buying Japanese bearings by a combination of price and availability when British service was appalling. They then found that Japanese bearings were of a higher quality and ran quieter, so that fewer of their motors were rejected because they ran noisily. Mr Davies would face a real outcry from the domestic appliance industry if he cut off its supply of Japanese bearings, and manufacturers would do everything possible to get round any import restrictions.

Other British industries may have better cases for protection than bearings. One is the chemicals industry, although a large part of its present difficulties can be put down to world over-capacity. The electronics industry has long faced Asian competition: in the calculator field, absolute domination. It should by now have learned to live with it. Japanese fork lift trucks are a third cheaper than British, but the Japanese truck is designed for a short life, where the British truck will go on for years.

A lot of the unemployment that British industry, and particularly the bearings industry, is blaming on Japan has nothing to do with the Japanese at all, and Mr Davies no doubt knows it. But he may wish to use the noisy British lobby as a means of making Japan open its home market more to British competition.

Key indicators: British economy

Unemployment
Much more than seasonal drop in June.

Earnings
Sharp rise in April, perhaps due in part to increased overtime as industry continued its recovery from the February disruptions.

National income
GDP, seasonally adjusted, down 2.1% in real terms between fourth quarter 1971 and first quarter this year, but figures upset by miners' strike.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	April	127.7	+0.9	+2.3	+2.4
employment*	March	141.6	−0.4	−0.2	−5.7
productivity*	March	88.8	+12.2	+1.7	+8.7
Export trade*‡	May	146	nil	−2	−3
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	April	114.5	+1.5	+1.1	+3.2
Unemployment*	June	159.1	−3.5	−9.8	+10.7
Average earnings*	April	200.6	+2.3	+4.1	+11.5
Retail prices	May	156.9	+0.5	+1.8	+6.1
Export prices	March	150	+1½	+1½	+8½
Import prices	March	135	+½	+1½	+5

*Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.5 per cent. *Seasonally adjusted ‡Provisional*



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A Growing Force... in Foreign Trade

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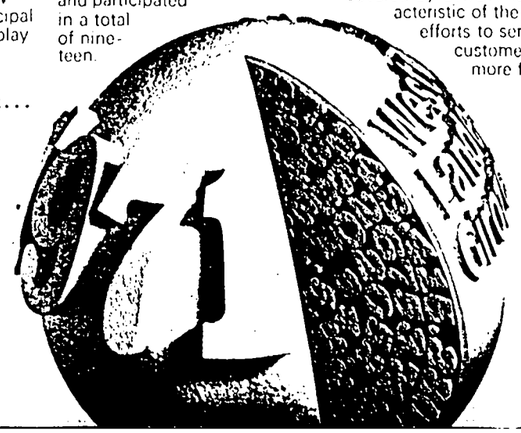
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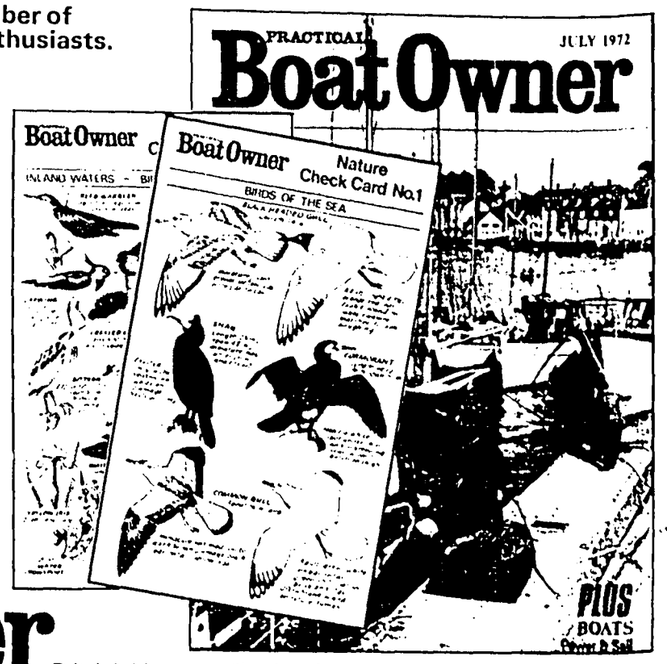
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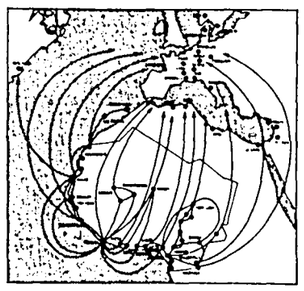
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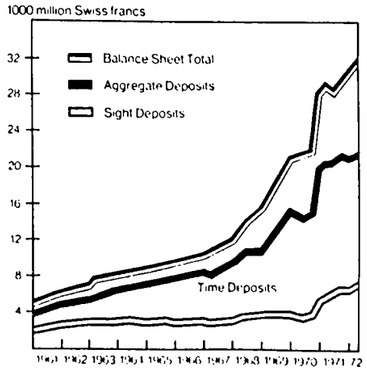


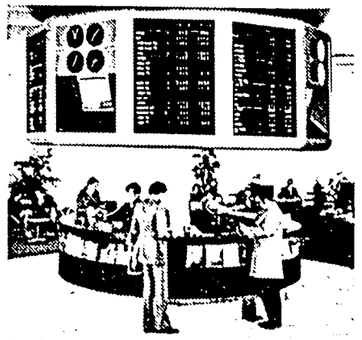
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News from a Big Swiss Bank

Credit Suisse continued to enjoy a gratifying volume of business during the first quarter of 1972. The accelerating pace of economic activity in industrial nations provided an important stimulus to the bank with its worldwide operations.





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Total assets increased by 3% to over SFr. 32,000 million

Deposits increased by SFr. 731 million, with those from other—mostly foreign—banks accounting for SFr. 672 million. Client deposits were up SFr. 59 million. Time deposits declined by 1,100 million francs, reflecting a reduction in trust accounts and lower interest rates which prompted depositors to shift their funds to other accounts. Thus, deposits in savings books, private and salary accounts increased by 293 million francs, medium-term notes by 308 million and checking accounts by over 500 million.

Credit demand continued strong. Simultaneously, our deposits with other banks rose by 10% to 15,700 million francs, while our cash position maintained the high level of 2,500 million.

A shift in foreign operations

The monetary realignment concluded in Washington last year and the high liquidity prevailing in the international financial markets during the first months of this year have resulted in a certain change of climate in foreign operations. Nevertheless, our international business—traditionally a significant part of our activity—increased substantially, with greatly expanded volume in foreign exchange, underwriting and investment operations.

Our new branch offices in London and Nassau commenced operations and a Representative Office was opened in Tokyo. Thus, including its three subsidiaries in New York, Montreal and Nassau, Credit Suisse now has 17 foreign facilities and more than 90 branches in Switzerland.

Share capital increased to 450 million francs

As a result of the March capital stock issue, Credit Suisse's share capital now amounts to SFr. 450 million and its open reserves to more than 1,000 million francs. The bank's own funds thus total 1,473 million francs.

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BUSINESS *Britain*

More jobs, but more inflation too

Thursday's rise in Bank rate to 6 per cent was really meant to help to relieve the pressure on sterling, although the Bank of England half-pretended that it wasn't—with the result that the rise had little effect there. But it comes at a time when domestic reflation is picking up some steam.

The most cheering economic news is the continued drop in unemployment. There is now no doubt that the jobless total is falling more sharply than would be expected seasonally and that at long last some new jobs are being created in Britain. The drop of 29,000 in the Department of Employment's track indicator (the seasonally adjusted wholly unemployed) may look small beside May's fall of 63,000, but last month's figure was inflated by a rush of labour recruitment that had been postponed during, and in the aftermath of, the power cuts last February. It is to be hoped the underlying rate of improvement is accelerating: between January and May it averaged only 11,000 a month. Helped by the usual seasonal hirings, the total out of work in Great Britain and Northern Ireland was down on June 12th to 833,000 from 1,024,000 on January 10th.

Unfortunately, the new recruitment over these past five months has been unevenly spread, both geographically and industrially. On a seasonally adjusted measure, unemployment in Northern Ireland has scarcely changed, and that in north-west England, the west midlands and Scotland has come down much less than average. The biggest improvement has been in East Anglia. From what manufacturers have told the Confederation of British Industry, new manufacturing jobs have been created mainly in household consumer durables. The motor industry and the food industry still seem to be shedding labour.

The big threat comes from wage inflation. The latest figure of average earnings, for April, shows a jump of over 2 per cent in a month and 4 per cent in the space of three months. It would be nice to think that April's earnings owed much to an unusual amount of overtime as people tried to make up for the power cuts in February, but they probably didn't because manufacturing output was marginally down in the month.

Docks

Can the respite last?

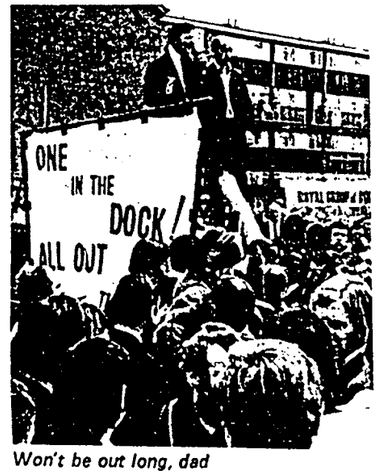
The four-day unofficial strike by most of Britain's dockers ended on Tuesday, causing little delay to the 200 ships affected. But the threat of an official dock strike remains, and will be averted only if the Aldington-Jones committee, investigating dockland's unemployment, can come up with proposals acceptable to the unions by July 26th.

The committee should be helped by the natural pick-up in trade during the summer, which should provide work for many of the 2,000 dockers now drawing fallback pay and forming the strongest core in favour of a strike. Summer holidays will also damp enthusiasm for striking. There even appears to be a growing feeling that the militants may have lost their chance of keeping up a solid front. Many of the smaller ports, aware that a prolonged strike would put them permanently out of business, are treading a softer line.

But the strike is still a strong possibility. It would only take renewed action by the National Industrial Relations Court to give the militants the martyrs they need. The calling-off of the Chobham Farm blacking after a mass meeting at the Royal group of docks on Thursday has momentarily lowered the temperature, but another large employer going out of business, as Southern Stevedores did this month, could start the unrest all over again. It was alarm over Southern Stevedores that first precipitated the strike threat.

In the longer term a strike will not be avoided until the dockers themselves begin to tackle the problem of unemployment more realistically. The unions have failed to tell the dockers quite how large the necessary redundancies must be over the next few years, and so every rise in unemployment is immediately taken as an employers' betrayal. Much of the present dispute has been over whether dockers should stuff containers, but nobody has mentioned that even if they do win this battle only about 500 jobs can be saved.

No matter what agreement is worked out in the next few weeks, the number of registered dockers in Britain will have to fall from the current 40,000 to about 32,000 by 1975. Half of this drop will be absorbed by natural wastage and dockers near retirement taking large severance



Won't be out long, dad

payments, but for the other 4,000 not even a successful strike this summer can win a reprieve. Nearly all these 4,000 lost jobs will be concentrated in London and Hull, neither of which can afford to pay the £8m extra in golden handshakes that could help industrial peace. But it will probably not be long before the employers go cap in hand to the Government with persuasive arguments that it should meet the bill.

Steel

Hope for Melchett

The Government is easing the way for the British Steel Corporation to become more commercial. BSC is being encouraged to go on with its slimming exercise at a rate that would have been unthinkable while unemployment was still rising. It expects to be allowed to raise some prices quite appreciably, by well over the past 12 months' 5 per cent limit. And in two years' time it will have stopped making uneconomic steel in Manchester: 4,350 jobs are being cut out at Irlam. There is not much chance of replacing these jobs with anything but a mini-mill employing 400-500 men, and even that is more likely to be built at Shelton Iron and Steel.

Equally fundamental cuts are being made in Scotland, where 7,500 jobs are due to go. The old open hearth steelmaking at four works—Dalzell, Lanarkshire, Clydebridge and Cylde Iron—is to end. These plants will then become finishing plants for the basic steel made at Ravenscraig. To cope with the extra demand, the existing £35m scheme to increase oxygen steelmaking there from 1.5m to 2.5m ingot tons is to be further increased to over 3m ingot tons. Including allowance for inflation, the price for this expansion is now £60m. But that did not prevent a howl going up locally for government money to keep the obsolete plants open, on the model that Upper Clyde's shipbuilders are deemed to have set.

The Government's apparent approval of the way BSC has been tackling its cost-cutting programme holds out a better hope for the industry getting its way with the strategic investment review it is just about to complete. When the Government announced its review last month, there was a wide bracket for BSC's possible capacity by 1980: between 26m and 38m ingot tons. Then, apparently, the Government tended to think BSC would be likely to be aiming at the bottom end of the range, which would have given little room for any major projects. Now the prospects look more hopeful for Lord Melchett.

It is still unlikely that there will be a massive greenfield project put in hand in BSC's next investment phase. But if there were, Scotland is coming out as the current favourite. If the Scots do get it, the plant would probably be located at Hunterston, where BSC is going ahead with a £26m ore terminal. Without a bigger steel expansion than that now proposed for Ravenscraig, the Hunterston terminal could only be justified by being used as a transhipment terminal for steelworks on Teesside and at Immingham. What the Scots will get is more likely to be a mini-mill, largely as a sop to the local lobby. This plant would be based on a mixed feed of raw materials, the usual scrap steel and preproduced iron ore.

The most likely choice of development comes back to Teesside, despite its relative distance from the motor industry, which would be the main customer for any new strip mill. A 10m ingot ton plant there would, with other minor developments, push BSC well on towards the upper end of its capacity range by 1980. If the Government grows cautious again, the most likely second best is an expansion of Port Talbot. This leaves the Cheshire-Lancashire area out in the cold. The most it seems likely to get now is that mini-mill at Shelton.

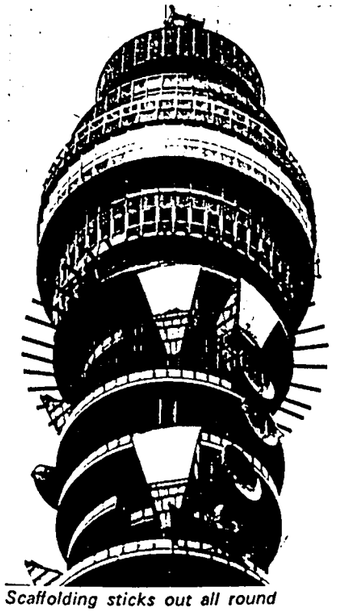
The Post Office Tower regrets . . .

Scaffolding has now gone up around the 30ft hole blown in the Post Office Tower's public viewing gallery last November. At the Angry Brigade trial at the Central Criminal Court this month one witness was told not to describe the explosive used. The damage has proved worse than first thought and is proving exceptionally difficult to repair. Because of the tower's construction, a hollow reinforced concrete shaft from which the individual floors are cantilevered, there was no progressive collapse on the Ronan point pattern and only three floors were damaged: the 31st, which was wrecked when the bomb went off, and the two immediately above it.

Even so, at 477ft up, reconstruction presents a completely new engineering problem, with no precedents to go on. Work—which is being carried out by the Department of the Environment—began early this year after several months' deliberation on the best method, and has progressed at only a snail's pace since. The blast did not just rip off the external cladding, but damaged the concrete floor, changing the stressing. When the tower was first built, a climbing crane went up with it to assemble each floor in turn. But the only way to get anything up or down the tower now is by two small lifts and a narrow emergency staircase.

Because of these problems, the post office now thinks work is unlikely to be finished this year; and the cost may reach £150,000.

When the repairs are done, the observation floors will be closed indefinitely to the public. Since the tower opened in 1965, the post office had been doing brisk business with viewers from the top; at an admission charge of 20p, and up to 1m visitors a year, the tower brought in a small but welcome profit. Small crowds of hopeful tourists still have to be turned away from the tower, although tourist boards have been asked to spread the word that it is closed. The post office wants to keep its options about reopening the gallery, but does not see how it can cope with the security risk of 3,000 visitors a day in the foreseeable future. However, the revolving restaurant just above the viewing platforms, run by the Butlin's organisation, reopened shortly after the blast. It seats only 120 people, who can be supervised by the staff. There is nothing to stop anyone who really wants to see the view from the top of the tower—except the prices.



Scaffolding sticks out all round

EVER READY®

BATTERY MANUFACTURERS AND ENGINEERS

Record Sales

The following are extracts from the review by the Chairman, Mr. L. W. Orchard, to Shareholders for the year ended 26th February 1972



Lawrence W. Orchard, Chairman and Chief Executive

The Annual General Meeting of The Ever Ready Company (Great Britain) Limited will be held at Ever Ready House, London N.20, on the 11th July 1972 at 12 noon.

"On your behalf I wish to thank especially all those members of our management at home and abroad who by their skill and hard work have aided us in the conduct of our affairs during this last year. I get a little tired of the continual sniping by various 'experts' at the abilities and skills of management. Management's job is concerned primarily with people and as such management has to manage and supervise people in the creation of wealth and the provision of various services for the benefit of the community as a whole. As a whole they do fulfil those functions reasonably well, which is more than can be said of most of their critics.

There is always room for management improvement and probably the fundamental problem facing management at any time has been that of adequate and effective communication with people at every level. In Ever Ready we are far from perfect, but to the extent that we have been successful, we can look back on the last year as one when our affairs were not marred by any major industrial dispute.

The miners' strike in January/February 1972, which in turn triggered off substantial power cuts during the last two weeks in February and the first two weeks in March, caused a temporary diminution in our production and left us with only relatively small stocks in the pipeline and an overstocked position at retail level when the power cuts terminated.

We can at least take pride in the fact that Ever Ready did not let down the British public, and broadly speaking there was an adequacy of supply of batteries and torches everywhere in the country.

In spite of a very modest slowing down of inflation in the economy during the last few months, one has to face the fact that governmental policies in the U.K. to date have not worked to curb effectively the continuing inflationary trend. Harnessing inflation is no easy problem, but it is essential that we do curb by some means the rapid inflation that we have suffered in the last few years.

Unless everybody is prepared to modify their demands for their share of the economic cake, the options available to the British people are fast receding and we have to face up to the possibility of some form of governmental control both on prices and on salaries and wages – a prospect we do not welcome.

Forecasting is a dangerous pastime in these inflationary days and the start to our new financial year has been unexciting. If we achieve our budgets, and I see no reason currently why we should not, next year's result should be satisfactory."

Comparative Financial Results

	1972 £000's	1971 £000's
Net Sales to third parties	£60,102	£50,201
Group Profit before Taxation	£8,653	£6,945
Taxation	£3,523	£2,958
Group Profit after Taxation	£5,130	£3,987
Profit attributable to the members of The Ever Ready Company (Great Britain) Limited	£4,586	£3,383
Earnings per share	13.5p	10.0p
Total Ordinary Dividend per share	6.0p	5.1p

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Guinness Mahon Merchant Bankers

The following is the statement by the Chairman of Guinness Mahon Holdings Limited, Mr. James Guinness, which has been circulated with the report and accounts for the year ended 12th April, 1972.

Group profit for the year after taxation and transfer to contingency reserves is £451,229 compared with £360,499 for the previous year. This represents a useful increase over last year and reflects generally improved performance.

Your directors recommend a final dividend of 8 per cent. which, together with the interim dividend of 4½ per cent. paid in January 1972, makes a total of 12½ per cent. for the year as compared with dividends totalling 11 per cent. paid last year.

During the year solid progress was made by the group and we have planned further expansion in our activities requiring the use of more capital and long-term funds. As a result of an offer made in December 1971 your company acquired the whole of the share capital of Sceptre Investment Trust, a trust managed by Guinness Mahon. The offer involved the issue of 800,000 Ordinary Shares of 25p each in the company and £2,200,000 nominal amount of 6 per cent. Convertible Subordinated Unsecured Loan Stock 1998/2003. The investments owned by Sceptre at the time of acquisition have been realised and the funds of over £3 million thus made available have broadened the base of our banking business. This is already evident to some extent in the balance sheet as at 12th April, 1972.

Since the end of the financial year we have arranged to take an unsecured loan from the Sun Life Assurance Society of £3 million at 9 per cent. per annum repayable at par between 1993 and 1995. The proceeds of this loan will be used for investment opportunities as they occur.

It was announced on 16th May that Guinness Mahon had agreed to accept an offer of over £1 million cash for its 26.9 per cent interest in the management company of the Target Group of Unit Trusts. This realises a substantial profit over original cost and the net proceeds will be employed in our business.

Guinness & Mahon in Dublin has again had a successful year and has continued to expand its business. To support this expansion we have increased our investment in the company by £250,000 as a result of which the existing issued share capital of £1 million is fully paid.

Guinness Mahon (Zürich) is our wholly-owned banking subsidiary incorporated in 1970 in Switzerland. The company has progressed during the year and contributed to the profits of the group.

The Wogau group which trades successfully with the USSR is developing new interests in international trading in commodities, capital and semi-manufactured goods, and in importing and distribution within the UK.

The additional equity and long-term funds now available to the whole group enables us to develop existing activities and seek new investment opportunities. These will be mainly within the merchant banking field at home and in Europe and will widen the services to clients.

I am glad to report that Sir Richard Clarke, KCB, OBE, has accepted an invitation to join the board and I am sure that his wide experience will be of great value to us in the future.

The staff has given us their loyal co-operation in what has been a year of consolidation and preparation for the future and we are most grateful to them.

3 Gracechurch Street, London, EC3V 0DP

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Machine tools

No fun at this fair

The machine tool industry put a brave face on its desperate situation at the opening of its annual show at Olympia, London, this week. When the Government eventually releases the industry's statistics for the first quarter of this year (probably next week) they are expected to show that the work in hand is equivalent to less than five months' average output. In an industry where it takes an average of about four months to turn an order round (and often much longer), that is nearly starving to death.

Most people now expect Britain's capital investment to rise quite sharply after about next spring, but there is no sign of British industry placing its orders now to get a place in the queue. When the rush comes the machine tool industry may be unable to give adequate delivery dates, and a lot of the orders will go abroad.

The industry is denying this: the whole of the capital goods end of British manufacturing maintains that it is running so far below capacity that it could cope with almost any amount of orders thrown at it. Just the same, the Secretary of State for Trade and Industry, Mr John Davies, would do better to persuade the Treasury to remove the disincentive to this year's investment caused by next year's promise of corporation tax changes (ie, by saying that industry can take its depreciation allowances in any year it wants).

Otherwise, the machine tool industry will soon face further plant closures and redundancies. The slimming that has happened so far and some that is likely to come (like Alfred Herbert's belated transfer of its grinding machine business from Altrincham to Coventry) will improve the industry's health. But after a certain stage slimming can do permanent damage. In these circumstances, the industry's little Neddy sounds rather fatuously optimistic about prospects for British machine tool companies in the common market.

In its report* the Neddy says it believes that the inevitable increase in EEC imports here will be offset by a continuation of the recent growth of British machine tool exports to the common market countries. Those exports were boosted because British firms could promise quicker delivery, while the west German industry had overfull order books. Worryingly, the product analysis in the report shows that Britain does best on lower value machines like drills and lathes. With higher value machines—like metalforming plant, gear cutters and numerically controlled tools—Britain is likely to be vulnerable to competition.

*British machine tools in Europe. *NEDO*. £1 net.

Top pay

Who gets it?

It's jam time all round for people in top jobs. The Boyle review committee's recommendations on pay for top civil servants, judges, chairmen of nationalised industries and senior army officers, expected on Friday, are likely to be that all these gentlemen should have considerable increases; after all, the last review was three years ago. One hotly tipped beneficiary is Mr Richard Marsh, chairman of British Rail, who at the moment is getting £20,000 a year. Mr Derek Ezra, of the National Coal Board, is in the same position. Lord Melchett, of British Steel, is already earning £25,000 so perhaps there will be no more for him. But the Lord Chief Justice, Lord Widgery, now on £16,750, may have his pay upped to £20,000. And senior civil servants, now getting between £9,000 and £15,000, will almost certainly be given an extra whack—although it will be argued that in terms of immunity from the sack, pension arrangements and relative shelter from the rat-race they are really not doing too badly.

The private sector weighed in this week with the news of a 22 per cent increase for Lord Kearton, chairman of Courtaulds, which brings his pay for last year to £36,732—not bad, but still not a patch on Sir David Barran, of Shell, whose last known salary (he retires next week) was £76,705, or Mr Owen Aisher of Marley Tiles, who got £62,000 after waiving another £102,000 due to him. There are about three dozen British chairmen whose identifiable pay is more than £30,000 a year. Still, compared with America's Marlon Brando, who stands to net nearly £2m from his latest film, "The Godfather," this is just kid's stuff.

Associated Industrial Consultants, who are now busy processing the returns from the 1972 vintage of their annual executive salary survey, reckon that pay in top jobs has again gone up by 8-10 per cent over the past year, after about 10 per cent in each of the preceding two years. If these estimates are confirmed, managing directors in the top bracket—companies with a turnover of over £100m a year—now get paid, on average, about £23,000 a year; but those in a £10m-£20m turnover company get an average of £12,500 only. There will be bonus payments and fringe benefits like company cars on top of this, but, perhaps surprisingly in a country where the effective tax rate on earned incomes of £20,000 is over 50 per cent, these extras are a fairly small proportion of the total, and not considered all that important.

There are still only a very few people in these vertiginous earnings brackets—which is why really punitive rates of surtax on high incomes do not collect much money. In 1969-70, the latest year for which figures are available, there were about 47,000 earned incomes over £10,000 a year (the vast majority very near that figure), and some 43,000 investment incomes above that limit. In the same year, only 8,000 people had incomes of over £20,000 a year, of which probably the majority came from investments. But, after tax, only 1,000 people had more than £10,000 to play with.

Services

Set by mistake

Has productivity been growing faster in the service industries than in the goods industries? According to a report* commissioned by the National Economic Development Office and

*The measurement and interpretation of service output changes. By Anthony D. Smith. *NEDO*.



Don't underrate her

carried out by Mr Anthony D. Smith, it has. Official figures still say that productivity in the goods sector improved by 1.1 per cent a year more than services between 1951 and 1966. On Mr Smith's basis, the differential was 0.2 per cent in favour of services. In other words, Mr James Callaghan and Dr Nicholas Kaldor introduced selective employment tax in 1966 on a false premise.

The root of the mistake lies in the difficulty of measuring production in the service industries. One common method has been to use employment series as proxy indicators of real output. Under this system there is no possibility of tracing any improvement in labour productivity, which may have been why Dr Kaldor thought there was so little. Mr Smith recommends a system of measuring economic rather than physical output. In other words, the change in real output in any given sector is weighted with the relative price change rather than absolute price changes. In this way purely inflationary price changes are eliminated and relative usefulness or satisfaction comes into play.

Air traffic

Our bad luck

In a state of barely concealed panic the Government has turned to America's Federal Aviation Administration and International Business Machines to resolve its hideous air traffic control problems in the south of England now that its own system has failed. The new Civil Aviation Authority is to adapt an American system for British use. At £25m over the next six years, it will still be only half a solution, and just possibly no solution at all. All it will do is give British industry time to develop an all-British system for the 1980s.

The computers to be supplied by IBM will cost £6m ; the programmes to control the computers will be supplied, free, by the FAA. About £20m will be spent in Britain on additional equipment and services, with £4m estimated for adaptations, £6m for extending the basic system in the south of England, £5m to provide coverage of Scotland and the oceanic area west of England and £1.5m for over-flying aircraft in the upper air space. The balance will be spent on studies into the needs of the 1980s.

The computer complex consists of seven machines from a relatively old IBM range. Larger, new computers exist which can process data at up to six times the speed of the ones being bought. But the British have lost interest in speed, since the first job of the system will be simply to work on aircraft flight plans. This is something that should have been on computers back in 1969, but now the equipment will not even be installed until 1975, and the history of muddled planning does not arouse confidence in the ability to meet even this.

Eurocontrol examined this IBM air traffic control system and decided against it. It opted for the bigger, faster IBMs which allowed Eurocontrol to get by with fewer machines and fewer problems of linking them up. Britain is a member of Eurocontrol, and presumably voted for this choice. How come we've settled for something less at home?

Vat

No smugglers, please

The value-added tax sections of the Finance Bill have passed the committee stage largely unamended. The Government's one concession on Vat's scope is to reconsider whether children's shoes should be freed from Vat. This is a tribute to the new green paper approach to tax reform, which means the Government listens to industrial and political lobbies before drafting legislation. In fact, the only area where the Government conceded a raft of amendments—over how to enforce and collect the tax—was one that had not been discussed before but had been modelled on traditional Customs and Excise powers.

The Government accepted amendments restraining the right of the Customs to reopen an assessment more than six years after the event in case of suspected fraud and the like ; and removing it where the trader has died. It also accepted that a security in return for the reclaim of tax on purchases, where there is doubt, should not have to exceed the tax reclaimed. The Labour members got assurances about the amount of records that will have to be kept, particularly by small traders. Before the report stage of the bill, the Government will look again at some of the Tory amendments ; the critics, in fact, get much of what they wanted.

In the course of the argument Mr Terence Higgins, Financial Secretary to the Treasury, revealed that there would be about two dozen Vat tribunals around the country. The chairmen will probably be paid about the same as the chairmen of the industrial tribunals—£6,850.

Two leading backbench Tories, Mr Peter Hordern and Mr Peter Trew, voted with Labour to amend the Customs' proposed powers of entry and search. They wanted the Customs officer to get permission from one of the Vat tribunals, instead of a justice of the peace, as specified in the bill. This would ensure that a trader is given notice of the proposed entry and search, and would rule out the search of individuals. The latter is provided for in the bill, and, like some of the other provisions, seems to make more sense with traditional Customs taxes, which reach effective rates as high as 700 per cent for gin and whisky, rather than a 10 per cent Vat. Labour was defeated over an amendment to prevent the introduction of a new and undesirable principle into English law : that where a person's conduct "must have involved" the commission of a crime he may be found guilty, fined and imprisoned, "whether or not the particulars of that offence or those offences are known."



At £5.50 a seat, the first of British Rail's trips in a real steam puffer train was packed out last Saturday. The engine cost £15,000 to restore, provided by a society of steam train fanciers. British Rail hired out carriages and crew. And 4,000 train-spotters paid 10p each for platform tickets.

BUSINESS *International*



Always glad to oblige

Paris pours oil on troubled Kirkuk

The visit of Mr Saddam Hussein to Paris last weekend produced the outline agreement between Iraq and France that had been widely expected. France accepted the offer from the Iraqi vice-president to maintain the flow of oil to the Compagnie Française des Pétroles, even though no formula has yet appeared for compensating CFP and its partners in the Iraq Petroleum Company for the nationalisation of the Kirkuk oilfields.

The agreement raises more questions than it answers. CFP will be entitled to buy oil, for 10 years, equal to its 23.75 per cent share in IPC's capital. This formula is designed to avoid suspicion that it is buying oil which legally belongs to its partners. In theory, CFP could buy about 14m tons a year. In practice, it is unlikely to take as much as this, even though CFP relies far more heavily than its IPC partners (Shell, British Petroleum and Standard Oil of New Jersey) on Kirkuk. The price will be the same as before nationalisation, which could prove expensive for the French since it was because the price of Kirkuk oil was high in comparison with the Gulf that IPC cut back production from its full capacity level of 57m tons a year, and so precipitated the row that led to nationalisation.

The fact is that both sides needed the deal to cool tempers. The Organisation of Petroleum Exporting Countries has threatened to prevent IPC members from replacing their Kirkuk production with other sources. This is an idle threat. The much-shrunk Kirkuk offtake is small enough to be replaced elsewhere without attracting any Opec member's notice. The companies, having perhaps overplayed their hand before nationalisation, are now well aware that Iraq is already hard pressed to find alternative buyers. They are therefore in a mood to turn a blind eye to any small scale sales the Iraqis might trumpet around, just as they have placidly acquiesced in the Iraqi deal with the French. For what the Paris talks have done is to set mediation into motion, which might finally lead to the settlement that both IPC and Opec openly want.

Should mediation fail, CFP will be under no commitment to take its share of Kirkuk oil, though it may find it politic to take some. But if any agreement is reached it will be a crucial precedent for future talks on the participation issue ; the latest of which, in London last weekend, stalled once again. In the long run the Kirkuk nationalisation and the restrained reactions to it in the west show clearly the way the wind is blowing, as too does the ostentatious announcement this week from ENI, the Italian state-owned oil and gas concern, that it is to step up its purchases of Iraqi oil. The Italians are no longer alone in their views that western oil companies will eventually have to confine themselves to refining and marketing, leaving extraction and exploration to the producing countries, and helping out only on a contract basis. As this not-so-distant day approaches, the governments of the consuming countries will increasingly have to stand up for their oil users (as the Italian government—through ENI—has always done) rather than having the oil companies fight their battles for them.

Australian gas

Laughing

Sydney

A month ago Australia's reserves of natural gas were officially estimated at 45,000 billion cubic feet : twice the amount that had been forecast in 1970. Now, reports of new strikes off the north-west coast suggest that this estimate may have to be doubled. There are rumours that an inter-

Continued on page 91



Sir Kenneth Keith

Philip Hill Investment Trust Limited

The Annual General Meeting of Philip Hill Investment Trust Limited will be held on 5th July, in London. The following is the circulated statement of the Chairman, Sir Kenneth Keith:

The Past Year The past financial year saw a substantial rise in the level of the U.K. Stock Market, the F.T. Actuaries All Share Index rising by 52½%, in marked contrast with the modest increase in the level of the New York Stock Market. In the latter, the Standard & Poor's Composite Index, adjusted for differences in the exchange rate and the dollar premium, rose by only 5 per cent.
Gross revenue for the year amounted to £3,880,000, an increase of £106,000 over that for the previous year. There was a welcome reduction in the interest rates on our dollar loans, and a small taxation charge resulting from the lower unfranked income and the receipt of some old arrears of double taxation relief. These factors resulted in an improvement in net earnings of £272,000 to £2,931,000. This improvement enables us to recommend a final dividend of 3·5p per share, making a total distribution for the year of 6p per share (24 per cent) compared with 5·625p per share (22½ per cent) for the previous year.

Investments Gross assets of the Trust at 31st March 1972, including investments at valuation, after deducting current liabilities but before deducting prior charges, amounted to £124,761,000. The net asset value of the Ordinary shares, deducting prior charges at par, was 241½p per share, compared with 158½p per share a year ago. This represents an increase of 52 per cent during the past financial year. I give, as usual, some details of our larger holdings. At 31st March 1972 we had quoted equity holdings worth over £1 million in each of the following thirteen companies (in order of market value). There were only eight holdings in this bracket a year ago.

Hill Samuel Group Ltd.
Beecham Group Ltd.
Bass Charrington Ltd.
Eagle Star Insurance Co. Ltd.
Land Securities Investment Trust Ltd.
General Electric Co. Ltd.
Sears Holdings Ltd.
Shell Transport & Trading Co. Ltd.
Thorn Electrical Industries Ltd.
Whitbread & Co. Ltd.
United Dominions Trust Ltd.
United Drapery Stores Ltd.
Metropolitan Estate & Property Corporation Ltd.

At 31st March 1972 we had quoted equity holdings worth between £500,000 and £1,000,000 in each of the following thirty companies (in order of market value). There were twenty-one companies in this bracket a year ago.

Great Universal Stores Ltd.
General and Commercial Investment Trust, Ltd.
London & Overseas Freighters Ltd.
Imperial Chemical Industries Ltd.
Rio Tinto-Zinc Corporation Ltd.
Burmah Oil Co. Ltd.
City and International Trust Ltd.
Standard & Chartered Banking Group Ltd.
Imperial Continental Gas Association
Wm. Cory & Son, Ltd.
London Merchant Securities Ltd.
Courtaulds Ltd.
General Consolidated Investment Trust Ltd.
Artagen Properties Ltd.
Watney Mann Ltd.
Moorgate Investment Co. Ltd.
Aaronson Bros. Ltd.
Debenhams Ltd.
Distillers Co. Ltd.
Edger Investments Ltd.
Hill Samuel Overseas Fund S.A.
Consolidated Gold Fields Ltd.
John I. Jacobs & Co. Ltd.
Pearl Assurance Co. Ltd.
Royal Insurance Co. Ltd.
Allied Breweries Ltd.
Australia & New Zealand Banking Group Ltd.
Phoenix Assurance Co. Ltd.
Standard Oil Co. (New Jersey)
Rank Organisation Ltd.

At 31st March 1972 we had holdings in 81 other quoted companies (compared with 42 a year earlier) each worth between £200,000 and £500,000.
The above mentioned 124 companies account for 74 per cent of the total portfolio. This compares with holdings in 71 companies accounting for 60 per cent of the total a year earlier.

Shareholders may be interested to know that we have made a small investment, viz a 43 per cent stake, in North Sea Oil and Gas Company Limited, which has a 5% interest in the Numac/Siebens Consortium. This Consortium has recently been allocated a licence for block No. 9/4 in the North Sea.

Increase of Capital I refer later in my report to our feelings concerning the current year and in this connection, the Directors recommend that shareholders should approve the proposed increase in the authorised capital from £15,000,000 to £17,500,000. If our views on the progress of the economy of the United Kingdom do materialise, the Trust would then be well placed to raise further capital for investment and the situation will be kept under review.

Borrowing Powers At a meeting of the Debenture Stockholders on 8th May 1972, it was agreed to modify certain clauses in the Trust Deeds dealing with our borrowing powers in relation to the floating charge securing the Debenture Stock.

Currency Borrowings In addition to our existing Eurodollar loans, we negotiated in January a loan of 10 million Swiss francs and invested the proceeds in North American securities.
Since the end of the year we have negotiated with Hill Samuel & Co. Ltd. a multi-currency loan for a term of five years with options for the Trust to repay earlier if it so wishes. In the first instance the new loan has been drawn partly in Swiss francs and partly in Eurodollars, together equivalent at current rates of exchange to US $7½ million. The proceeds have been used for additional investment in North American securities.
Our total currency borrowings at current rates of exchange are now equivalent to £5·8 million.

Management Mr. Brian Whitmee who has been managing director of the Trust since September 1967 and has been responsible for the management of the Trust's investments since 1950, resigned from that office with effect from 1st May. I would like to pay a very sincere tribute to Mr. Whitmee, whose skill and judgment have been largely responsible for the remarkable growth of the Trust during this period. I am happy to be able to report that he remains as a Vice-Chairman and that his wise advice will continue to be available to us.
Mr. Whitmee has been succeeded by Mr. Bryan Basset whom I would like to welcome and who, I am sure, will prove to be a worthy successor to Mr. Whitmee.

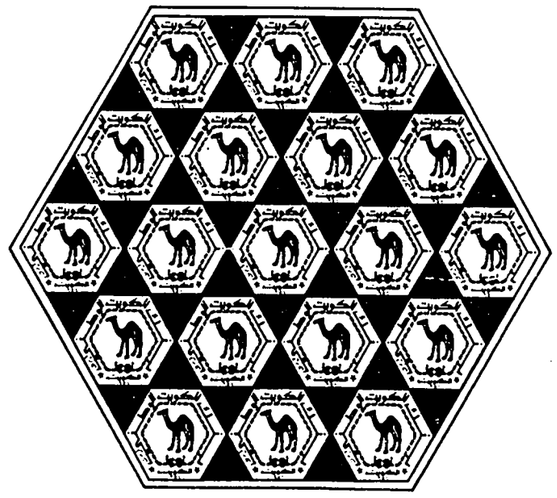
Current Year We welcome the changes in connection with Investment Trust Capital Gains Tax announced in this year's Finance Bill; at the same time we were disappointed that the 25% surrender of the dollar premium was not removed.
The economy is still proving slow to respond to the various stimulatory measures which the Government has introduced. But recent indications suggest that there are now clearer prospects of its doing so. The trend in wage settlements was moving in an encouraging direction until the miners' settlement. If the downward trend can be restored, and with profits recovering from their troughs of the past few years, the industrial outlook should become more satisfactory. I should therefore be disappointed if, as far as the Trust's revenue is concerned, we do not see an increase for the current year so that the new higher level of dividend should at least be maintained.

Copies of the accounts may be obtained from the Secretary at 100 Wood Street, London, EC2P 2AJ.

1952



1972



Bank and Grow with the National Bank



بنك الكويت الوطني ش.م.ك
تأسس عام ١٩٥٢

The National Bank of Kuwait SAK

Capital and Reserves: K.D. 21,116,718/-
Total Assets: K.D. 346,126, 808/-
as at 31st December 1971.

Associates:
United Bank of Kuwait, London
The National Bank of Dubai, Dubai
Rif Bank S.A.L., Beirut
Frab Bank International, Paris
The Bank of Bahrain and Kuwait, B.S.C., Bahrain

Head Office: PO Box 95 Telephone: 422011 (20 lines)
Telex: National KWT 2043

All of these Debentures have been sold. This announcement appears as a matter of record only.

NEW ISSUE

June 20, 1972

$50,000,000

SQUIBB INTERNATIONAL FINANCE N.V.

4¼% SUBORDINATED GUARANTEED CONVERTIBLE DEBENTURES DUE 1987

Convertible on or after May 15, 1973 into Common Stock of Squibb Corporation initially at $114 per share and guaranteed on a subordinated basis as to payment of principal, premium, if any, and interest by

SQUIBB CORPORATION

EASTMAN DILLON, UNION SECURITIES & CO.

BANCA NAZIONALE DEL LAVORO — DRESDNER BANK AKTIENGESELLSCHAFT — MORGAN GRENFELL & CO. LIMITED

THE NIKKO SECURITIES CO., LTD. — UNION BANK OF SWITZERLAND (UNDERWRITERS) LIMITED — WERTHEIM & CO., INC.

ALGEMENE BANK NEDERLAND N.V. — AMERICAN EXPRESS SECURITIES S.A. — AMSTERDAM-ROTTERDAM BANK N.V. — ANDRESENS BANK A/S

ARNHOLD AND S. BLEICHROEDER, INC. — ASTAIRE AND CO. — BACHE AND CO. INCORPORATED — JULIUS BAER INTERNATIONAL LIMITED — BAER SECURITIES CORPORATION

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BANCO AMBROSIANO S.P.A. — BANCO DI NAPOLI — BANCO DI ROMA/COMMERZBANK A.G./CRÉDIT LYONNAIS — BANK OF AMERICA LIMITED — BANK OF AMERICA SOCIÉTÉ ANONYME

BANK FÜR GEMEINWIRTSCHAFT AKTIENGESELLSCHAFT — BANK MEES & HOPE N.V. — BANKERS TRUST INTERNATIONAL LIMITED — BANKHAUS HERMANN LAMPE KOMMANDITGESELLSCHAFT

BANKHAUS FRIEDRICH SIMON KOMMANDITGESELLSCHAFT AUF AKTIEN — BANQUE AMERIBAS — BANQUE DU BENELUX SOCIÉTÉ ANONYME — BANQUE BLYTH — BANQUE DE BRUXELLES S.A.

BANQUE EUROPÉENNE DE FINANCEMENT — BANQUE FRANCAISE DU COMMERCE EXTÉRIEUR — BANQUE FRANCAISE DE DÉPÔTS ET DE TITRES

BANQUE GENERALE DU LUXEMBOURG S.A. — BANQUE DE L'INDOCHINE — BANQUE INTERNATIONALE A LUXEMBOURG S.A. — BANQUE LAMBERT S.C.S.

BANQUE LAMBERT-LUXEMBOURG S.A. — BANQUE LOUIS-DREYFUS — BANQUE NATIONALE DE PARIS — BANQUE DE NEUFLIZE, SCHLUMBERGER, MALLET

BANQUE DE PARIS ET DES PAYS-BAS — BANQUE POPULAIRE SUISSE (UNDERWRITERS) S.A. — BANQUE ROTHSCHILD

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BARCLAYS BANK INTERNATIONAL LTD. — BARING BROTHERS & CO., LIMITED — H. ALBERT DE BARY & CO. N.V. — BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK

BAYERISCHE VEREINSBANK — JOH. BERENBERG, GOSSLER & CO. — BERLINER BANK AKTIENGESELLSCHAFT — BERLINER HANDELS-GESELLSCHAFT —FRANKFURTER BANK— — LABOUCHERE & CO., N.V.

BURNHAM & COMPANY INC. — CANADIAN IMPERIAL BANK OF COMMERCE — CAPITALFIN INTERNAZIONALE S.P.A. — CAZENOVE & CO.

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COMPAGNIE LUXEMBOURGEOISE DE BANQUE S.A. — CONTINENTAL BANK S.A. — CRÉDIT COMMERCIAL DE FRANCE

CRÉDIT INDUSTRIEL D'ALSACE ET DE LORRAINE — CRÉDIT INDUSTRIEL ET COMMERCIAL — CREDIT SUISSE (BAHAMAS) LIMITED — CREDITANSTALT-BANKVEREIN

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DEUTSCHE GIROZENTRALE —DEUTSCHE KOMMUNALBANK— — DEWAAY, CORTVRIENDT INTERNATIONAL S.A. — DILLON, READ OVERSEAS CORPORATION — EDILCENTRO S.P.A.

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KIDDER, PEABODY & CO. INCORPORATED — KITCAT & AITKEN — KJØBENHAVNS HANDELSBANK — KLEINWORT, BENSON LIMITED

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M. M. WARBURG-BRINCKMANN, WIRTZ & CO. — S. G. WARBURG & CO. LIMITED — WESTDEUTSCHE LANDESBANK GIROZENTRALE — WESTERN AMERICAN BANK (EUROPE) LIMITED

WESTFALEN BANK AKTIENGESELLSCHAFT — WHITE, WELD & CO. LIMITED — DEAN WITTER & CO. INCORPORATED — WOOD GUNDY LIMITED — YAMAICHI SECURITIES COMPANY OF NEW YORK, INC.

Continued from page 87

national consortium, headed by Burmah Oil, has just discovered an extra 45,000 billion cubic feet of gas, after drilling only 16 wells on the continental shelf.

Australia now has three times the reserves of natural gas so far discovered in the British sector of the North Sea. Since many of the strikes are in inaccessible areas it will be many years before all of them are fully contributing to the nation's economy. But all the major Australian cities will be supplied with natural gas from the less remote fields by 1975, although Australia's total industrial and domestic demand is expected to be only 1,800 billion cubic feet over the next decade. Australia could therefore use its resources to the full only if it was willing to bring in a lot of foreign capital to develop the fields and pipelines, and to start exporting the gas to Japan and the United States. There is nationalist opposition to this. At present there is a total embargo on exports of liquefied natural gas. The rule is likely to be lifted soon for sales from the very remote fields, but there are growing political complaints that Australia's natural resources are under foreign control.

The sums required to develop the fields, however, are far beyond the reach of the domestic capital market. The present guess is that £920m would have to be spent on pipelines, ships and liquefying plant before the fields on the north-west shelf could be brought into production. Australia's other big find, the strike of 10,000 billion cubic feet at Palm Valley in central Australia, by the American company Magellan Oil, would cost another £330m to develop. Unless there is a big inflow of foreign capital it seems less likely to be exploited now that gas is being found in increasing concentration on the continental shelf.

But the oil companies are proceeding undeterred with plans to sell their first cargoes of liquefied natural gas by 1977, and a consortium of Japanese customers has already declared its hopes of taking an equity stake in the north-west shelf gas. Although gas has only a 2 per cent share of the Japanese energy market, the Japanese government is anxious to win a foothold in Australian resources, and so reduce its dependency on Middle East oil. Similarly, America is haunted by the prophecy that before 1980 it will be having to import 12,000 billion cubic feet of gas a year ; it, too, will be urging quick development.

German coal

Coalition

Hamburg

Ruhrkohle, the umbrella company which covers the vast bulk of Germany's coal production, is almost certainly in for yet another drastic slimming cure. Only last month a large-scale rescue operation was mounted by Ruhrkohle itself, the federal government and the regional government for North Rhine Westphalia, the banks and the steel companies, to save Ruhrkohle from financial collapse. The compromise arrived at then was plainly no more than a holding operation.

The latest crisis, earlier this week, has been over wages. The miners asked for a 9 per cent rise plus improved holidays, against the employers' offer of 5¼ per cent, and threatened a strike to get it. Both sides knew that the company could afford neither, but the miners felt they should not be made to carry Ruhrkohle's financial problems. Predictably (Germany has not had a miners' strike since the last war), the regional government ended the deadlock by arbitration just ahead of the strike ballot. The miners got a 7 per cent rise.

But the head of the North Rhine Westphalia government, Herr Kühn, dropped a strong hint that the settlement would speed up pit closures. And experts now reckon that over the next few years 30,000 jobs will be lost, reducing the labour force to 150,000. The trouble is that Ruhrkohle's costs are still too high : its coal sells at about 25 per cent more than American imports. And there are still too many uneconomic pits working. Yet Germany can neither afford to dispense suddenly

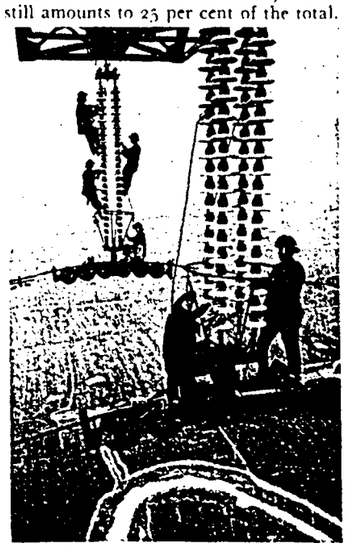
Mao thinks growth

The People's Republic of China claims that its economic growth is twice as fast as that of the rest of the world put together and almost three times that of the developed capitalist countries. Where, of course, this leaves it in the world income league is anyone's guess. But these official figures from Peking, printed in the United Nations World Economic Survey for 1971, are the first official guide to China's economic progress for years, even if they need to be taken with extreme caution as many are probably little more than a gleam in the eye.

The figures show that China boosted both its industrial and agricultural output by 10 per cent last year. Agricultural development, still regarded as the foundation of China's economy, has been pushed forward with an economic plan concentrating on soil improvement, proper use of fertiliser, irrigation, farm mechanisation and field management. China reports that fertiliser supply was up by 13 per cent last year and that insecticides were made cheaper and more plentiful. Bad weather in 1971, however, held down the growth in grain output to 2.5 per cent : despite production of 246 million tons, large-scale imports from Canada were still required. Other farm products must have been substantially more plentiful to raise total agricultural production by 10 per cent.

Industrial figures are sketchy and probably hide the weakest points in China's economy. China is concentrating on iron and steel production. Crude steel output rose 18 per cent last year and is now at 21m tons, which puts China between France and Italy in the world league table. Otherwise China has been keen to establish small and medium-sized mines and factories based on local supplies and labour. The survey shows that 60 per cent of the country's fertiliser output and 40 per cent of its cement production come from local plants. It is, however, now self-sufficient in oil.

China's only reported slowdown in 1971 was in foreign trade, where the 10 per cent growth rate of recent years slowed to under 5 per cent. The year's total turnover of both imports and exports amounted to $4.5 billion, about 20 per cent of which is done with Japan and this grew at a good 10 per cent clip. There was also some increase in trade with the Soviet block, which still amounts to 25 per cent of the total.



All going swingingly

with 180,000 miners, nor does it want to become entirely dependent on imported energy.

This is why the privately-owned pits were joined together into Ruhrkohle three years ago, with the help of large chunks of public money. But since then Ruhrkohle has gone from bad to worse. In its first year of operation in 1969 it lost £15m ; by 1970 losses had mounted to £46m. Last year's results have not been published yet, but were alarming enough for the company to declare itself in financial crisis early this year. As a result, subsidies totalling over £400m to 1975 were agreed last month, as well as credit facilities of £120m. But the commitment may not end there. The cost of the wage increase, for one, can almost certainly not be borne by the company and will require further state help. Meanwhile, Ruhrkohle has 10m tons of unsold coal stocks on its hands —just about the same amount as was imported from abroad in 1971.

Marine pollution

Slick ideas

Shipbuilders are delighted with a new American plan for preventing oil slicks. It could nearly double the demand for oil tankers, and cure the orders problems in the world's shipyards for the rest of the decade. The proposal, which was being discussed at this week's meeting of the powerful Inter-Governmental Maritime Consultative Organisation, is that each tanker should have two sets of tanks: one for carrying the oil, the other for water ballast on the return journey. At the moment ballast is stored in oil tanks which are still sticky with oil. When the seawater is pumped out it is mixed with a small but unavoidable oil slick.

Separate ballast tanks would bring extra business to shipbuilders and steel producers at the expense of the oil companies and shipowners. The American plan will be stiffly resisted by the British, French and Japanese who are still cross at last year's directive from IMCO (the United Nations agency for world shipping) which limited the size of individual tanks within a ship. Supertankers are to be partitioned so that the whole cargo does not spill in a collision. This seems a good idea, but it will prove expensive.

In the hope of stopping the latest American plan from being rammed through some large oil importers are pressing for alternative measures. The British are suggesting that oil spills could be reduced if the water ballast and oil were allowed to separate naturally, with only the pure seawater pumped out from the bottom. The oil sludge from the surface would then be piped to special disposal tanks onshore. This scheme would be a fraction of the cost of segregated ballast, and would catch a higher proportion of oil slicks.

Tanker operators have slowly begun to realise that the political fuss their oil slicks have caused is not going to pass with time. Despite the outcry of the past few years, oil pollution around Britain's coastline increased by about 30 per cent in 1971, even with very much stiffer penalties. But tankers are bearing the brunt of the blame for a problem that is only partly their fault : they are responsible for only about 10 per cent of marine oil pollution. The Stockholm conference on the environment has agreed to a British suggestion for a worldwide convention on dumping at sea which might get at the other 90 per cent of the culprits.

EEC

Dabbling in science

Brussels

The EEC commission is using the lull before the planned European summit to put as many proposals for the future development of the community on the table as possible: a tactic that is likely to infuriate the French and bog down the meeting in detail. The latest piece of commission jostling is its proposal that research and development should come under the EEC's authority (a point on which the Treaty of Rome is silent) with a provisional budget of £50m a year for the next three years.

Apart from wiping the dust off an earlier commission document of November, 1970, which has remained untouched, there is an immediate practical reason for bringing up the community's role in R&D now: a decision must be taken before the end of the year on the future of the Euratom joint research centre. Since Euratom was merged into the EEC in 1967, the Six have been unable to agree on what sort of research programme it should be following, and development has been jogging along on an ad hoc basis from year to year.

Last December the ministers were able to suggest that the joint research centre should concentrate on fundamental and public service research, leaving the development of nuclear reactors to private industry. The commission has now agreed to cut back about 400 research jobs at the centre if it can win in return a more comprehensive EEC science programme. Signor Altiero Spinelli, the commissioner responsible for science, has warned the Six that if its proposals are rejected, the commission will throw the problem back into the political arena. The staff from Ispra, the biggest and most vulnerable of the EEC research establishments, went on strike last week against the proposals.

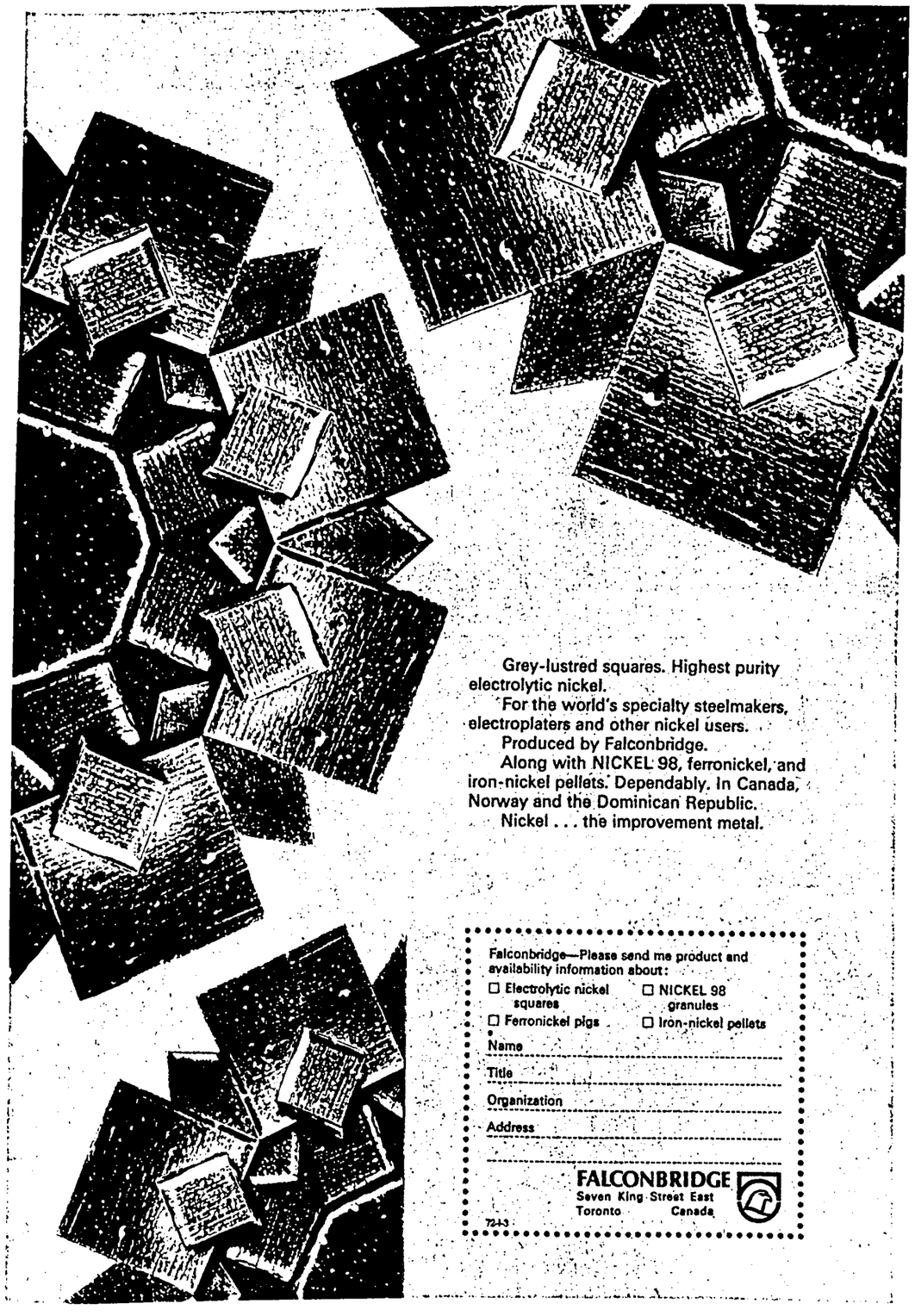
The British Government will look at the commission's proposals in the light of the review of national research programmes being carried out at home by Lord Rothschild, which means that, together with the French, it will try to stop the commission dabbling in science. The Secretary of State for Trade and Industry, Mr John Davies, emphasised in Brussels last week the British preference for concrete projects based on real and identified requests from users, whether from industry, agriculture or government, rather than a broad European R&D programme. He also made clear that the British Government had little interest in Euratom's future. Only a comprehensive community policy for energy, including oil and natural gas, is likely to find much appeal outside Brussels.

Key indicators: world commodity prices

Cottoning on
Prospects of a good cotton crop in the United States and Russia will send world prices sliding from their highest level since the war. The Liverpool cotton index, at 35 cents a lb, was already 12 per cent down on its recent peak because India's and Pakistan's cotton harvests were better than expected. If the larger crops of the northern hemisphere now come up to forecast, prices will fall far further.

	Index 1963=100 June 14	June 21	Percentage change on one month	one year
All items	130.7	129.8*	− 0.3	+ 6.6
Food	144.1	142.2*	− 0.2	+ 6.2
Fibres	105.0	104.8*	+ 2.2	+24.3
Metals	176.2	176.5	− 2.2	− 7.9
Misc	116.0	116.4*	− 2.7	+ 8.6

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BUSINESS *Investment*

Six per cent had been discounted

On Thursday Bank rate was raised from 5% to 6%, but the market remained curiously calm. Perhaps one reason was that the display system kept breaking down, so that no one knew what the latest prices were. Another was that quite a number of people had deserted their trading posts for the rival attractions of Ascot and the Test Match. Talk about a possible sterling devaluation and accelerating inflation has kept buyers away, but it has not yet caused sellers to come forth. On extremely light trading, the Financial Times industrial ordinary index fell 2.2 points on the day to 491.7. Leading stocks were marked down a few pence on the Bank rate news, but the general attitude was that the change was expected. Since the beginning of the year, the yield in the gilt-edged market on shorts (under five years) has continuously edged up from the 4.20-6.20% range to 5.60-6.40%. The hike in Bank rate simply followed this rise in market rates. All of it, and a bit more, had already been discounted.

Money supply is still roaring ahead, at an annual rate of 23% in the three months to mid-May. Obviously, there would be a sharp setback to both equities and gilts if the rise in Bank rate meant that the authorities were going deliberately to tighten the purse-strings at last. But most people think that this is unlikely.

British Petroleum

Mostest, firstest

On the day that Bank rate went up, British Petroleum announced that it has arranged to borrow £360m to finance almost the entire estimated cost of developing its Forties Field in the North Sea. This is the largest amount of money ever raised in one go by a company in this country. More significantly, for the first time in Britain the American technique of "production financing" is being used. The cash will be repaid out of the flow of revenues when the fields go into production at the end of 1974. If all goes well, the loans should be paid off by 1982. If, for any reason, the flow of revenue slows, then so will repayments. The money will be drawn on as required, and the interest rate will be an undisclosed amount above the London and New York interbank rates. BP estimates that only 60% of the oil revenues will be needed for servicing the debt. This implies that it is expecting gross revenues of £600m. What that means in terms of net profits is anyone's guess. The market responded to the news by doing no more than keep BP's price unchanged at 516p.

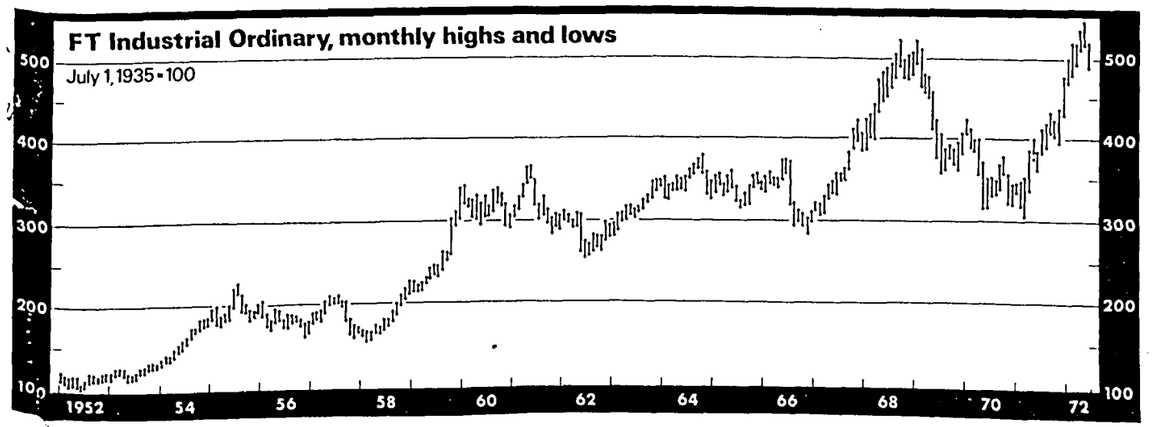
The banks concerned, who are putting up the cash, are being led by a unique troika of Lazard Brothers, National Westminster (the London clearing bank) and Morgan Guaranty Trust of New York.

Wall Street

Cool summer

New York

A cautious Wall Street continues to defy the prophets. Despite the expectation that the next few weeks should see an outpouring of favourable second quarter company earnings as the economic recovery continues, and new hints this week of Vietnam peace, the Dow Jones industrial average has edged up only slightly. Its 951.61 at mid-week was



back again to its level of early June, but still 2 per cent off its May 26th high this year—and still 4½ per cent off its all-time record reached over six years ago, in February, 1966.

What is worrying investors? They say inflation: Americans get neurotic when their consumer price index goes up, as it did last month, by 0.3 per cent, modest by most other standards. They are concerned over Vietnam (when hopes are not fluttering as this week), Senator McGovern's soak-the-rich views on taxation, the failure of mutual funds to attract fresh money —and, right now, the spectre of a possible further devaluation of the pound that could lead to a new bout of international monetary instability. The market has also watched with some misgivings as domestic interest rates —short range and longer-term— have started to creep up again. This firming of rates reflects both the economic pick-up and the fact that the monetary authorities have grown just a bit more stingy with the supply of funds. Tighter money has a cooling effect on the market's ardour.

Investors' wariness is evident in their avoidance of stocks such as machinery and steels, at the very time when such cyclical shares should be benefiting from economic expansion. Instead, they continue to be attracted to the growth glamour stocks. Leading the pack among the glamours this past week was **Polaroid,** which early in the week netted a gain of something over six points to $131 on the strength of a report in Time magazine on its latest forthcoming instant camera, the SX-70. Other glamours posting strong advances were **Avon Products** and **Schlumberger.** On the other hand, real estate investments trusts (REITS) were hard hit following a report that the Federal Reserve Board is planning a broad inquiry into possible conflicts of interest involved in bank sponsorship of such companies. The Fed denied that it had anything so all-embracing in mind, but REITS stayed soft.

Beer

Spinners and winners

Ascot lasts only a week, but the battle between **Watney Mann** and **Grand Metropolitan Hotels** will have been 16 times as long as that by its scheduled close on June 30th. The result should be a victory for Watney—but until the institutions have shown their hands, which will be kept firmly up their sleeves until the last hour, no one can be certain. At a GMH share price of 240p, the bid is now worth £435m. That is a great prop to the Watney share price at 247p, now far above what it would have reached under its own steam. Since Mr Maxwell Joseph and his powerful friends are still buying Watney shares in the market (and their own GMH shares too), the innocent bystanding shareholder should now take the opportunity of selling out of both companies. Unlike Ascot he can delay his betting until the best horse has won, and then go back to the paddock for a second look after the race is over.

It is not only takeover battles that are keeping brewers among the strongest section of the stock exchange. **Allied Breweries'** half-term results show a jump in pre-tax profits of 22%. But the market should perhaps regard a fizz of this kind with increasing political caution. Most of the industry's spectacular results have come from pushing up retail pr since the Tories removed all con on beer in 1970. A new round price increases is now likely t autumn. As Mr James Prior, t Minister of Agriculture, is comi under heavy pressure to stem risi food prices (and beer is given twice the weighting of beef in the cost of living index), there is a risk that the brewers will be asked or forced to hold their prices down. How badly this could affect prices is seen from the **Arthur Guinness** results. Half-year profits with only two weeks of an extra 1p on the pint were only marginally up. A full year of the new price should bring in £2.5m.

Courtaulds and tax

Thus far—no farther

In a little noticed clause tacked on t the Finance Bill, the Government proposing to stamp out the property shuffle tax manoeuvre recently use to good effect by Courtaulds. Luckil for Lord Kearton, the section will n be retrospective.

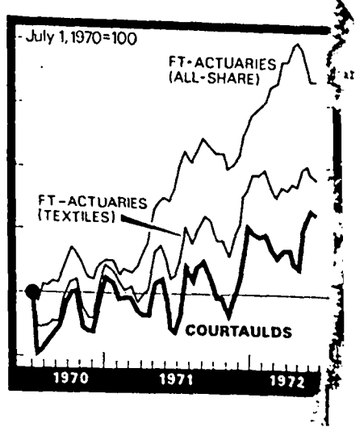
The trick was to use three compan in a group to make transactions in t group's industrial buildings. The effe is to concentrate the buildings' writin off allowances into one year inste of over their lifetime. Company owns the building and leases it ov a long period (say 999 years company B. A then has the right flow of lease payments for 999 ye and the right to full possession of building at the end of the perio the so-called reversionary right. right is virtually worthless.

The tax rules say that if reversionary right is sold to compa

Key indicators: world bourses

	Stock price indices	June 21	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London quietly drifting, little moved by the rise in Bank rate but overshadowed by currency doubts. Wall Street's modest recovery looked insecure by Thursday. Japan the record-breaker yet again.	London	493.9	543.6	470.4	− 2.4	− 7.3	+32.7	− 9.1
	New York	951.6	971.3	889.2	+ 0.5	− 1.4	+8.2	− 4.4
	Canada	218.5	220.2	187.5	−	+ 1.9	+19.4	−
	Australia	632.7	632.7	490.1	+ 1.5	+ 7.6	+28.8	− 4.6
	Japan	279.4	279.4	199.9	+ 3.3	+ 8.0	+41.8	−
	H'kong	432.8	450.3	324.0	+ 2.1	+ 8.0	+60.6	− 3.9
	Belgium	110.4	110.9	96.9	− 0.3	+ 0.5	+ 7.2	− 0.3
	France	82.4	85.7	67.6	− 1.4	− 0.1	+ 5.6	− 4.3
	Germany	114.2	119.3	97.1	−	− 3.3	+10.6	−24.4
	Holland	148.4	148.4	105.4	+ 1.9	+ 5.0	+19.8	−
	Italy	47.9	49.7	43.9	+ 3.9	− 2.0	− 5.5	−58.9
	Sweden	332.8	350.9	308.7	− 0.7	− 2.2	+13.7	−11.4

Stock prices and yields are on pages 113 and 114



What can your banker tell you about industrial expansion in Hong Kong?

Can he tell you how the labor market is affected by the industrial expansion? Can he explain the need for Hong Kong's switch from entrepôt trader to industrial exporter of electronics, plastics, and optical goods? Can he tell you how this diversification will influence its trade balance? How it will affect its domestic economic growth? And external payment position?

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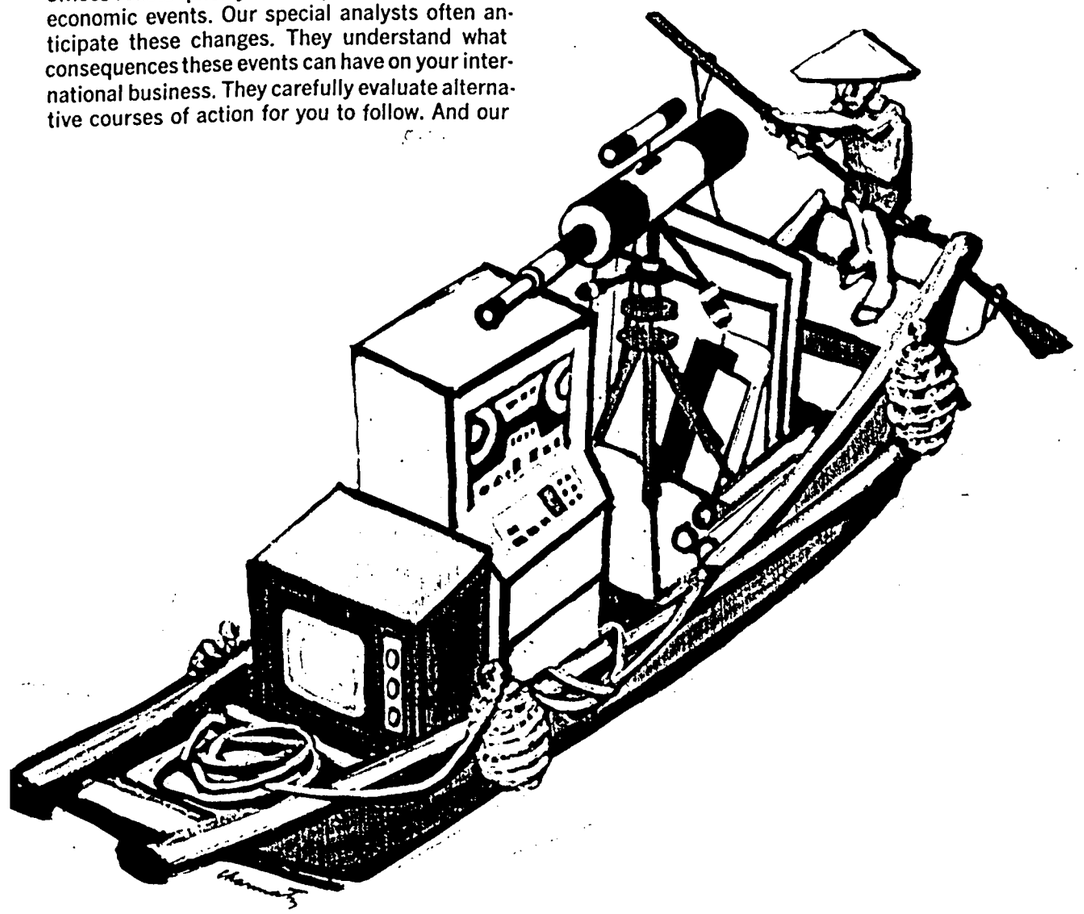
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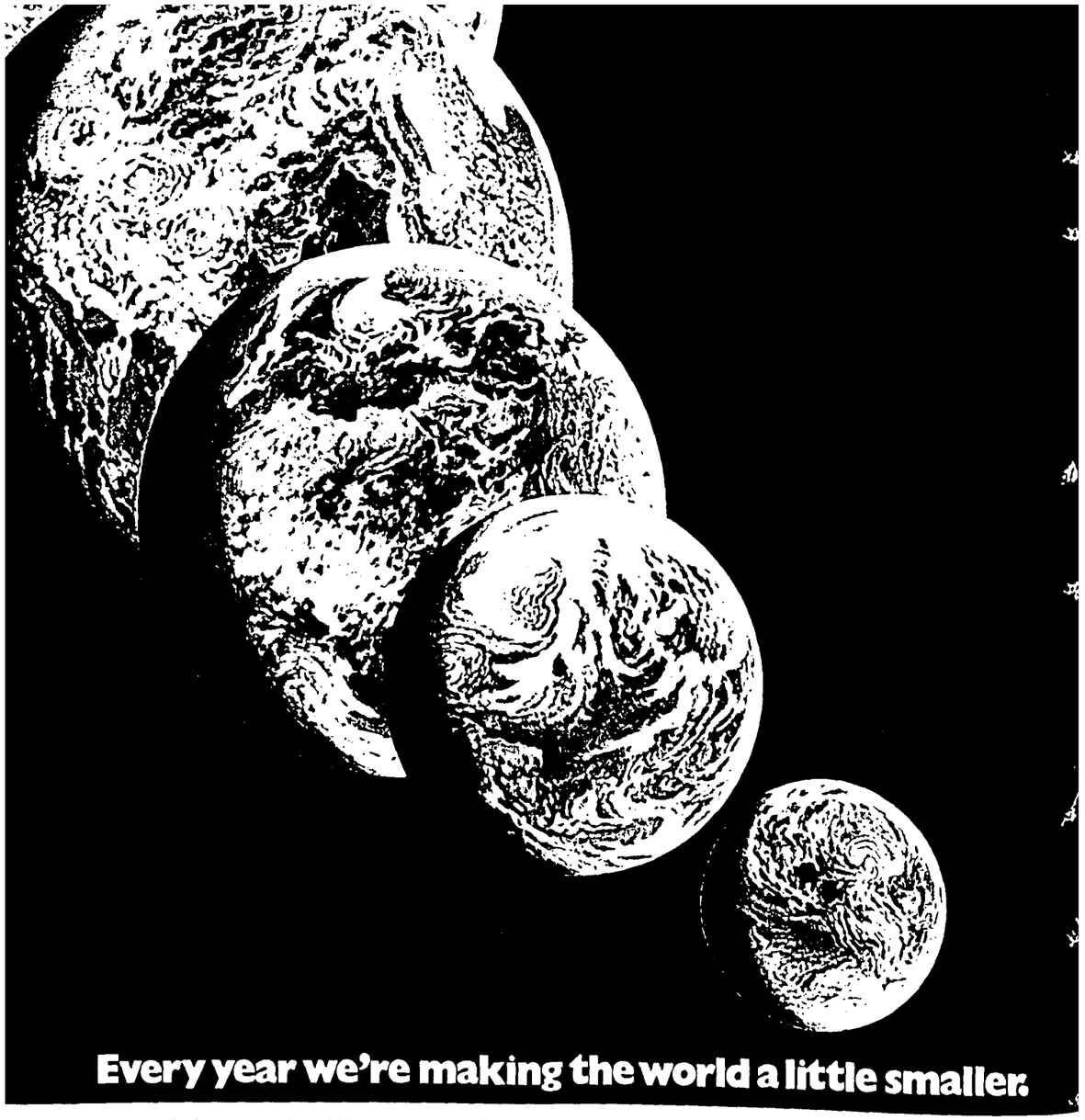
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Warning to brokers

Kuala Lumpur

A firm of stockbrokers in Singapore has been found guilty of committing a criminal offence by advising a client to buy shares in a company that turned out to be worthless. Since the prevention of fraud provisions here are similar to those in Britain, the case may have a moral for British stockbrokers and professional advisers, too.

The stockbrokers, Fraser and Company, and one director were found guilty of having made reckless statements in connection with the shares of Singapore Traction Company—a leading bus company—and of inducing clients to buy shares in it. They were fined £5,000, even though no dishonesty was involved.

Fraser sent out a circular to 3,000 people last November, saying that, although STC was in difficulties, the value of the bus depots was £2.8m—giving the shares a net asset value of $S1.10, against the share price of 80 cents (to which it had risen from 30 cents over the preceding weeks). Within hours Fraser had to issue a correction. STC had only nine acres of land, and not 25 acres as Fraser thought. Further, Fraser had extrapolated the latest value by a rough rule-of-thumb multiplier for Singapore land values without realising that the initial valuation had itself been based on development value rather than cost. In the view of the judge, inadequate efforts had been made to check the facts.

The other point at issue was to establish that the plaintiff, Mr Shen Yuan Pai, a rich Brunei engineer, had been "induced" to buy the shares. The defence claimed that when someone wants to buy shares—and Mr Shen often wanted to—then he cannot be said to have been induced to buy a certain share. And, anyway, Mr Shen had given Fraser a fair amount of discretion over what to buy for him. But the judge reckoned that if Mr Shen went in to talk about his account and came out having ordered STC shares, then he had indeed been induced to buy them. STC shares are no longer quoted on the Singapore and Malaysian stock exchanges, having fallen to 6 cents before being suspended.

(also in the group) the difference between the sale price and the unwritten-down cost of the building is a capital loss. This can be set against profit for tax purposes, thus allowing the company to get the whole depreciation of the building immediately instead of at 4% a year.

The anomaly is that the main asset that A created by making the lease was not the reversionary right, but the right to the income. If the value of this were to be counted as a capital gain, it would exactly cancel out the loss on the sale of the reversionary right, making the whole device useless. The skill of Courtaulds and the others was in devising a legal form for the transaction that avoided this and other dangers. Rather than sniping at these various legal forms specifically—a useless procedure because the avoiders always keep one jump ahead—the Government has adopted a broader brush approach by saying that all tax advantages arising from subtle transactions in industrial buildings between companies in a group be removed.

The unused part of these allowances and normal capital allowances, together with those on future investments, will keep Courtaulds's effective tax rate below the full rate for some years. It has £29½m of capital allowances to carry forward, and £28m of tax provided for but not paid in the tax equalisation account. Because this account is only there as a precaution against years when an above-normal tax rate has to be paid, no further contribution to it has been made. So those analysts who are notionally subjecting the profit to a full tax charge to derive a p/e of 19 are being over-cautious. At 153p the p/e is in a much more reasonable range of 13-15.

Insider trading

What did they know about ITT?

New York

Poor old **International Telephone and Telegraph** is having a roman candle of a year. One of the briefer outbursts has been on insider trading. On June 16th, ITT and two of its senior officers were charged by the Securities and Exchange Commission with selling shares while allegedly privy to inside information about the impending settlement of the anti-trust case (the one that went all the way up to Mr Kleindienst, who forgot and then remembered about it at the Senate hearings into the matter). ITT had loudly proclaimed its intention to fight the anti-trust suit. But it signed a consent decree to get rid of $1 billion of assets rather than part with its cash-rich Hartford Fire Insurance subsidiary, and the share price slumped $7 on the news. The SEC often insists that those who have profited from insider knowledge should pay over the benefits—but when the case was settled, on Wednesday, all the defendants had to do was accept an injunction forbidding them from being naughty again, which they did while denying that they had been naughty in the first place. However, there are 10 private suits for damages still waiting in the wings.

The other matter raised, and settled, at the same time was the one involving the prestigious investment bank of Lazard Frères and Mediobanca, the Italian bank. They were accused, with ITT, of not disclosing details of the negotiations with the Justice Department at the time they made a distribution of ITT shares. Again the defendants do not reckon to have broken a highly technical law, but the SEC believes it has established the principle that details of such negotiations are to be included in the prospectus of a company.

A certain amount of dust has thus risen up to cloud Lazard Frères, newly ensconced in its chic midtown quarters at One Rockefeller Plaza, far from the dowdy old offices in Wall Street, and the whole issue of insider dealing and conflicts of interest is clouding it too. Lazard has been accused by an aide of Mr Ralph Nader of selling wads of ITT stock before the anti-trust settlement was announced. If so what did the investment banking side know? Should it have passed the knowledge on to the brokerage side?

At least the SEC is genuinely worried about insider dealing. In Britain few people are. No one knows how much insider trading goes on. The kind of "my cousin in X tells me . . ." pub talk is likely to be as wrong as it is unimportant, but a great many people do have access to privileged information about companies that could be turned to profit on the stock market. Such misuse of confidentiality is clearly unethical, but it is not illegal: a recent report by Justice*, however, proposes a radical change in the law to make it so.

The proposal is that those who have sold shares to an insider should have the same rights of action as in cases

* 25p from *Justice*, 12 Crane Court, Fleet Street, London, EC4.

of deliberate non-disclosure of material information, such as a car buyer has against a dealer who paints over the cracks in the chassis. Further, certain kinds of share deals—like short sales or quick in-and-out transactions—should be forbidden to insiders, on the ground that this is almost bound to be a speculation on the market reaction to a piece of news. And all dealings by insiders would be a criminal offence if they are in possession of information which would substantially affect the share price if generally known.

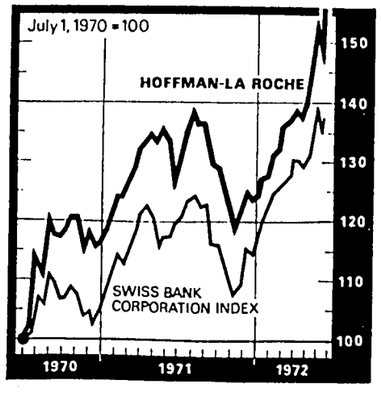
The objection to bringing the law into this area of morality is that insider dealings would be hard to police, especially as the report wants a very wide definition of insider, and that it would be difficult to assess what insider information was capable of having a big effect on the share price. And the serious insiders would cover their tracks by using the nominee services of a foreign bank. However, in spite of all the objections, the American experience shows that the law should be there to deal with the few who abuse their position (and are caught) pour encourager les autres.

F. Hoffman-La Roche

Not for plebs

Zurich

F. Hoffman-La Roche of Basle is believed to be the largest pharmaceutical company in the world. Nobody is quite sure because it pursues its affairs, and hides its figures, with legendary secrecy. It last went to the capital market in 1920 and there is no prospect of it going again in the foreseeable future. It publishes no turnover figures whatever. The net profit figures, which it does produce once a year, are meaningless. The company has repaid the outstanding value of its shares, so they are not real shares anyway.



The company recently announced an unchanged Swiss Fr500 dividend, and a net profit increased to £6.6m from £6m in 1970. Real profits even of the parent company are probably 15 times the figure given. Some analysts estimate true earnings per share for the current year at around Swiss Fr12,000, about 15% higher than last year. The stock market quotation for the "bons de jouissance" which the company issues—not quite the same as shares, and without voting rights—is about Swiss Fr222,400, or £22,000. This makes them the highest-priced shares in the world. Despite (or perhaps because of) this, analysts will recommend the shares as a good buy any day, but instances of them actually changing hands are comparatively few. The market in Hoffroche is really to be found in the "baby" shares; they are a tenth part of the "bons de jouissance," and are traded at a tenth of the price of father. If you have over £2,000 to spare for a gilded pig completely obscured in a poke, it might be worth buying one.

Offshore funds

IOS casts fainter shadows

For the third year running **IOS's** auditors have declined to approve its exceedingly bleak accounts. They cite the unknown quantity of contingent liabilities. The company has eight major legal actions in train in the United States and Canada plus others in Switzerland; the American Treasury alone is after $75m from IOS and its ex-king, Mr Bernie Cornfeld. The accounts show that IOS's current liabilities were $17m at the end of December—more than double current assets of $8.2m. Shareholders' equity has collapsed from nearly $100m in the company's heyday to $14.4m—below the par value of the shares. A block of 18,200 preferred shares was sold last week in Switzerland for the equivalent of one cent a share.

IOS's losses in 1971 were naturally down from the almost incredible $60.3m in 1970 to $10.5m, but less than half the income was in hard cash. The current president, Mr Milton Meissner, said that an irreducible core of operating costs could be reached soon. True, a lot of income-earning assets were removed from the picture last year. Most of the banking assets were spun off into one Bahamian holding company, **International Bancorp,** and a mixed bag of insurance, real estate and other assets went into another, **Value Capital.** Shares in both were distributed to shareholders as dividends.

Shareholders in **USIF, Real Estate** must be thanking their lucky stars that they have been so successfully rescued from the brink of disaster. The luck was that Gramco, the management company, had chosen the Trust Corporation of Bahamas as the custodian trustee for the fund. The trustees have done their job well, with the help of Lehman Bros, the New York investment bank. Gramco has been booted out and the managers are now the Arlen Realty and Development Corporation, the largest property developer in the United States. Vickers da Costa, the London stockbrokers, is so impressed with the changes that it recommends purchase of USIF, Real Estate at current prices.

Offshore funds are gaining a new lease of life as the shadow of IOS recedes. Quite a few new funds have emerged in the last month or so—no fewer than seven from one group, Barclaytrust Frontier Management, which is jointly owned by Barclays Bank and stockbrokers Joseph Sebag. Most of the new funds are not generalists, but are being produced in response to a specific investor demand.

A good example is Ivory and Sime's new **Viking Resources International** fund; it has been launched because European investors were attracted by the North Sea specialisation of the group's **Viking Resources** investment trust launched in March. Ironically, the prospect of just this sort of European interest in British investment management played an important part in bringing reform of the capital gains tax rules for British-based trusts in the budget. This substantially reduced the advantage of offshore funds, but the Europeans want a special Viking to avoid investing in sterling.

The innovating **Anchor Gilt-Edged** fund provides a tax-free way for foreigners to buy a managed fixed-interest fund. It is based in Jersey, which is becoming increasingly important as a European offshore haven. Triumph Investment Trust has based its new **Triumph Oceanic International** in Jersey, while Barclaytrust has gone the whole hog with special trusts for Guernsey and Jersey residents feeding a third fund for the wider market. Barclays manages around £1 billion of investment portfolios, and reckons that offshore funds are a good way to get some international diversification for them.

These securities were offered and sold outside the United States. This announcement appears as a matter of record.

NEW ISSUE

June 21, 1972

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Algemene Bank Nederland N.V. — American Express Securities S.A. — Amsterdam-Rotterdam Bank N.V. — Andresens Bank A/S

Arnhold and S. Bleichroeder, Inc. — Associated Japanese Bank (International) Limited — Julius Baer International Limited — Banca Commerciale Italiana

Banca Nazionale del Lavoro — Banca Provinciale Lombarda S.p.A. — Banco di Roma/Commerzbank AG/Crédit Lyonnais — Bankers Trust International Limited

Bankhaus I. D. Herstatt Kommanditgesellschaft auf Aktien — Bank Mees & Hope NV — Banque Ameribas — Banque Blyth — Banque de Bruxelles S.A.

Banque Française du Commerce Extérieur — Banque Générale du Luxembourg S.A. — Banque de l'Indochine — Banque Internationale à Luxembourg S.A.

Banque Lambert S.C.S. — Banque Nationale de Paris — Banque de Neuflize, Schlumberger, Mallet — Banque de Paris et des Pays-Bas

Banque Populaire Suisse (Underwriters) S.A. — Banque Rothschild — Banque de Suez et de l'Union des Mines — Banque de l'Union Européenne

Banque de l'Union Parisienne — Banque Worms — Barclays Bank International Limited — Baring Brothers & Co., Limited — Bayerische Vereinsbank — Bergens Privatbank

Berliner Handels-Gesellschaft-Frankfurter Bank — Brown Harriman International Ltd. — Brown Shipley & Co. Limited — Capitalfin Internazionale S.p.A.

Cazenove & Co. — "La Centrale" Finanziaria Generale S.p.A. — Charterhouse Japhet Limited — Christiania Bank og Kreditkasse — Colegrave & Co.

Crédit Commercial de France — Crédit Général de Belgique S.A. de Banque — Crédit Industriel d'Alsace & de Lorraine — Crédit Industriel et Commercial

Credit Suisse (Bahamas) Limited — Credito Italiano — The Daiwa Securities Co. America, Inc. — Den Danske Landmandsbank — Richard Daus & Co. Bankiers vormals Hans W. Petersen — Delbrück & Co.

Deutsche Bank Aktiengesellschaft — Deutsche Girozentrale—Deutsche Kommunalbank— — Dewaay, Cortvriendt International S.A. — Dresdner Bank Aktiengesellschaft

Eastman Dillon, Union Securities & Co. Incorporated — Eurocapital S.A. — Fellesbanken A/S — Fidi-Milano S.p.A. Finanziaria Italiana di Investimenti — The First Boston Corporation — Antony Gibbs & Sons Limited

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Goldman Sachs International Corp. — Gutzwiller, Kurz, Bungener Securities Limited — Hambros Bank Limited

Handelsbank in Zurich (Overseas) Limited — Hill Samuel & Co. Limited — 'Invest' Sviluppo e Gestione Investimenti Mobiliari S.p.A. — Israel-British Bank (London) Limited

Keyser Ullmann Limited — Kidder, Peabody & Co. Incorporated — Kjobenhavns Handelsbank — Kleinwort, Benson Limited — Kreditbank N.V. — Kuhn, Loeb & Co. International

Lazard Brothers & Co., Limited — Lazard Frères & Cie — Lehman Brothers Incorporated — Lloyds & Bolsa International Bank Limited — London Multinational Bank (Underwriters) Limited

Manufacturers Hanover Limited — Merck, Finck & Co. — Merrill Lynch, Royal Securities Limited — B. Metzler seel. Sohn & Co. — Samuel Montagu & Co. Limited

Morgan & Cie International S.A. — Morgan Grenfell & Co. Limited — National Westminster Bank Ltd. — Nederlandse Creditbank N.V.

Nederlandsche Middenstandsbank N.V. — New York Hanseatic International Ltd. — The Nikko Securities Co. International, Inc. — Den norske Creditbank

Sal. Oppenheim jr. & Cie. — Orion Bank Limited — Peterbroeck, Van Campenhout Securities S.A. — Pictet International Limited — Pierson, Heldring & Pierson

Privatbanken i Kjøbenhavn — N. M. Rothschild & Sons Limited — Rowe & Pitman — Saifi Securities International Limited — J. Henry Schroder Wagg & Co. Limited

Singer & Friedlander Limited — Skandinaviska Enskilda Banken — Smith, Barney & Co. Incorporated — Société Générale — Société Générale de Banque S.A.

Strauss, Turnbull & Co. — Svenska Handelsbanken — Swiss Bank Corporation (Overseas) Limited — C. G. Trinkaus & Burkhardt — Vereinsbank in Hamburg

M. M. Warburg-Brinckmann, Wirtz & Co. — S. G. Warburg & Co. Limited — Westdeutsche Landesbank Girozentrale — Western American Bank (Europe) Limited

White, Weld & Co. Limited — Williams, Glyn & Co. — The Yamaichi Securities Company of New York, Inc.

COMPANY STATEMENT

ANIC

Legal headquarters : **Palermo, Sicily, 216, via Mariano Stabile**

Executive offices : **San Donato Milanese (Milan, Italy)**

Capital : 113,500,000,000 lire

Register Tribunal of Palermo n. 10454

THE ANIC ANNUAL REPORT FOR 1971

At the regular stockholders' meeting on April 27, 1972, the 1971 Annual Report and Balance Sheet of ANIC S.p.A., a company of the ENI Group, were approved, with a no profit and no loss balance after drawing 10,174,721,710 lire from the Fondo Investimenti nel Mezzogiorno (Fund for Investment in Southern Italy).

The Annual Report emphasized the fact that operations were substantially effected by the adverse general economic situation to which prolonged abstentions from work caused by union agitation were added. These phenomena caused contraction in the growth of productive and commercial operations in spite of efforts to keep negative effects within bounds. Investment outlays in various sectors for improving products to meet the increasing exigencies of the market, and for updating plants with the most advanced technological processes, were of little avail in improving the generally unsatisfactory results of 1971.

On one hand sales reached 186,000 million (more than 9% higher than 1970) but on the other, the principal operating costs increased considerably. In particular, the cost of employment rose 29% (10% for increase in personnel and 19% for higher pay). In addition there were losses in productive potential due to delays in deliveries of equipment and materials for new plant and because of work stoppages (estimated at about 11,000 million lire). Therefore to make possible a writeoff of 21,000 million lire for depreciation the amount of 10,175 million was drawn from the Fund for Investments in the "Mezzogiorno."

Although less than looked forward to from planned new plant completions scheduled for the year, there were increases in production of special polymers (+20%) and resins (+12%). Specially notable were the increases in fibre production (+81%) due to expanded productive capacity of the Pisticci plant, and in "miscellaneous chemicals" (+58%) thanks to the opening of new chlorine, caustic soda and dichloroethane plants at Gela. Fertilizer production increased slightly (+1%). However, production was inferior to 1970 for SBR and CIS synthetic rubbers (−3%) due to absenteeism at the Ravenna plant early in the year and later to the necessity for adapting production to availabilities of raw materials. Cement production fell 9% due to the unfavourable state of the building trade.

The volume of sales of fertilizers fell 8%, although the value of billings remained at about last year's level. Positive results were shown for resins and special polymers with an increase in volume of sales (9%) and invoicing (more than 5%). Sales of fibres increased 70% and the relative billings 42%. High levels were reached in chemical product sales (70%) but cement sales were off 11%.

In the petroleum sector, the amount of crude treated by the Sannazzaro and Gela refineries was 6% less mainly due to lower demand.

The total 1971 sales of ANIC, the parent company, was 186,000 million lire against 169,000 million in 1970. Consolidated ANIC Group sales in Italy reached 226,000 million against the 210,000 million of 1970. Parent company investments in property plant and equipment came to 82,000 million lire and about 68% of these were in the southern "Mezzogiorno" area. Of this amount 90% was in the chemical sector and 10% in refining. Total consolidated investments of the ANIC Group in Italy were 139,000 million, equal to more than ⅓ of the investments of the entire Italian chemical industry.

In the chemical sector in 1971, the caustic soda-chlorine, dichloroethane and polypropylene units at Gela went into operation. Work was completed for expanding production of low density polyethylene and also completed was construction work on the third acrylonitrile line.

At the Ravenna chemical complex, work continued on construction of the isoprene and polyisoprene units. Work also progressed for increasing production of the SBR rubber in emulsion plant and mechanical assembling continued for the SBR-in-solution plant. Expansion work on the CIS polybutadiene plant is now in an advanced stage. The ABS resin plant is being expanded. Detailed plans have been finished and mechanical assembling of the mixed C4 hydrogenation unit for SBR-in-solution production continued. Basic engineering of a mixed C4 hydrogenation unit began for the butadiene extraction plant. The new plant for production of polybutadiene latex is now in the planning stage.

At Pisticci the second polyester polymerization unit for production of continuous filament and top went into operation as well as the polyester yarn texturization unit. Equipment assembly has been completed for production of dicomponent polyacrylic fibre. The methylacrylate production plant went into operation last September. Detailed plans are now well advanced for the third polyester fibre polymerization line and the main long-term delivery equipment has been ordered. Equipment has also been ordered for expansion of the polyester yarn draw-twisting unit. At the end of 1971 mechanical assembly of equipment was being carried out for expanding capacity of two of the three acrylic fibre lines.

At Monte Sant'Angelo, near Manfredonia, work has been completed on various sections of the ammonia plant and start up operations have begun. Mechanical assemblage on the urea plant has been completed.

In regard to the petroleum sector, work was completed at the Sannazzaro refinery on increased crude and finished product storage capacity. Research and engineering continued for a new primary distillation unit and other relative units for raising total crude capacity to 10 million tons a year.

At the Gela refinery, a plant for treating gasoline coming from the ethylene steam cracker went into operation as did the aromatic extraction unit expansion.

Employment by the Company at the end of 1971 totalled 12,448 persons, 1,272 more than in 1970. At the same date 15,791 persons were working for the entire ANIC group. More than half of this employment was in the southern "Mezzogiorno" area.

Plans for the future of traditional fields of production include : consolidating and reinforcing the Group's primary European position in elastomer capabilities through expansion of SBR and polybutadiene rubber capacities, initiation of production of polyisoprene and consolidation of plastic materials types of elastomers. In addition, consolidatoin of plastic materials and fibre capabilities will be continued through integration of present production with more technologically advanced products as demanded by markets. Also planned is the updating of fertilizer production processing systems.

The future investment programme also contemplates expansion by the ANIC group into production of primary and secondary fine chemicals such as : additives and auxiliary products for industrial processing (specially for rubbers and plastics), products for use in pollution abatement systems, basic products for animal feed mixtures.

Under study are projects for producing polyelectrolytes, ammines, fatty acids, food acidulants, basic and coagent compounds for detergents. Many of these products fit into the ENI group programme for eliminating pollution and protecting the environment.

In collaboration with BP, ANIC is currently settling details for building what is presently to be the world's largest (100,000 tons a year) synthetic protein plant, to be located in Sardinia. In the field of plastic product fabricating, plants are planned for the regions of Umbria and Sicily to transform about 35,000 tons per year of ANIC resins into consumer articles.

APPOINTMENTS

Victoria University of Wellington

NEW ZEALAND

Senior Lecturer/ Lecturer in Economic History

Applications are invited for the above-mentioned post. Teaching areas include modern British economic history, New Zealand economic history, international economic history since about 1850, and comparative economic growth. Wellington offers outstanding opportunities for research of all types in the economic history of New Zealand and the Pacific area. A generous leave scheme makes it entirely possible to continue research interests related to other areas. Photographic aids and computing facilities are readily available.

Salary : Lecturers—$NZ5589–$7149 ; Senior Lecturers—$NZ7278–$8519 then $NZ8839–$9358. Superannuation available on an FSSU basis. An allowance is made towards travel and removal expenses.

Further particulars and application procedure available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close on *15 August 1972.*

Discussion Centre for the European Community

The Foreign and Commonwealth Office invites applications for two senior posts on the directing staff of the new European Discussion Centre and of Wilton Park at Wiston House, Steyning, Sussex :

i. *Director of Programmes*

The Director, who will be a Deputy to the Warden, will be responsible for the planning of conferences and for the arrangements of participation in them. The successful candidate will have a record of great organising and administrative ability ; he will also have expert knowledge of European history, politics, organisation and personalities. It would be helpful if he spoke or at least understood French and German.

ii. *Director of Studies*

The Director, who will be a Deputy to the Warden, will be responsible as chairman of sessions for the successful execution of each conference programme ; he will be involved in the chairing of plenary sessions and group discussions, and in the non-structured parts of each conference. The successful candidate will have practical experience of Chairmanship, and knowledge of politics, economics and international relations. He must be able to understand French and German easily and to make himself understood in these languages.

Appointment would in the first instance be for a tour of duty of 2 or 3 years. Existing membership of FSSU can be continued. The full range of duties will be explained in interview. Salary in the range £4922–£5564 according to qualifications. Applications to the Warden, European Discussion Centre, Wilton Park, Wiston House, Steyning, Sussex, BN4 3DZ not later than 7 July.

APPOINTMENTS

University of Manchester

Temporary Lecturer in Economics

Applications invited for these posts, tenable during session 1972-3. Salary range p.a. £1,641-£3,852. Particulars and application forms, returnable by July 3rd, from the Registrar, The University, Manchester M13 9PL. Quote ref : 106/72/E.

Hertfordshire County Council

EDUCATION COMMITTEE

Administrative Assistant— Buildings and Statistics

Applications invited from young men or women aged under 35 with good educational background who already have or would be interested in furthering their career by studing for a qualification either in statistics or in social science. Facilities could be provided for training. The duties of the post will include work with the collection, analysis and presentation of statistics and administration work related to the education building programme. Salary on grade A.P.II/III £1,395-£1,932 with starting point related to age, experience and ability.

Apply to the County Education Officer (Ref. AFS/346), County Hall, Hertford, giving details of age, education, experience and the names of two referees by 30th June.

Australian National University

Senior Lecturer/Lecturer in Sociology

Applications are invited for appointment to a new post of Senior Lecturer or Lecturer in Sociology in the Faculty of Arts. The appointee will be required to take up duty in 1973.

Applicants must have qualified at the Ph.D. level and should be prepared to teach one of the core courses in principles, theory or methods of sociology and to develop advanced work in one of the substantive areas such as urban ecology, demography, medical sociology and complex organisation. Applicants with interests in other areas are also welcome to apply.

Salary on appointment will be in accordance with qualifications and experience within the ranges : senior lecturer $A9619 x $323—$A11234 per annum : lecturer $A6804 x $369—$A9387 per annum.

The University provides reasonable travel and removal expenses and assistance with housing for an appointee from outside Canberra. Superannuation is on the FSSU pattern with supplementary benefits. Financial assistance towards study leave is also available.

Further information and the forms which should accompany an application may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close on *7 August 1972.*

THE SHIRLEY INSTITUTE, a large textile research organisation has a vacancy for an

ECONOMIST or BUSINESS SCIENTIST

with a lively mind. The ability to contribute to and become fully involved in multi discipline research projects is essential. A knowledge of the scope and structure of the Textile Industry would be an advantage.

Apply : Personnel Section, SHIRLEY INSTITUTE, Didsbury, Manchester M20 8RX.

CHAIRMAN'S STATEMENT

ARBUTHNOT LATHAM

Record Profit and Increased Dividend

Extracts from the Statement made by Mr. J. F. Prideaux OBE, Chairman of Arbuthnot Latham Holdings Limited.

Results

The group has had a successful year with profits of £527,566 after tax and after transfers to inner reserves, compared with £333,681 for last year. The main growth has come from the banking group, which achieved an increase of 82%. A final dividend of 5½% on the increased ordinary capital is recommended. This makes a total distribution of 9.35% which compares with the equivalent paid last year of 7.69%.

Loan Capital

With further expansion in mind, £2¼ million was raised at the end of the year in the form of sterling convertible loan stock offered to ordinary shareholders and of dollar convertible loan notes subscribed by The Philadelphia National Bank and by Banque Worms. The paid-up capital of the banking subsidiary, Arbuthnot Latham & Co., Ltd. has been increased by £1 million, and the dollars raised will assist in the expansion of international business.

Banking

There has been steady progress in the main areas of corporate finance, international banking and domestic banking, whilst the investment division has been helped by the acquisition of the Abacus Unit Trust Management Company and total funds under management have increased considerably. It is satisfactory that the Abacus Growth Fund and the Abacus Income Fund are among the top performers of comparable unit trusts.

Finance and Overseas

In this country the group has acquired over 20% of Western Credit Holdings Ltd. and in Australia, a rather larger percentage stake in Trade Credits Ltd., who specialize in property finance. These new investments are complementary to the shareholding in Hamilton Leasing Ltd. with whom the group has been associated for eight years. In south east Asia, Chartered Merchant Bankers Ltd., Singapore, in whom a 34% stake is held, have made good progress.

Insurance

Our insurance broking subsidiary, Arbuthnot Insurance Services Ltd., was able to report a materially higher profit. Golding Adam Brothers (Insurance Brokers) Ltd. has made a marked improvement in its trading position.

Trading

All the five trading subsidiaries reported good results for the year and they made useful contributions to group profits.

Future

For the future, competition will continue to be keen, but there will be fresh opportunities to be taken, and we look forward to the coming years with confidence.

The Annual General Meeting will be held at 37 Queen Street, London E.C.4 on Friday 14th July, 1972 at 12.30 p.m. Copies of the Report and Accounts can be obtained from the Secretary, 37 Queen Street, London EC4R 1BY

APPOINTMENTS

TRADE ASSOCIATION EXECUTIVE £5000

The Compound Animal Feeding Stuff Manufacturers National Association (CAFMNA) seeks an Executive Officer/Secretary to be responsible for the administration of the Association and to assist the Director-General in all matters of policy. Preferred age 30–40. Salary negotiable up to £5000. Pension. Location London.

The successful candidate must be capable of negotiating with public and industrial bodies. He will be progressive in outlook and have the ability to create opportunities for the industry. A degree or professional qualification desirable. Prospect of promotion to Director-General within five years. (SC.650).

Please write briefly and in confidence to the Managing Director, Executive Appointments Limited, 78 Wigmore Street, London W.1, quoting reference. No identities divulged without permission.

University of Newcastle

NEW SOUTH WALES

Lectureships in Economics

Applications are invited for two positions of Lecturer in the Department of Economics.

The University would particularly welcome applications from persons who have special interests and university teaching experience in one of the following fields :

ECONOMIC HISTORY
MACROECONOMICS
ECONOMIC DEVELOPMENT

It is expected that one of the two appointments will be made in the field of Economic History.

Salary range for the position is $A6,697–$A9,286 and commencing salary will depend on the qualifications and experience of the successful applicant.

Further information regarding the position may be obtained from Professor B. L. Johns, Head of the Department, in the University. The conditions of appointment including superannuation, study leave, housing scheme, method of application and other particulars, may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close *29 July 1972.*

University of the Witwatersrand, Johannesburg

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

Chair of Management Accounting

The incumbent of the post will be encouraged to undertake a reasonable amount of private consulting work.

The salary scale is R9900 x 300—R12,000.

Pension and medical aid facilities, and housing subsidy are available and a vacation savings bonus is payable annually in terms of Government regulations.

The successful applicant will be required to assume duty as soon as possible on a date to be negotiated.

Intending applicants are advised to obtain a copy of the information sheet relating to this post from the Registrar, University of the Witwatersrand, Jan Smuts Avenue, Johannesburg, or from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF.

Applications should be lodged not later than *31 August 1972.*

CHAIRMAN'S STATEMENT

ENGLISH CALICO

LIMITED

Highlights from 1971/72 Annual Report and Review of the Chairman, Mr. Neville Butterworth.

- Profit before taxation was £9,587,000 against £8,170,000.
- Sales to third parties were £163 millions – an increase of £11 millions.
- Export sales rose 18% to £18,822,000.
- Trading profit increased 12% to £11,913,000.
- Investment in new building and equipment was £6,458,000.

	1971/72 £	1970/71 £
Profit before taxation	9,587,000	8,170,000
Profit after taxation	5,020,000	4,332,000
Profit for ordinary shareholders	4,460,000	3,859,000
Ordinary dividends 10% (2.5p per share)	3,423,000	3,423,000
Earnings per ordinary share	3.3p	2.8p

SYLKO · TRYLKO · TOOTAL · OSMAN · CEPEA
PYRAMID · RAEL-BROOK · JUDY · RAYSIL

Marketing Vacancies

Automobile Parts Industry
Research Analyst
Experienced Marketing/ Planning Analyst
Marketing Analyst

(a) RESEARCH ANALYST

Sound ability to structure gather and process world wide Sales and Marketing information using statistical analysis techniques to define market potentials, share figures and trends.

(b) EXPERIENCED MARKETING PLANNING ANALYST

Will carry out marketing study exercises embracing all aspects of the mix. This position will be of interest to men who are following a career in Marketing and who wish to accept a position of responsibility, where the ability to display a high degree of self reliance and initiative is considered essential.

(c) MARKETING ANALYST

Two young men, preferably graduates with a background in Economics, Engineering or Finance are required to assist with marketing work outlined above. The ability to perform clear logical analysis and a flair for written/verbal communication is necessary. The positions offer excellent career possibilities.

Applicants for positions (a) and (b) should preferably have had experience in the Automobile or Automobile parts industry.

Attractive starting salaries are associated with these positions and fringe benefits include participation in the Company's Profit Sharing Scheme and Pension/Life Assurance Plan.

Applications should be clearly marked with job title and should detail age, qualifications, experience and salary progression. (Closing date for applications—14th July 1972).

AUTOMOTIVE PRODUCTS GROUP

J. C. Coad,
Personnel Manager,
AUTOMOTIVE PRODUCTS CO. LTD.,
BANBURY, OXON.

APPOINTMENTS

University of Bradford

MANAGEMENT CENTRE

Research Assistant in the Marketing of Financial Services

A vacancy exists for a Research Assistant to work in this area. The appointment is initially for a year, with the possibility of extension. Applications are invited from candidates with good honours degrees or any equivalent professional qualification.

The post is tenable from 1 October 1972 and any appointment will be made on the scale £1242 to £2037. Further details and application forms (returnable by 31 July 1972) obtainable from the Registrar, Ref. MA/RA/MFS/M, University of Bradford, Yorkshire, BD7 1DP.

Informal enquiries may be made to Professor Gordon Wills or Mr James Mann at the Management Centre, University of Bradford, Tel : 0274 42299.

National and Local Government Officers Association

Trainee Assistant Organising Officers/District Officers

Applications are invited from suitable persons for training and instruction in service conditions work, leading to appointment as either Assistant Organising Officer at Headquarters in London or District Officer in one of the Districts of the Association. On completion of the course, trainees will be expected to accept either appointment as offered according to staffing requirements at that time.

There are six vacancies.

Applicants should have the normal minimum educational qualifications, i.e.

(a) GCE at Ordinary level in at least 5 subjects including English (or English Language or English Literature) ;
(b) passes in at least 3 subjects, of which at least two must be at Advanced level ; English (or English Language or English Literature) to be one of the subjects at either level in each case ;
(c) acceptable equivalent alternative qualifications.

Candidates will be selected according to natural ability or aptitude for the trade union (service conditions) work in the Association, and while no age limit is stipulated, the posts are regarded as being intended for younger entrants.

The period of training will last for approximately 15 months, and will take place at Headquarters in London and in several of the Districts of the Association. Successful applicants must therefore be prepared to live away from their homes for all or a part of the period of their training. During periods spent away from home, appropriate lodging allowances will be paid.

The salary offered is in accordance with Grade AP IV (at present £1,932-£2,199 but being reviewed) plus a Weighting allowance of £144 whilst training in London.

Applications should be made to the General Secretary on the official form, a copy of which and particulars of the appointments can be obtained on request from the General Secretary, NALGO House, 8 Harewood Row, London, NW1 6SQ.

The University of Manchester Institute of Science and Technology

Research Fellowship in the International Business Unit (Ref : MS/92/AD)

This Unit is an integral part of the Department of Management Sciences, which has a multi-disciplinary staff of forty, under the Chairmanship of Professor Roland Smith.

A numerate social scientist is sought to conduct investigations in considerable depth into aspects of the decision-making process of multinational firms.

The person appointed will be a member of a growing team of researchers under the leadership of Dr. Michael Z. Brooke. He is likely to have had experience of research in one of the social sciences with business experience preferably in a multinational firm. However, this does not rule out candidates with other international experience. A willingness to travel and an ability to talk to senior business executives is essential. Some ability in foreign languages would be helpful.

The Research Fellowship will be supported by a grant from the S.S.R.C., and travelling expenses, secretarial services, and computer facilities will be provided. He will be expected to make a major contribution to knowledge in the area selected.

The appointment will be for an initial period of two years but may be renewed on an annual basis.

The salary is negotiable around £2,500 per annum plus F.S.S.U.

Requests for application forms quoting reference number should be made to the Registrar, U.M.I.S.T., P.O. Box No. 88, Sackville Street, Manchester, M60 1QD. Completed forms to be returned not later than 19th July, 1972.

University of Strathclyde
School of Business and Administration

DEPARTMENT OF ACCOUNTANCY

Senior Lecturer

Applications are invited for the post of Senior Lecturer in Accountancy from suitably qualified applicants.

The successful applicant will have preferably, both a University Degree (either a good Honours 1st Degree or a Higher Degree) and a professional qualification in Accountancy. He will be expected to contribute to the Higher Degree courses which the Department is currently developing within the Scottish Business School and should be prepared to assist in the organisation of research within the Department. Preference will be given to candidates who have a special interest in either the behavioural or quantitative aspects of Accountancy.

Salary scale £3,852-£4,734 with F.S.S.U. benefits.

Application forms and further particulars (quoting 31/72) can be obtained from The Registrar, University of Strathclyde, 204 George Street, Glasgow G1 1XW with whom applications should be lodged by 7th July 1972.

MONOPOLIES COMMISSION

Senior Economic Adviser

£5175 – £6475 (under review)

The Senior Economic Adviser will head the Commission's staff of 5 economists. Their main functions are : to give day-to-day advice on current monopoly and merger questions ; and to carry out longer term research work of direct relevance to the responsibilities of the Commission (e.g. 2 current projects are an investigation into the economies of scale in manufacturing industry and a general enquiry into parallel pricing).

They work in a separate unit but have close working relations with the Commission's administrators and accountants and with the Department of Trade and Industry. Close contacts are also maintained with economists working in the appropriate field in universities and elsewhere.

Candidates, aged at least 34 (at least 32 if exceptionally well qualified), must be economists of standing and have a sound knowledge of micro-economic theory and of industrial organisation, a thorough command of statistical techniques and a good understanding of econometric methods of investigation (though they need not be skilled practitioners in this field). A good honours or higher degree in economics or a closely related subject is normally required.

Starting salary could be above the minimum of the scale shown. Appointment could be on an established basis or for a period. *Whilst the Monopolies Commission is not strictly part of the Civil Service, the terms of employment are similar, in most respects, to those of civil servants.*

Full details of this appointment may be obtained by writing to the **Civil Service Commission, Alencon Link, Basingstoke, Hants.**, or telephoning BASINGSTOKE 29222, ext. 500 or LONDON 01-839 1696 (24-hour "Ansafone" service) quoting reference A(2)/623/S. Closing date 17th July 1972.

APPOINTMENTS

University College Cork

DEPARTMENT OF ECONOMICS

Full-time Appointments

The Governing Body invites applications for a maximum of two full-time posts as College Lecturer / Assistant Lecturer / Assistant in the Department of Economics. Each appointment will be made at one of the levels mentioned according to the qualifications and experience of the successful candidates.

The salary scales are : College Lecturer : £2,895 x £105—£3,420 p.a. ; Assistant Lecturer : £2,220 x £105—£2,745 p.a. ; Assistant : £1,860 x £105—£2,070 p.a.

Before submitting applications intending candidates should obtain from the undersigned further details of the posts together with details of the application requirements.

The latest date for the receipt of applications is *1 p.m. on Friday, 14 July 1972.*

JOHN P. TEEGAN,
Acting Secretary of the College.

University of Glasgow

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Temporary Lecturer in Applied Economics

Applications are invited for the above post. The successful candidate will work with a small team involved in an SSRC financed research project on Small Area Employment Forecasting due to start in October, 1972. Applicants should possess a good Honours degree in Economics or be expecting to graduate this year. A knowledge of statistical methods would be an advantage.

The appointment will be for three years commencing 1st October, 1972. The salary will be within the range £1641 to £1935 per annum, of the Lecturers' scale of £1641 to £3852 per annum. F.S.S.U.

Applications (eight copies) should be lodged not later than 23rd June, 1972, with the undersigned, from whom further particulars may be obtained.

In reply please quote Ref. No. 3199 U.

ROBT. T. HUTCHESON
Secretary of the University Court.

University of Birmingham

INSTITUTE OF LOCAL GOVERNMENT STUDIES

Lecturer or Senior Lecturer

A vacancy exists for a lecturer or senior lecturer from 1st January 1973, for two years and with possibility of extension, for advanced short courses (17 weeks) on management administration for senior overseas administrators. Relevant qualifications include knowledge of basic management disciplines (e.g. Personnel Management, Corporate Planning) in the field of urban local government and financial administration. Practical experience in developing countries would be an advantage.

Salary : Senior Lecturer : £3852-£4734 plus F.S.S.U. ; Lecturer : £1641-£3852 plus F.S.S.U.

Applications (3 copies) naming three referees by 14th July 1972 to Assistant Registrar (C), University of Birmingham, Box 363, Birmingham B15 2TT, from whom further particulars and application forms should be obtained. Please quote reference C/059/E.

University College of North Wales, Bangor

DEPARTMENT OF AGRICULTURE

APPLICATIONS ARE INVITED FOR THE POST OF

Lecturer in Agricultural Economics

The successful applicant will participate in the teaching of the honours degree in Agriculture with Agricultural Economics. Candidates should have qualifications in Agricultural Economics or Economics, some post-graduate experience, and preferably a special interest in overseas development and/or marketing.

Salary will be on the scale £1,641-£3,999, and the initial salary will depend upon qualifications, experience and age.

Further particulars of this post may be obtained from the Secretary and Registrar and applications (two copies), giving details of age, qualifications and experience, should be sent to reach the Secretary and Registrar by 11th July, 1972.

Discussion Centre for the European Community

Academic Staff

The Foreign and Commonwealth Office invites applications for two posts on the academic staff of the European Discussion Centre at Wiston House, Steyning, Sussex, which arranges discussions on European policy and international relations amongst leading personalities from the member countries of the enlarged Community. Practical experience in politics, economics and international relations or teaching experience in these fields is required. Language requirement for one post : fluent German with good knowledge of French : for the other—fluent French with good knowledge of German. Appointment would in the first instance be for a tour of duty of 2 or 3 years. Existing membership of FSSU can be continued. The full range of duties will be explained in interview. Salary in the range £3478-£4708, according to qualifications. Applications to the Warden, European Discussion Centre at Wiston House, Steyning, Sussex, BN4 3DZ not later than 7 July.

University of Birmingham

CENTRE FOR RUSSIAN AND EAST EUROPEAN STUDIES

Research Associate

Applications are invited from candidates with an accurate reading knowledge of Russian and a good knowledge of Soviet economics. The person appointed will be responsible to the Centre Director for abstracting and collating information from the Soviet press on the organisation and economics of Soviet science and technology, and on Soviet industrialisation.

The appointment, from 1st October 1972, will be for one year in the first instance.

Salary scale : £1320-£1935 plus FSSU.

Further particulars from the Assistant Registrar (RS), University of Birmingham, P.O. Box 363, Birmingham B15 2TT, to whom applications (five copies) including names of three referees, should be sent by 14th July 1972. Please quote reference RM2.

Senior Posts in Government Administration for those with a record of Success

Success will have come in industry, commerce, the public services or a profession. Those who have achieved it will be experienced in administration or management or be able to demonstrate marked ability in those fields. They need not be graduates but the intellectual standard is high and preference may be given to those who have also had experience of direct relevance to the work of Government Departments.

These are the qualifications, along with a a capacity for critical analysis, judgement and an aptitude for hard work and responsibility, needed by Principals in the Home Civil Service. They are involved in the exacting business of advising Ministers on the formulation of government policy, carrying out government programmes and managing and organising the work of their departments. The wide scope of the work provides considerable challenge for those with real talent who like to be kept at full stretch and who can find a great deal of job satisfaction from being at the centre of influence, deeply involved in important issues affecting the entire nation.

These posts are mainly in London but there may be one or two elsewhere, e.g. in Edinburgh and Cardiff.

Starting salary (Inner London) is £3653 (more if qualifications/experience warrant it) rising to £4883. However, as applicants will be judged as much on their future potential as on their present achievements, the successful candidates can expect to be promoted in due course to Assistant Secretary level (up to £6475—under review) or higher still.

Candidates should be at least 28 (or exceptionally 26) and under 52 on 1 August 1972.

There is a non-contributory pension scheme.

For details and application form (to be returned by 4 August 1972) write to Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone BASINGSTOKE 29222 ext. 500 or LONDON 01-839 1696 (24 hour 'Ansafone' service), quoting A/651/2.

APPOINTMENTS

Research Posts in Government

If you are interested in the procurement, analysis and evaluation of information there are vacancies for Assistant Research Officers (normally under 28 years of age) in the following government departments :

Ministry of Defence—about 6 posts (London)

The work, under the Defence Intelligence Staff, concerns the interpretation of economic, topographical, and scientific information about certain foreign countries. It includes studies of economic organisation, finance, trade, civil and defence industries, raw materials, agriculture and labour.

Home Office—2 posts (London and Manchester)

The work involves a broad field of studies including the administration of justice and race relations, the causes and prevention of crime, and the treatment of offenders. Research is multi-disciplinary, and includes both descriptive and empirical studies.

QUALIFICATIONS : Normally a degree with 1st or 2nd class honours, or post-graduate degree, in an appropriate subject. Final year students may apply. Fuller details of acceptable qualifications and experience will be supplied on aplication.

The inner London salary scale is £1530-£2476 (£175 less in Manchester). Starting salary may be above the minimum. Promotion prospects. Non-contributory pension scheme.

Other vacancies may arise in these and other departments.

For full details and an application form (to be returned by 14 July 1972), write to Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone BASINGSTOKE 29222 ext 500 or LONDON 01-839 1696 (24 hour "Ansafone" service). Please quote A(2)/613.

AGRICULTURAL MARKETING RESEARCH

AN FORAS TALUNTAIS

(The Agricultural Institute)

Invites applications for the above post in its Agricultural Marketing Department, Dublin. The appointee will be concerned with studies of the home and export trades and will have opportunities for association with leading research workers in Ireland and abroad. Modern research, including computer facilities, are available. Appointment up to and including Senior Research Officer level (salary scale : £3069 x £104—£3693 x £21—£3714) depending on qualifications and experience. Marriage and children's allowances, non-contributory pension scheme and provisions for widows' and orphans' pensions. Special pension arrangements can be made for an FSSU member or a member of a suitably insured pension scheme.

ESSENTIAL : Honours University Degree or equivalent, in Economics, Commerce, Agricultural Economics or Agricultural Science.

DESIRABLE : Post-graduate training in agricultural marketing.

Application forms and further particulars obtainable from the Director, An Foras Taluntais, 33 Merrion Road, Dublin, 4, Ireland. (Tel 693222.)

Latest date for receipt of completed application forms : 12 July, 1972.

Applications will be treated with the strictest confidence and employers will not be contacted without prior permission.

University of Liverpool

DEPARTMENT OF ECONOMIC HISTORY

Applications are invited for the post of Lecturer in the Department of Economic History. Preference will be given to candidates with an interest in 19th Century Economic History, both British and European.

Initial salary within the range £1641-£3852 per annum according to qualifications and experience.

Applications, together with the names of three referees, should be received not later than 6th July, 1972 by the Registrar, The University, P.O. Box 147, Liverpool L69 3BX, from whom further particulars may be obtained. Quote ref. RV/E/13907.

APPOINTMENT WANTED

MUNICH. Young English lady executive, resident Munich, fluent German, administrative and professional background, requires appointment Autumn '72. Interviews London or Munich. Write : Box MY998 c/o Streets, 1 Crane Court, Fleet Street, London EC4.

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Metropolitan College

(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

PUBLICATIONS

Dreadful Crimes, first in a new series of News in Verse. Six 19th-century broadside ballads of appalling murders and other wretched crimes printed facsimile and in a folder. Introductory notes by Leslie Shepard. Send 50p plus 5p post and packing to THEN, 28 James St., Covent Garden, London WC2E 8PA.

FELLOWSHIP

University of Manchester

Shell Fellowship for Research in Economics

Shell International Petroleum Company Limited invites applications for a two-year Research Fellowship in Economics to be held in the University of Manchester. Starting salary will be in the range £1,400-£2,200 according to age, qualifications and experience, and the employer's contribution to F.S.S.U. will also be paid. The recipient will be expected to pursue research on an agreed topic within the following broad area :

Money and Financial Institutions (including Monetary Theory, Monetary Institutions, Monetary History, International Monetary Relations, Capital Markets and Corporate Finance.)

Preference will be given to applicants whose proposed research is relevant to the British economy.

Application is open to candidates of any nationality who have demonstrated research ability during at least one post-graduate year. Further information and application forms may be obtained from the Registrar, Victoria University of Manchester, Oxford Road, Manchester, M13 9PL, and be returned not later than Monday 10th July, 1972.

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RUMIANCA S.p.A.

Capital Lit. 45,247,895,000

ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS

The ordinary and extraordinary meeting of Rumianca was held in Turin on April 28th 1972 and was attended by seventy-five shareholders representing in person or by proxy 36,270,129 shares (80% of the issued capital).

The Chairman Dr. Renato Gualino, told those present of Rumianca's results attained during the business year ended December 31st 1971 and the plans for expansion in connection with the new plants authorized by CIPE which will become operative in the near future. Dr. Gualino went on "The political and economic events in Italy and abroad during 1971 cannot be actually considered more reassuring than those which marked 1970 even if we have witnessed new relations between West and East, Great Britain's entry into the Common Market and the recovered international monetary equilibrium towards the end of the year.

As far as the Italian chemical industry is concerned, costs have shown a continuous tendency to increase more rapidly than productivity. In the meanwhile sales prices have not risen on the average. This has been also due to the economic stagnation which has compromised sales. For these reasons costs have taken up a larger quota of proceeds cutting down possibilities of depreciation, return on capital and new investments.

Rumianca faces this situation firmly in order to offset the negative results and aims to the rapid realization of the new plants authorized by CIPE which will allow a greater economic possibility of depreciation, return on capital and new investments through a high reduction of the incidence of production costs on overall sales. In the last days of October 1971 our Sardinian associates have been in a position to execute the contracts with IMI, CIS and Icipu in connection with the loan (47,650 million lire) relating to the investing 'excerpts' authorized by CIPE in July 1970 (79,000 million lire in addition to deposits).

We are now swiftly carrying out these investments previously authorized by CIPE and financed in 1969 with the difficult but not impossible aim of completing them within the first six months of 1974.

Our other initiatives, totalling 400,000 million lire, which you previously approved, directed to the diversification of products and divided into three separate programmes: short, medium and long run are still under examination by CIPE, whom we press continuously in order to avoid that the decisions of this interministerial programming body are limited to the year 1975, as it is in its mind. It is in fact necessary that CIPE takes into account the subsequent investments after 1975 as it is essential for technical, financial and trade unions requirements to outline company programmes for a long period of time. It is particularly important to know, as soon as possible, which plants we will have to build up after 1975. Without this knowledge we shall not be able to plan our new research work and we shall risk to make useless our research work currently under way. We present you hereforth a study on the development of our labour cost from 1966 to 1971 in the following tables.

Rumianca and associated companies in Sardinia

Total personnel costs 1st Table
(workers + employees + executives)

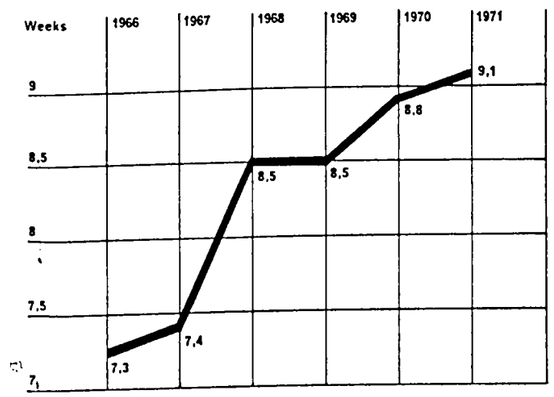
Year	(1) Personnel on 31th December of each financial year	(2) Contractual hours paid per week (per employee)	(3) Weekly Working hours actually carried out (per employee)	(4) Total costs (Lire x 1000)	(5) Consolidated turnover (Lire x 1000)
1966	2.680	44.44	38.27	5.601.000	25.086.000
1967	2.724	43.56	37.40	6.271.000	28.353.000
1968	2.526	43.40	36.38	6.363.000	33.155.000
1969	2.546	42.94	35.92	6.890.000	40.920.000
1970	2.696	41.76	34.69	9.450.000	43.200.000
1971	2.622	40.30	33.29	10.700.000	46.922.000

Index 2nd Table

Year	(6) Ratio personnel costs/ turnover (*)	(7) Turnover index	(8) Personnel cost index/ hour	(9) Sale prices index (*)	(10) Cost of living index
1966	22.3	100	100	100	100
1967	22.1	113	107	99	101,97
1968	19.2	132	118	98	103.27
1969	16.8	163	133	118	106,18
1970	21.9	172	176	115	111,57
1971	22.8	187	201	110	119,30

(*) products for agriculture excluded

Contractual weeks not worked (holidays, rest days during the week, absence from work) 3rd Table



The reading of these three tables leads us to the following considerations:

1) The average number of employees has remained almost unchanged (whereas marketable products have risen from 300,000 metric tons in 1966 to over 450,000 metric tons in 1971).

2) The overall labour cost has more than doubled. It includes pension and health contributions, legal deductions and allocations for the staff liquidation fund (in 1971 respectively 29.72%, 4.84%, 5.91% of the overall cost).

3) Until 1969 the increasing productivity of our Group due to our continuous work of modernization and automation of our plants offset the increasing labour cost. In 1970 and 1971 by contrast labour cost increased more rapidly than productivity (see table 2nd (6), (7), (8)).

4) Sales prices, with the exception of 1969, have been low. Sales have therefore increased particularly as a result of the increased quantity of productions in our plants.

5) Paid weeks without attendance in 1971 have amounted to 9.1 per year (cutting down the number of work days to 214 per year) of these weeks 3.9 refer to holidays and festivities during the weeks and 5.2 to absenteeism.

Absenteeism is a very worrying tendency for its dimensions. Furthermore it causes a remarkable inequality of treatment between those who indulge in absenteeism (in our plant of Cagliari for instance 40% of the personnel) and those who try to reduce their absences at the most (the remaining 60%).

6) As compared with the increase of labour cost per hour, whose index number has risen from 100 in 1966 to 201 in 1971 (and 252 if we refer only to workers in our Cagliari plant) the cost of living has marked a lower increase: in fact its index number has risen from 100 in 1966 to 119.3 in 1971. The difference between the two figures shows an improvement in our personnel's purchasing power and particularly of our workers in the South.

We believe we have done our duty of industrialists in making use of every resource in continuous works of improvement and modernization of the existing plants to increase productivity. We must however assure the capital a fair return. In these last years unfortunately no return has been attained. It is therefore necessary to reduce the incidence of costs on sales and we feel confident we will attain this result by means of the investments currently under way. During 1972 we will proceed with the scheduled programme of concentrating our activities and those of our associates in Sardinia to form a single Sardinian company. All our investments in Sardinia will be made through this new big enterprise under the name of RUMIANCA SUD. Through the economic results of this company we intend to give you the most tangible satisfactions. Rumianca Sud will end its business year on June 30th of each year in order to allow Rumianca to include the economic result in its own balance which closes on December 31st.

1971 ended up with results not very different from those marked in 1970 in spite of the recorded remarkable increase of production costs. Rumianca's turnover was 41,044 million lire compared with 40,272 million lire in 1970 and that of Rumianca with its associates was 50,203 million lire as against 47,254 million lire in 1970 with an increase of 1.92% and 6.24% respectively.

The Group's Profit and Loss account has shown a surplus of 1,715 million lire before depreciation. We propose you to close the 1971 business year with 1,183 million lire as loss (as against 1,358 million lire in 1970) after an overall depreciation of 3,671 million lire of which 1,250 million lire for Rumianca itself and 2,421 million lire for our associates.

In 1971 we continued developing our research work with expenses of over 650 million lire. Within the limits of provisions decided by the Government in this field, CIPE has approved and financed the second programme of Rumianca aiming to the research of active principles for Agriculture which will imply expenses of about two billion lire over four years. In the meantime in connection with the first programme authorized by CIPE last year, a pilot-plant has become operative. The decentralized agronomical research laboratories will become operative very soon in Piedmont, Tuscany, Sardinia and Calabria to give Rumianca the possibility of testing, in different environment conditions, the various active principle under study."

Then the Chairman proposed, during the extraordinary meeting, the approval of a Bond issue and the modification of some articles of partnership.

Once the discussion had been opened Dr. Franco Micucci Cecchi asked for further explanations particularly on the future developments of the company.

Dr. Gualino after summarizing Rumianca's programme for the '70s which involves investments for over 600 billion lire, replied to all speakers at some length, then the Report, the Balance Sheet, the Profit and Loss account for 1971, the proposal of balancing losses of the year of 1,182,803,139 lire using the ordinary reserve and the modification of articles of partnership nr. 3, 4, 14, 17, 19, 20 were put to the vote and approved unanimously.

Then the meeting unanimously fixed at 9 the number of directors for 1972 and gave the Board of directors the mandate to manage the Bond issue for an overall amount of 15 billion lire. Regulations and conditions relating to this bond issue will be made known in due time.

A BETTER YEAR FOR THE BRITISH TRANSPORT DOCKS BOARD

Salient points from the Annual Report and Accounts for 1971

Receipts were up by £6½m. in spite of a fall in coal shipments, reduced imports of iron ore and lower petroleum traffics.

The financial outturn, a profit before interest of £7.6m., achieved the objective for the year, a return of 5.6% on assets, compared with 3.5% in 1970. The longer term objective is to raise this to 9% by 1975. The Board make provision for depreciation on a replacement cost basis.

Encouraging features of the year were an increase of one million tons in exports of manufactured goods further growth in unit load traffic and the introduction of several new services.

At the ports serious losses continued to be incurred at Hull where interruptions of services contributed to loss of trade and at Garston which suffered from diminished coal traffic and industrial disputes. The largest profits were earned at Southampton (£0.5m. against a deficit of £0.9m. the previous year) and at Newport (£0.7m.) where there was a remarkable recovery from the four months' enforced closure for lock reconstruction in 1970. At Port Talbot, terminal losses on closure of the old docks offset improvements resulting from the first full year's operation of the new tidal harbour.

Capital expenditure totalling £11¼m. included expenditure on additional capacity at the Southampton Western Docks container terminal and the first container crane at Hull. Other projects approved during the year included additional roll-on/roll-off terminals at Hull which will bring to 15 the total of these terminals at the Board's ports.

The Chairman, *Sir Humphrey Browne, commenting on the result for the year said that the overall improvement had been encouraging. The Board were concentrating on increasing efficiency. However, future prospects depended mainly on reliability of service. If there could be freedom from interruptions of working at the ports, the outlook for the future would be promising.*

The British Transport Docks Board Annual Report and Accounts 1971 is published by Her Majesty's Stationery Office at £1.10

Summary of Accounts

	1971 £ million	1970 £ million
Gross Revenue	40.3	33.6
Operating Profit before Depreciation	11.3	7.9
Profit before Interest	7.6	4.6
Interest on Capital	6.0	5.5
Retained		
Reserve for Additional Replacement Cost Depreciation	1.2	0.8
General Reserve	0.4	(–1.7)
	1.6	(–0.9)
Capital Employed	135.0	127.2
Return on Capital	5.6%	3.5%

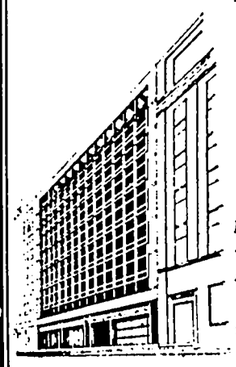
British Transport Docks Board

A nationwide ports service, publicly owned, and comprising: **Humber:** Hull, Grimsby, Immingham, Goole. **East Anglia:** King's Lynn, Lowestoft. **South Coast:** Southampton, Plymouth. **South Wales:** Newport, Cardiff, Barry, Port Talbot, Swansea. **North West Coast:** Garston, Fleetwood, Barrow, Silloth. **Scotland:** Ayr, Troon. **Headquarters:** Melbury House, Melbury Terrace, London NW1 6JY. Tel: 01-486 6621.

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MOULINEX

The Annual General Meeting held on the 27th May 1972 under the Chairmanship of of Mr. MANTELET, Chairman and General Manager, approved the recommendations submitted by the Board.

The dividend, fixed at 18 Francs plus tax credit of 9 Francs compared with 15 and 7,50 Francs respectively during the previous year, will be paid on the 12th June 1972 (coupon No 16).

The Extraordinary General Meeting, which followed on the ordinary meeting, authorised the Board to proceed with the increase of share capital to be allocated to the "Staff Participation Reserve Mutual Investment Fund."

This capital increase is distinct from the capitalisation issue of so many bonus shares for 1 bonus share per 5 old shares held (ranking for dividend on 1st January 1972).

ITALSIDER S.p.A.

Financial Year 1971 Report of the Annual General Meeting of Shareholders April 27, 1972

Finsider Group

The Annual General Meeting of ITALSIDER S.p.A. was held in Genoa on April 27, 1972, at the Head Office in Via Corsica 4 under the chairmanship of Cav. del Lav. Dott. Ing. Mario Marchesi.

Shareholders present represented in person or by proxy 221,081,279 shares, or 84% of the Company's capital.

The Report of the Board of Directors read by the Vice-President and a Director appointed by the Company Dott. Enrico Redaelli Spreafico, stressed that, besides the market crisis and the increase in costs of raw materials and labour, which have affected all steel firms, other causes have made the 1971 financial year for ITALSIDER more difficult. In fact, production was hindered and harmed by the strikes, particularly by the workers of the said contracting firms. Furthermore, the consequences from the strikes of preceding years affected the efficiency of the plants, especially certain blast-furnaces, in a way which led to an unforeseen stoppage with set-backs in the programme for the whole cycle. The Financial year developed in difficult conditions with the necessity of maintaining the activities of the existing plants and at the same time constructing, starting and introducing into the cycle, those new ones, which consitute per se a technical undertaking and a very considerable construction effort.

ITALSIDER's balance sheet for 1971 closed with a loss of Lit. 28,700 million after depreciation of Lit. 58,500 million as in the preceding year, in spite of the disincorporation of the Piombino firm transferred to the new company Acciaierie di Piombino (the Piombino Steelworks) to whose capital Fiat and Italsider participate jointly.

In 1971 ITALSIDER produced 7,951,000 tons of steel, one million tons more steel than planned. As regards commercial activities, the Company has led an intense campaign to meet with foreign competition on the national market and to increase exports.

The trade unions were very active in carrying out the new grouping of staff.

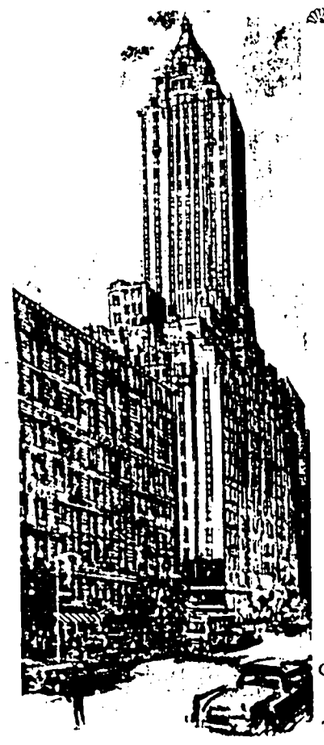
Within the IRI-Finsider plans set out in provision of the increase which will occur on a medium- and long-term basis for the consumption of steel products, ITALSIDER is carrying out an imposing programme for plants, of which the centre at Taranto—which should have a production of approximately 10.5 million tons of steel per year—represents the essential nucleus.

The imposing plant developments being carried out and planned and the organisation for the improvement of the Company's efficiency—the Report of the Board of Directors stresses—will certainly speed up a better future for the Company.

After the reading of the Report many questions were asked by the shareholders to which the Chairman Ing. Marchesi replied.

The Meeting then approved the Report presented by the Board of Directors and by the trade unions, the Balance Sheet and the Profit and Loss Account at December 31, 1971.

The Meeting then re-appointed to the Board of Directors Dott. Luigi Pittaluga who was also re-elected as Director delegate of the Board which met immediately after the Meeting.



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FIDUCIAIRE CFA TREUHAND

(after reading the CFA Report)

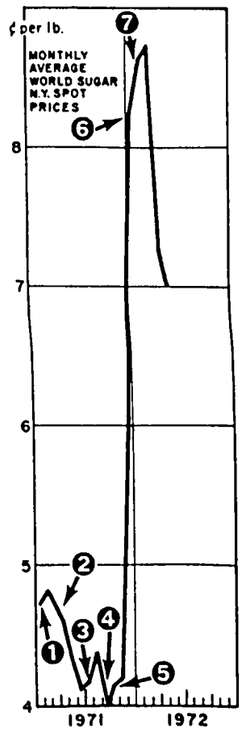
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(IN BLOCK LETTERS)



SUGAR

Recommendations of:

1. **Jan. 1971** — Sell on near term advance. Weakness will follow.
2. **March-April 1971** — Broad downward trend. Buying opportunity around mid-year.
3. **July 1971** — Expect selling on approach to 4.5¢.
4. **Aug.-Sept. 1971** — Only moderate further weakness. Add to purchases on weakness. Long term trend up. Maintain long positions.
5. **Oct.-Nov. 1971** — Long term trend up. Maintain long position.
6. **Jan. 1972** — New highs expected first quarter 1972 followed by downward trend in second quarter. (this advice was first given in Aug. 1971.)
7. **Feb. 1972** — Significant price depression in March.

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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds	Price, June 14 1972	Price, June 21 1972	Net red. yield, June 21 1972§ £p	Gross red. yield, June 21 1972 £p
98¾	98	British Electric 3%	1968–73	98⅝	98½	3·370	5·620 /
85½	75¾	British Electric 3½%	1976–79	78¾	75¼	6·285	7·965 /
109	96	Treasury 8¼%	1980–82	99¼	96⅝	5·600	9 090 /
108⅝	94¼	Treasury 8½%	1984–86	97¼	94¼	5·675	9·910 /
96⅜	81½	Funding 6¼%	1985–87	84⅜	81½	5·835	8 880 /
66⅜	54¼	British Transport 3%	1978–88	56⅜	54¼	6·405	8·160 /
86⅜	71¾	Funding 6%	1993	74½	71⅞	6·065	9·230
111¼	94¾	Treasury 9%	1994	97⅜	94¾	5·865	9·670
58	46¾	British Gas 3%	1990–95	48⅜	46¾	6·215	8·260 /
89¾	75	Treasury 6¾%	1995–98	77½	75	6·010	9·450 /
73⅜	61	Treasury 5½%	2008–12	63¼	61	5·910	9·410 /
43¼	36⅛	War Loan 3½%	after 1952	37	36⅛	5·835	9·745 /
30½	26¼	Consols 2½%		26⅞	26¼	5·705	9·495 /

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Anglo-American 7½%	1987	94½–5¼	93½–4½	7·99
Amoco (£) 8%	1987	95–6	94½–5½	8·37
General American Trans. 8¼%	1987	99–100	98–9	8·20
General Cable 8¼%	1987	99¾–100⅝	99–100	8·09
International Utilities 8¼%	1982	98½–9½	98–9	8·23
Kleinwort Benson 8¼%	1987	100–1	99¾–100½	8·03
Motorola 8%	1987	100–1	99–100	7·85
N. American Rockwell 8¼%	1987	98⅜–9⅜	98¼–9¼	8·17
Pennwalt 8%	1987	98¼–9¼	97½–8½	8·02
Queensland Alumina 8¼%	1987	97⅜–8⅜	97–8	8·32
Welcome 8¼%	1987	99–100	99–100	8·10
Williams and Glyns 8¼%	1987	99⅜–100⅜	99¼–100¼	8·06
Inter-American Devel. Bank (DM) 6¾%	1987	99–100	99–100	6·75
Malaysia (DM) 7%	1987	96½–7½	96½–7½	7·28
Slater Walker (£/DM) 7¼%	1987	98½–9½	98⅜–9¾	7·28

Prices, 1972 High	Low	Ordinary stocks	Price, June 21, 1972	Change on week	Yield June 21
		Banks, other financial			
359½	268	Algemene Bank	Fl 359	...	4·7
78	57·8	Amsterdam-Rot	Fl 76·3	+0·8	4·5
367	257	Aust & NZ Bank	345p	+25	2·9
45	37¾	Bank of America	$44⅛	−1⅛	2·5
500	370	B of Ireland	430p	−25	3·6
1131¼	886	B of Montreal	993p	−1	3·2
116¾	84	B Nac de Mexico	P 87	+2½	8·6
465	298	B of NS Wales	465p	+7	2·0
740	525	B of Scotland	660p	+15	3·0
2680	2310	B Bruxelles	Fr B 2600	−50	4·6
289·1	221	B de Paris Pays Bas	Fr 261	−4	5·2
64⅜	54⅛	Bankers Trust	$54⅞	−2⅜	5·2
480	298	Barclays	448p	+13	2·1
15⅛	11¹⁵⁄₁₆	Can Imp Com	£12¼	...	2·2
121½	78	Charterhouse Group	97½p	−2½	4·2
60⅜	52	Chase Manhattan	$56⅛	+⅛	3·5
59⅛	50¼	Chemical Bank NY	$50⅛	−1	5·7
247	229	Commerzbank	DM 233	+3·2	3·6
182	148½	Credit Commercial	Fr 172	−5	4·8
450	370	Credit Foncier	Fr 437	+3	5·1
4440	3695	Credit Suisse	Fr S 4435	+55	1·8
350	313½	Deutsche Bank	DM 334½	−2	2·6
289	262	Dresdner Bank	DM 265	+0·2	3·4
60⅜	43⅜	First Nat City	$60⅜	+2¼	2·2
605	355	Fuji	Y 605	+49	1·0
490	335	Hambros	430p*	+10	2·0
208	142	Hill, Samuel	175p	+12	2·5
1¾	1¼	IOS Mgnt	$1⅛	...	...
19⅝	13⅜	Hongkong & Sh	£18⅛	+⅜	1·9
202	130	Kleinwort Benson	164p	−4	2·3
7100	5830	Kredietbank	Fr B 6830	−260	2·7
395	330	Kundenkredit	DM 365	−5	2·8
2370	1840	Lambert L'Ind	Fr B 2250	−85	3·6
457	320	LBI	385p	+20	2·6
850	601	Lloyds	755p	...	2·1
36⅛	30	Manuf's Hanover T'st	$32	−1⅛	4·9
82300	62670	Mediobanca	L 81000	+2090	1·4
293	207	Mercantile Credit	207p	−17	3·6
256	176	Mercury Secs	208p	+2	1·4
520⅛	348	Midland	458p	...	2·5
393	202	Mitsui	Y 390	+45	1·3
327	205	Montagu Trust	270p	...	1·3
93¾	71⅛	Morgan J P	$93⅞	+2½	3·0
146	89	Nat & Grindlays	120p	−11	3·4
4·30	2·80	Nat Australasia	$A4·19	...	2·1
250	176	Nat Com Grp	214p	−6	2·4
462	300½	Nat West	426p	−1	2·1
144	120	Norsk Creditbk	%128	+2	7·0
17	13⅛	Royal Canada	£15⅝	−⅛	2·4
915	608	Schroders	760p	...	1·4
412	324	Slater Walker Secs	347p	−13	3·2
3135	2910	Soc Gen de Banque	Fr B2970	−35	4·9
2800	2640	Soc Gen de Belgique	Fr B2655	−30	5·3
487	328	Standard & Chart	485p*	+10	2·9
384	280	Suez	Fr 348·4	−12·6	5·4
630	362	Sumitomo	Y 630	+65	1·0
4440	3710	Swiss Bank Corp	Fr S 4175	+45	1·9
4805	3885	Union Bank Switz	Fr S 4850	+45	2·1
637	455	Union Discount	455p	−55	5·3
297	214	United Dom Tst	214p	−24	2·9
		Insurance			
69½	58	Aetna Life & Cas	$59⅛	−2	2·7
526	388	Allianz Versich	DM 515	+18	1·2
260	223	Comm Union	238p	+2	3·5
618	496	Eagle Star	538p	−8	2·8
234	164	Gen Accident	213p	+3	3·1
57250	48350	Generali	L 56000	+1500	0·8
312	248	Gdn Royal Exch	270p	+17	3·3
210	163	Legal & General	181p	+1	2·9
90	65·8	Nat Nedrlandn	Fl 74½	+0·2	2·7
400	308	Pearl	396p	+8	2·8
310	250	Phoenix	264p	+14	3·6
224	171	Prudential	187p	−9	3·1
452	394	Royal	412p	+10	3·6
640	502	Sun Alliance	590p	+20	3·1
362	285	Taisho Mar & F	Y 327	+4	1·7
569	476	Tokio Marine	Y 540	+5	1·0
6775	4775	Zurich Ins	Fr S 6775	+50	2·7

Prices, 1972 High	Low	Ordinary stocks	Price, June 21, 1972	Change on week	Yield June 21
		Breweries, etc.			
118	89	Allied Breweries	110½p	+3	3·1
69	55	Anheuser-Busch	$64½	+⅛	0·9
194	148	Bass, Charrington	176p	+7	2·9
163½	132·8	Bols NV	Fl 163½	+8·8	2·2
167	106	Courage	153p	+4	2·8
202	153	Distillers	195p	+9	3·3
41⅜	33⅜	Distill Seagrams	$41	⅛	1·7
470	420	Dortmund Union	DM 435	−5	2·3
244	184	Guinness	226p	...	3·2
343½	238½	Heineken	Fl 309*	−24½	1·1
314	234	Kirin Brewery	Y 314	+28	2·4
18⅛	15⅜	Nat Distillers	$16⅛	−⅛	5·4
114	88½	Scottish & Newc	103p	+3	2·7
97	70	Sth African Br	83p	−5	4·0
272½	163	Watney, Mann	256p*	+5	3·5
114½	84½	Whitbread 'A'	103p	+3½	3·0
		Building, building materials			
346½	279	Assoc Portland	299p	−2	3·1
246	178	BPB Industries	205p	−3	3·2
20⅝	12⅝	Boise Cascade	$12⅝	−⅝	2·0
364	252	Bovis Ltd	320p	+1	1·9
265	195	Ciments Lafarge	Fr 261	+1·2	5·4
2760	2100	Cimenteries Briq	Fr B 2460	−30	5·3
420	233	Costain	420p	+10	2·7
143	105	Eng China Clays	118½p	+3	2·2
24620	19050	Italcementi	L 23980	+980	2·0
230	179	Laing 'A'	213p	+9	1·4
121½	76½	London Brick	98p	−3½	3·4
232	158	Marley	191p*	−6	3·9
375	303	Pilkington Bros	338p	+31	3·1
170	124	Redland	144p	−3	2·1
182	138	Rugby Portland	143p	1	2·6
174	144	Steetley	145p	−4	3·6
310	250	Tarmac	271p	−8	3·3
360	298	Taylor Woodrow	301p	−7	1·9
275	212	Wimpey	257p	+5	1·0
		Catering, hotels, entertainment			
173	43	ATV 'A'	160p	−5	4·4
57½	45½	CBS	$54	+1⅜	2·6
280	202½	Granada 'A'	270p	+22	2·3
275	200	Grand Metropolitan	240p	−12	1·5
55⅜	43⅜	Holiday Inns	$53⅜	−⅜	0·5
714	600	Lyons 'A'	655p	+8	2·1
243	167	Trust Houses-Forte	228p	+5	4·4
		Chemicals			
77·1	62·8	AKZO	Fl 71·9	+0·3	5·0
815	575	ANIC	L 600	+14½	...
40¼	33⅛	Amer Cyanamid	$36⅜	+1⅜	3·4
183·3	137	BASF	DM 169·8	−0·4	4·4
152	129·2	Bayer	DM 139	−7½	4·7
2990	2580	CIBA-GEIGY	Fr S 2750	−40	0·8
93⅛	78	Dow	$93⅛	+1	1·9
175½	144¼	Dupont	$168⅛	−2¼	3·0
410	327	Fisons	382p	−2	3·0
30¾	25⅞	W R Grace	$25⅞	...	5·9
176·9	146	Hoechst	DM 153	−1	4·9
305	238	ICI	263p	−6	5·3
101	83	Laporte	85p	−1	2·4
56⅛	46	Monsanto	$52⅞	...	3·4
751	480¼	Montecatini-Edison	L528	+47½	...
1030	875	Norsk Hydro	Kr 1000	+25	1·1
199	156	Rhone Poulenc	Fr 176	−1	6·8
2780	2370	Solvay 'A'	Fr B 2780	+80	5·6
195	136	St Gobain	Fr 195	+½	4·8
230	198	Takeda Chemical	Y 211	+2	4·0
50⅜	41⅞	Union Carbide	$49⅛	−⅜	4·1
		Coal & steel			
4645	3875	Arbed	Fr B 4440	−20	5·6
34⅛	28⅛	Bethlehem	$30⅛	+⅛	4·0
14·05	11·65	Broken Hill Pty	$A 14·05	+0·10	...
179·1	136·6	Denain Longwy	Fr 170	−8	7·9
321	260½	Finsider	L 285	+24	13·2
148	134	Fried Krupp	DM 145	−1½	6·9
168	148	Granges A B	Kr 148	...	8·0

Prices, 1972 High	Low	Ordinary stocks	Price, June 21, 1972	Change on week	Yield June 21
74·9	58·7	Hoesch	DM 62	−2	4·8
79·7	60·9	Hoogoven	Fl 77·2	−1·1	5·2
220·3	145½	Mannesmann	DM 205	−3·8	4·9
60	52	Nippon Steel	Y 57	−1	8·8
104·8	65·2	Rheinstahl	DM 88·7	+0·7	...
85·8	68	Thyssen-Huette	DM 73·1	+0·4	4·8
34⅛	29⅞	US Steel	$30⅛	+⅞	5·2
117·1	85·9	Usinor	Fr 109	−2·3	8·3
52·2	40	Wendel-Sidelor	Fr 45½	−0·7	10·7
		Electrical, electronics			
185½	132½	AEG Telefunken	DM 175½	−2·6	2·9
295	236	ASEA	Kr 239	−6	4·2
218	169	BICC	188p	−11	4·1
558	402	CGE	Fr 523	−23	4·4
193	162	Chloride Electric	174p*	−9	3·6
75⅝	56⅝	Comsat	$61⅞	−7½	0·8
403	260	Decca	340p	−7	2·7
232	189	EMI	171p	−10	3·7
270	181	Electrolux 'B'	Kr 260	...	3·8
295	257	LM Ericcson 'B'	Kr 265	−7	2·1
70⅛	46⅜	General Electric	$68	+1⅞	2·1
195	164	GEC	172p	−7	2·2
33	27⅛	Gen Tel & Elec	$28½	+⅞	5·3
145	106	Hitachi	Y 136	−2	4·4
129	104	Rediffusion	112p	−3	3·7
122	73	Reyrolle Parsons	90p	+4	1·1
284½	204·3	Siemens	DM 269½	−6½	2·6
5420	3240	Sony	Y 5370	+60	0·3
43⅛	29⅜	Sperry Rand	$43⅛	+4⅜	1·6
169¾	117¼	Texas Instruments	$168¾	−¼	0·5
166½	95	Thomson-Houston	Fr 158·4	+2·4	4·4
552	458	Thorn Electrical	500p	−13	1·2
85	68	Toshiba	Y 85	+4	5·9
68⅛	41⅞	Western Union	$61⅞	−4⅛	2·3
54	43	Westinghouse	$50⅜	+1¼	1·8
		Engineering, shipbuilding			
237	182	Acrow 'A'	184p	−4	2·6
245	214	Atlas Copco	Kr 228	−3	2·2
45	30½	BSA	32p	−1	...
94⅜	67½	Babcock & Wilcox	77p	−7	3·1
187	146	John Brown	147p	−9	7·8
1460	1150	Brown Boveri 'A'	Fr S 1380	−30	3·6
100½	72	Cohen 600	72p*	−4	5·2
71	49½	Davy Ashmore	58p	−1	2·2
236½	167	Demag	DM 227	−1	3·5
60	36	B Elliott	50p	...	1·2
166½	109	Firth Cleveland	145p	+23	4·9
425	349	GKN	355p	−22	3·6
186	148½	Gutehoffnungs	DM 165	−5½	4·2
72	21½	Harland & Wolff	46p	−2	...
82	63	Head Wrightson	65p	−4	4·6
71	40	Alfred Herbert	55p	...	...
95	76	IHI	Y 95	+6	6·3
25½	17½	Incer Combstn	18½p	+1	...
152	114	Incer Comp Air	122p	+5	2·9
99½	42½	Laird Group	86p	−1½	2·9
214	169	MAN	DM 188	−7	4·8
111	76½	Mather & Platt	96p	−3	3·2
415	351	Metal Box	351p*	−12	3·6
93	75	Mitsubishi Heavy	Y 93	+2	6·5
156	107	Morgan Crucible	125p	+2	4·2
425	369	SKF 'B'	Kr 380	−5	3·2
77	59	Serck	61p	−2	3·3
136	108	Simon Engng	113p	+2	6·6
93	71½	Stone-Platt	72½p	+1	4·5
169	49	Swan Hunter	133p	+1	7·5
3700	3200	Sulzer	Fr S 3525	+50	3·9

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‡ Ex capitalisation. ¶ Ex rights. † Ex all. (f) Flat yield. (l) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1972 High	Low	Ordinary stocks	Price, June 21, 1972	Change on week	Yield June 21
		Food, pharmaceuticals			
	69½	Assoc British Foods	74p	...	2·4
88½	68	Assoc Fisheries	71½p	+1½	5·1
83	94	Avon Products	$117½	+1⅛	1·1
126	281	Beecham Group	318p	+14	2·0
340	139·1	Beghin	Fr 206·8	+6·2	5·1
213·7	73	Brooke Bond 'B'	89½p	...	3·0
108	87½	Cadbury Schweppes	110p	-1	3·6
132	187	Cavenham	278p	-9	1·3
333	57½	Colgate-Palmolive	$73⅞	-1⅛	2·0
75½	4·80	Col Sugar Ref	$A5·86	+0·08	...
5·86	115½	Fitch Lovell	135p	-3	2·2
262	243	General Foods	$26⅛	+2½	5·2
36½	38⅛	General Mills	$49	-½	2·0
51⅞	437	Glaxo	474p	-2	2·1
528	40⅜	Heinz	$43⅞	-⅛	2·3
47½	176500	Hoffman La Roche	Fr S 219000	+10000	0·5
220000	413⅜	Kraftco	$42⅛	+⅛	4·0
47⅜	1605	L'Oreal	Fr 2200	25	1·1
2285	2595	Motta	L 2600	-75	...
3095	3000	Nestlé	Fr S 3860	+60	1·9
4150	36⅜	Pfizer	$42½	+⅛	1·4
47⅞	76⅛	Procter Gamble	$96	⅛	1·6
100	155	Ranks-Hovis	182p	7	4·4
251	270	Reckitt & Colman	331p	5	2·9
373	3700	Sandoz	Fr S 3780	+30	1·7
3950	60½	Spillers	73p	-3½	4·3
91	30¼	Swift	$32⅜	-⅛	2·2
38¼	179	Tate & Lyle	172½p	-6½	5·8
209	138¼	Unigate	164½p	-3½	2·5
185	318	Unilever	361p	-2	3·1
406	79·4	Unilever NV	Fl 139·2	+1·2	4·5
143·6	81	United Biscuits	110p	1	2·4
124					
		Motors, aerospace			
56	37¾	BLMC	40½p	+⅛	5·0
26½	19	Boeing	$21¼	-¼	1·9
58⅛	46¾	Caterpillar Tract	$58	+⅝	2·4
36	28	Chrysler	$32⅛	+1⅛	1·9
104	79·1	Citroen	Fr 96½	-2	...
456	323	Daimler-Benz	DM 449½	+7½	1·9
199	137	Dunlop	138p	-15	5·9
2440	2068	Fiat	L 2280	+50	5·2
27	21⅞	Firestone Tire	$21⅞	-1	3·7
76⅛	65	Ford	$65	-⅝	4·0
32	22⅛	General Dynamics	$28	⅛	...
84⅛	74¾	General Motors	$76⅝	⅞	4·5
33¼	28	Goodyear	$28⅛	-⅛	3·0
402	317	Hawker Siddeley	330p	-24	4·5
379	254	Honda	Y 355	+15	2·5
225	155	Komatsu	Y 220	+2	3·9
15⅜	10	Lockheed	$10⅛	-1⅛	...
438½	371	Lucas	371p	9	2·7
15⅞	11⅜	Massey Ferguson	$C 14½	-⅛	...
45⅞	34¼	McDonnell Douglas	$36½	-3½	1·1
1568	1229	Michelin 'B'	Fr 1491	-5	1·3
500	246	Nissan Motor	Y 440	-8	1·8
36⅜	30¾	N Am Rockwell	$32⅜	+⅜	4·3
412	242	Peugeot	Fr 351	+3½	2·7
1870	1540	Pirelli-Spa	L 1665	+61	2·2
231	200	Smiths Indust	176p	-4	3·6
235	186	Steyr-Daimler-Puch	206228	-5	4·4
650	405	Toyota Motor	Y 590	9	1·4
42¼	28½	United Aircraft	$37⅜	-½	4·8
163·8	133½	Volkswagen	DM 141½	+7	3·1
273	226	Volvo	Kr 228	+1	1·7
73½	57	Westland	62p	-3	4·8
120	92	Wilmot-Breeden	109p	2½	3·2
		Office equipment, photographic			
243	180	Canon	Y 216	+1	3·5
129⅛	93¼	Eastman Kodak	$129¾	+3½	1·0
427	358	Fuji Photo	Y390	+4	1·9
1750	1580	Gevaert Agfa	Fr B 1600	-30	3·7
183	150	Gesstetner 'A'	153p	-4	2·0
382	349	Nippon Optical	Y 358	+3	2·1
2065	1439	Olivetti	L 1883	+110	3·7
263	228	Ozalid	265p	+2	2·5
147½	86⅝	Polaroid	$130⅛	-1⅛	0·2
£111⅛	825	Rank 'A'	995p	+45	1·4
153⅛	120½	Xerox	$152	1⅛	0·5
		Paper, publishing			
127½	99	Borregaard	Kr127½	+6½	...
197	151	Bowater Paper	173p	+5	2·9
124	110	Bunzl Pulp	104p	...	4·3
34½	27¼	Crown Zellerbach	$30	+¾	4·0
179	149	DRG	160p	-1	4·5
28	23½	MacMillan Bloedel	$C 24¾	-⅛	...
20⅞	15⅛	McGraw Hill	$17⅛	-1⅛	3·5
315	207	News International	287p	-11	3·3
244	174	Pearson Longman	212p	-2	2·6
332	274	Reed Int	318p	+7	3·9
157	78	Thomson Org	142p	+1	4·9
		Property			
135	96	Capital & Counties	110½p	+½	2·4
615	530	Hammersons 'A'	550p	+10	1·1
230	181	Land Securities	200p	+5	2·2
147	107½	LMS	126p	+1	1·8
274	225	MEPC	235p*	-2	2·2
234	180	St Martins	200p	+15	1·4
348¾	293	SG Immobiliare	L352½	+7½	2·9
398	259	Star (Gt Britain)	309p	-2	2·9
845	665	Stock Conversion	675p	+10	0·9
220	150½	Trafalgar House	192p	+14	2·1

Prices, 1972 High	Low	Ordinary stocks	Price, June 21 1972	Change on week	Yield June 21
		Transportation			
49½	39⅛	American Airlines	$40⅛	+⅛	...
298	229	Brit & Comm	263p*	-19	3·2
16⅜	14⅛	Canadian Pacific	$C16⅜	-⅛	...
382	315	Furness Withy	334p	+19	4·5
23¼	18	Greyhound	$18½	⅝	5·4
2200	1580	Japan Air Lines	Y 2000	+10	2·0
131½	110	KLM	Fl 110·6	-6·9	...
79	63·7	Lufthansa	DM 74½	-⅛	3·3
173	136	Ocean Steam Ship	151p	+4	5·0
17⅝	13⅛	Pan American	$16⅝	+1	...
276	186	P & O Defd	242p	-5	4·5
740	575	Swissair (Bearer)	Fr S 720	+4	4·2
58¾	39⅜	TWA	$53½	+3¼	...
54	39⅜	UAL	$43⅛	+⅛	
		Stores			
293	216	Boots	261p	-1	2·1
350	260	Brit Home	332p	+9	2·6
305	225	Burton Group	245p	-5	2·5
350	234	Debenhams	308p	-6	3·7
187	119·8	Galeries Lafayette	Fr 177	+3	...
390	341	Galerias Preedos	9353	+3	3·2
343	255	Grattan Ware	312p	+10	2·4
22	16	Great Atlantic	$16⅞	-1⅜	7·9
340	259	GUS 'A'	311p	+2	2·3
308	223	House of Fraser	287p*	-11	3·0
2100	1460	Innovation	Fr B 1890	+20	4·7
123	82·3	KBB	Fl 120·1	+2·6	3·0
459	330	Karstadt	DM 452	+1	2·2
342	243	Kaufhof	DM 329	1	3·0
622	484	La Redoute	Fr 579	-1	2·3
277½	227	La Rinascente	L 267½	+12½	1·8
31⅜	25¼	Marcor	$25¼	-1	3·2
308	272	Marks & Spencer	275p	-9	2·8
500	410	Mitsukoshi	Y 490	+3	1·8
2·75	1·70	Myer Emporium	$A2·75	+0·15	...
146	107	Neckermann	DM 137	+6	2·2
172	114	Nouvelles Gals	Fr 162½	2·4	...
80½	67⅛	JC Penney	$78¾	...	1·3
191·8	130·7	Printemps	Fr 189·1	+6·9	...
398	281	Provid Clothing	345p	-20	2·4
242	162	Sears 'A'	205p	-8	3·0
117⅜	97⅜	Sears Roebuck	$115⅝	+¼	1·3
553	428½	WH Smith 'A'	522p	+7	1·9
87	73	Tesco Stores	78½p*	-1	2·1
177	138½	United Drapery	158½p	-2½	3·6
47¼	34½	Woolworth	$36⅜	+2¼	3·3
		Textiles			
40	30⅜	Burlington	$34⅞	+⅜	4·0
186	132	Carpets International	159p	-2	4·2
80	68	Coats Patons	70p	-2½	5·0
164	129½	Courtaulds	153p	-3	4·5
116½	80	Dollfus-Mieg	Fr 109	-5	4·8
63½	48½	English Calico	53½p	-3	4·7
1813	1150	Snia Viscosa	L 1170	-20	...
31¼	23	Stevens, JP	$27¼	+1⅝	5·5
96	71	Teijin	Y 94	-2	6·4
136	95	Toray Ind	Y 136	+3	6·3
71	43	Woolcombers	60p	...	...
		Tobacco			
348	286	Brit Amer Tobacco	326p	+2	3·8
219	172	Gallaher	192p	-2	5·5
123	94½	Imperial Tobacco	108p	-1½	4·9
76⅛	58¼	RJ Reynolds	$74¼	+2	3·2
		Utilities			
47⅞	41⅜	AT & T	$42¼	+⅜	6·2
940	790	Chubu	Y 940	+40	5·3
901	780	Chugoku	Y 901	+7	5·5
27⅜	24⅛	Cons Edison	$24⅞	+⅛	7·2
2875	2600	EBES	Fr B 2710	-15	5·8
2415	1995	Intercom	Fr B 2315	...	5·4
900	780	Kansai Electric	Y 900	+14	5·6
191	167	RWE	DM 167½	+1·4	4·8
905	795	Tokyo Electric	Y 905	+6	5·5
106	89	Tokyo Gas	Y 106	+2	5·7
		Investment trusts			
279	227	Alliance Trust	229p	+2	2·6
60½	49	Atlas Electric	54p	+1	2·5
180	137	BET Deferred	151p	-1	3·6
98½	83	British Assets	88½p	+4	1·7
180	151	Cable Trust	155p	...	2·7
192	157	Foreign & Col	165p	-1	1·8
189	153	Globe Investment	154p	+1	2·7
167	133	Industrial & Gen	140p	...	3·2
71	58¼	Mercantile Inv	60p	-⅛	3·5
263	225½	Robeco	Fl 259·7	+1·7	4·5
202·3	167	Rolinco	Fl 199·9	+1·4	1·5
122	100½	Witan Investment	110p	...	1·8
		Multi-product, miscellaneous			
413	337	Air Liquide	Fr 390	+6·8	3·7
1475	1009	BSN	Fr 1400	-18	2·2
203	142	Bookers	182p	+9	3·6
230	171	British Match	204p	-6	4·7
75½	62½	British Oxygen	67p	+3½	4·5
132	111	British Ropes	116p	+3	3·9
77	52½	Cope Allman	52½p	-2½	5·4
230	161½	Dalgety	229p	+16	3·6
244	188	De La Rue	228p*	...	5·0
30	21¼	Engelhard Minerals	$27⅜	-⅞	1·4
44¼	28	Gulf & Western	$39¾	-⅜	1·5
100⅜	67¼	Halliburton	$97½	+2¼	1·1
482	388	Hays Wharf	439p*	+4	1·7
1062½	805	Hudson's Bay	870p	+10	2·5
64½	52⅜	IT & T	$55¼	-1⅛	2·1
548	404	Inchcape	543p	-2	2·4
423	345	C Itoh	Y 423	+20	1·4
14⅞	9¾	Ling-Temco-Vought	$13⅞	+⅝	...
26⅛	16⅛	Litton Industries	$16⅛	-⅝	...
78⅜	64⅜	Minnesota Mining	$78⅜	+2⅜	1·2

Prices, 1972 High	Low	Ordinary stocks	Price, June 21 1972	Change on week	Yield June 21
266	202	Mitsubishi Shoji	Y 256	+6	2·7
305	219	Mitsui	Y 297	+4	2·4
285	240	S Pearson & Son	257p	-3	2·4
38½	30	TRW	$33¼	+⅝	3·2
27	23⅛	Tenneco	$23⅞	-⅝	5·6
36⅜	30¼	Textron	$34⅛	+⅛	2·6
151½	114	Thomas Tilling	123p	-10	2·9
245	204	Turner & Newall	205p*	-6	5·2
		Oil			
614	545	Aquitaine	Fr 588	-8	3·1
610	488	BP	516p	-10	4·0
466	363	Burmah Oil	438p	+6	3·7
229½	203½	Cie Petroles	Fr 205·2	+1·7	5·9
93½	74·3	Gelsenberg AG	DM 74·3	-2·8	...
30	23⅛	Gulf Oil	$24⅛	+⅛	6·1
56⅜	49½	Mobil Oil	$56⅜	+1⅜	4·6
4690	3650	Petrofina	Fr B 4610	+10	2·3
30⅝	25¼	Phillips Petroleum	$28	+⅜	4·6
126	111½	Royal Dutch	Fl 119·9	+1·3	6·0
359	298	Shell Transport	323p	+7	4·5
61⅜	54½	Standard Oil (Calif.)	$61⅜	+1¼	4·5
70½	61	Standard Oil (Indiana)	$70⅛	+2⅜	3·3
77⅜	69½	Standard Oil (NJ)	$75⅛	+⅜	5·2
87¼	73	Standard Oil (Ohio)	$73	-5½	3·7
36	29¾	Texaco	$33⅜	+1⅛	4·8
		Gold mines—finance			
406	255	Anglo-American	402p	+19	2·1
1000	900	Anglo Am. Gold	1000p	+60	3·6
295	220	Charter Cons	267p	+7	3·0
289	206	Cons Gold Fields	269p	+14	2·7
12¾	729	General Mining	£11	-⅛	4·0
19¼	1132	J'burg Cons	£18⅜	+1¼	2·4
780	505	Rand Selection	775p*	+45	2·8
292	150	Union Corp	292p	+17	2·3
		Mines, metals			
22½	17⅞	Alcan	$C20¼	+⅛	...
70	37⅜	Alcoa	$50¼	-2	3·6
2350	1875	Alusuisse	Fr S 2330	-20	2·6
32⅛	27⅜	Amer Met Clim	$29⅜	+1⅛	4·7
21⅛	15⅜	Anaconda	$19	-⅜	...
225	152	CAST	225p	+14	2·0
331	223	De Beers Defd	326p	+21	2·3
150	120	Delta Metal	137p	...	3·9
99½	66½	Falconbridge	$C69	-1⅛	...
35¼	29⅜	Inter Nickel	$32¼	-1⅜	3·1
395	288	Johnson Matthey	395p*	+22	3·2
29⅜	21¼	Kennecott	$22⅝	+⅜	7·7
113	70	Lonrho	113p	+7	(n)
3·90	2·35	MIM Holdings	$A 3·58	...	2·4
353	275	Metallgesellschaft	DM 301	-23	2·0
169·6	135	Pechiney	Fr 161·6	-7·6	7·5
75	52½	Penarroya	Fr 62	-1	4·8
22½	17⅛	Rotgletersrust Plat	197p	+11	(n)
272	196	Reynolds Metals	$17	-1	3·5
242	175	RTZ	270p	+14	2·2
730	540	Roan Cons	210p*	-2	(n)
1715	1426	Selection Trust	690p*	+10	2·6
5·24	2·10	Union Miniere	Fr B 1560	-5	4·8
220	182	Western Mining	$A4·09	+0·01	0·5
		Zamanglo	192p*	-6	(n)
		Plantations, etc			
340	195	Consolidated Tea	195p	...	...
320	267	Guthrie	301p	-4	5·8
50½	40	Highlands & Low	50½p	+2	6·9
70	43	Jokai	66p	+2	3·8
164	116	Longbourne	116p	-10	(n)
38½	30	Plantation Hldgs	37¾p	-⅛	(n)

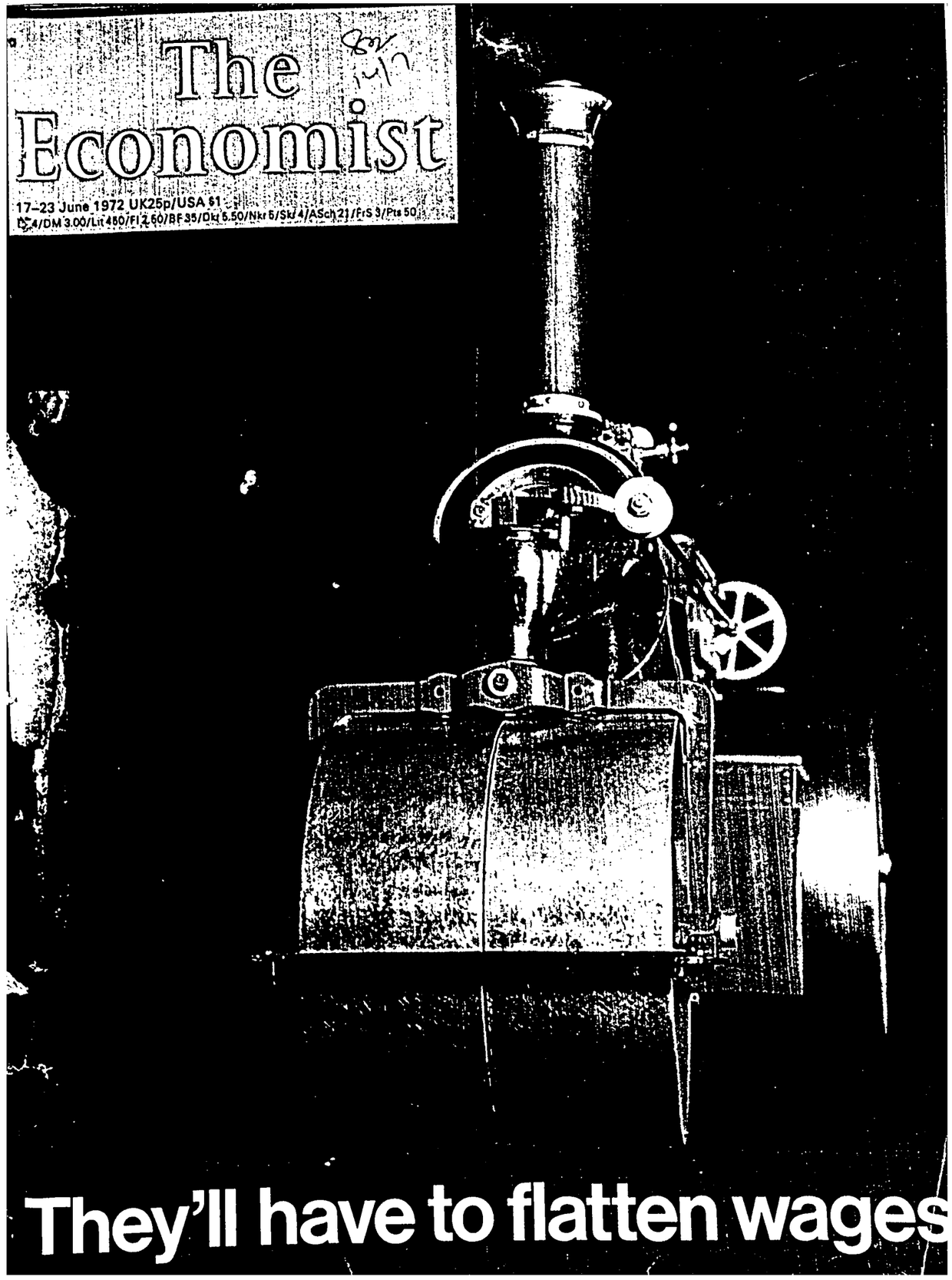
Money Market Indicators

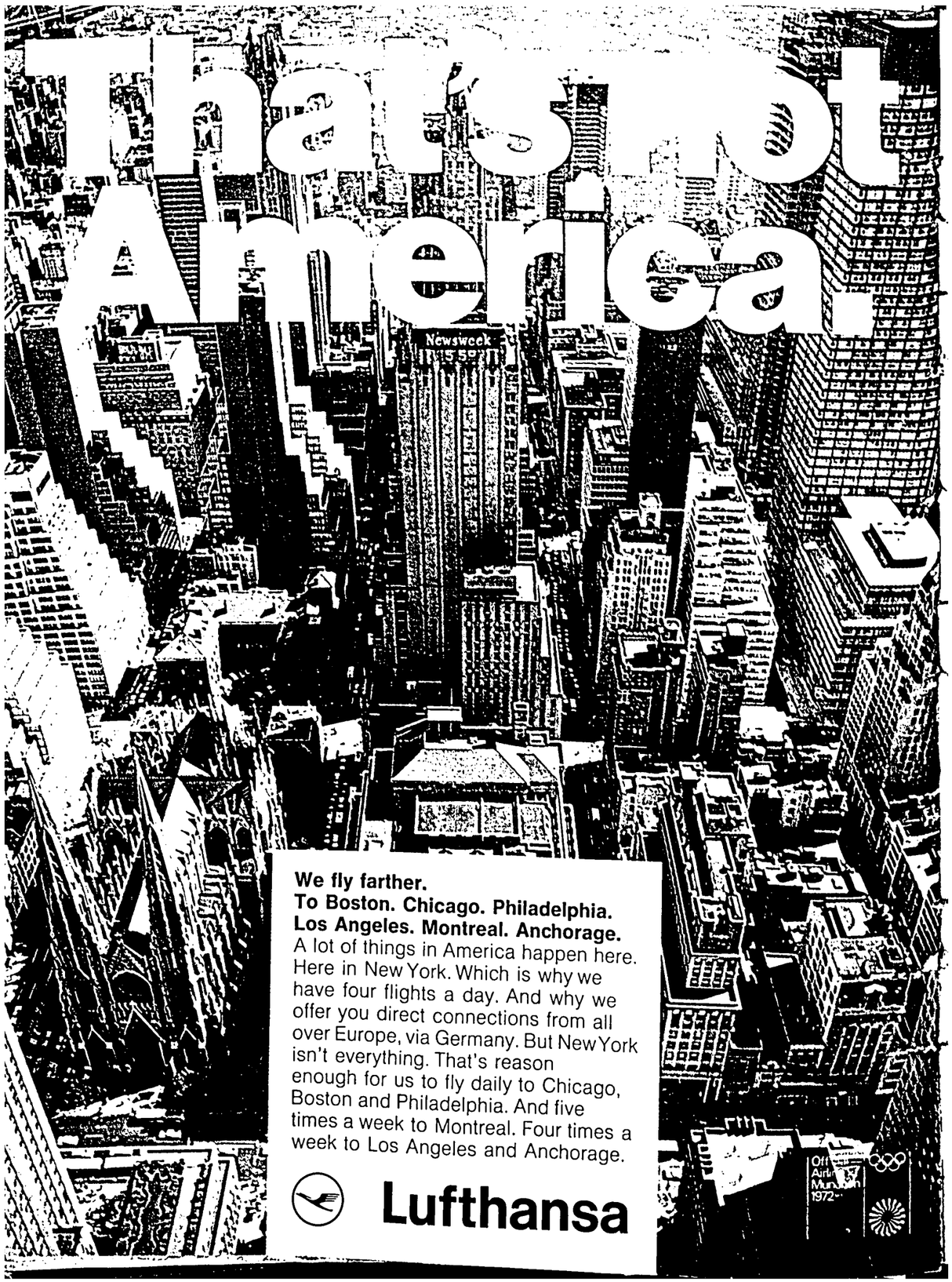
With speculative selling of sterling and the sharp rise in the Treasury bill rate, money markets in general were unsettled. In the inter-bank market, overnight loans were 7 or 8% at mid-week.

Bank Rate 6% (from 5%, 21/6/72) **Base Rate 5%**

Deposit rates	
7 days' notice:	
Clearing banks	3
Local authorities	6¾–7
3 months' fixed:	
Local authorities	6¾–7
Finance houses	7–7⅛
Interbank rate	
7 days'	7⅛
Treasury bills	
3 months'	5·53
Eurodollar deposits	
7 days' notice	4⅞
3 months'	5⅛
Covered arbitrage margins (*3 months'*)	**In favour of**
	Last week % — This week %
Treasury bills	London ⅛ N. York 3¹⁵⁄₁₆
Eurodollar/UK local authority loans	N. York ⅛ N. York 3¹⁵⁄₁₆
Eurodollar/Eurosterling	Neutral N. York 1¹⁄₁₆
Uncovered arbitrage margins (*7 days'*)	
Eurodollar/UK local authority loans	London ⅛ London 2⅛
Eurodollar/Interbank	London 7⁄₁₆ London 3¼

Eurosterling deposits (*in Paris*)	
2 days' notice	11
3 months'	9⅝
New York	
Treasury bills	3·92
Certs. of deposit	4·80
Sterling: Spot rate $2·5775	
Forward discount (*3 months'*)	3·50 cents
Forward cover (*3 months'*): Annual int. cost	5·43%
Investment currency: Investment $	30½% prem





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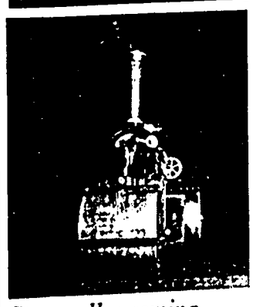
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June 17, 1972



Steamroller coming

Mr Heath is proclaiming loudly that he will not institute a statutory incomes policy, but he is eventually going to have to do so under some other name. The proposals that might work, page 13. The dreadful mess in the docks, page 69, and in industrial relations after the Court of Appeal's judgment and with threats of both anarchy and Tolpuddle martyrdom around, page 75.

More bad news

Britain has got the timing of its investment cycle wrong, page 72; the latest trade figures are awful, page 78; and there is no sign of international monetary reform, page 81.



The clue from Chile

The communists in President Allende's government have turned against the extreme left—but it's instructive to see why, page 18.



Ah, well, back to Paris

The expectations of disaster in Vietnam after the fall of Quang Tri have been confounded, and North Vietnam is sending its negotiator Xuan Thuy back to the Paris talks "with new directives." What they could be, page 15. The evidence that air power is working after all, page 38. Which may be one reason why Henry Kissinger is going back to Peking on Monday, page 41.



Goodbye to one Japan

The departure of Mr Sato will mean the end of an era in Japan. The next one is going to need some careful handling, page 17.



Rail subsidies

The American Congress has just voted a huge subsidy for its passenger trains, page 66. The British Government will have to do the same for British Rail and the other nationalised industries since it will not let them put up prices or sack men, page 76.

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the decision-making process for international monetary reform, or on the transfer of technology, or on restrictive practices of multinational corporations, or on insurance and tourism, or on the action programme for the least developed countries, to mention only a few. The statement that aid to the least developed countries will be "badly used" is as unwarranted and unfounded as the accompanying assertion that the sums involved will be "sizeable." The treatment of the proposed link between SDRs and aid is slightly more reasonable, but even here the issue is thoroughly confused by the reference to "introducing international liquidity into the takeable-off [sic] Argentinas and Malaysias and possibly even Indonesias." The point here, of course, is that it is not additional liquidity that is proposed for these countries, but additional long-term development finance.

The failures of Unctad III should, of course, also be discussed, and there is no question of your right to sum up the conference as a failure if that is the way it appears to you. But the frivolity and irrelevance of the writing make it impossible for any fair-minded reader to judge your conclusions for himself.—Yours faithfully,

S. DELL
Director,
New York Unctad Financing Division

Ecodoom

SIR—Your report of Professor Beckerman's inaugural lecture at University College, London, is much appreciated here. The Club of Rome's "Limits to Growth" is another example of computer output being taken as gospel by people who should know better. On your publication date (June 3rd) I discussed the report in my class in operations research. My own views were similar to those of Professor Beckerman but my presentation was not as witty. "Limits to Growth" (and "World Dynamics") is a sequel to the extension of Professor J. W. Forrester's "Industrial Dynamics" and "Urban Dynamics" (both MIT Press). For several years I have sought, and sought in vain, practical successful examples of the differential equation methods espoused in these "Dynamic" works. I expect to see a new report "Galactic Dynamics" before I find a reliable working example to discuss with confidence in class.

The models in this series can only be treated as models, learning tools and ways of examining interactions. When the model builders lose their sense of perspective and the model becomes the real world (for example, the coefficients are only incidental) we end up with reports like "Limits to Growth." I hope that Professor Beckerman's address receives the same press coverage as the reports of the Club of Rome.—Yours faithfully,

ERNEST KOENIGSBERG
University of California, Berkeley

SIR—Your article "Bye bye, baby boom" (May 27th) needs some qualification.

It attempted, very sensibly, to debunk some of the wilder assertions of the doomwatchers, but it repeated many of their errors. Trends in population growth have been extrapolated upwards by the doomwatchers on the assumption that they would continue for ever. Your article predicted a declining population with even less justification, extrapolating downwards from some very short-term trends.

The social and economic factors which influence the number and spacing of children in families are complex. In industrial countries, with a tradition of limiting family size, the birth rate has increased in periods of prosperity. In recent years the *connection* has been less clear, perhaps because most people have been able to absorb short-term financial setbacks without reducing their standards of living. Professor Abercrombie's suggestion that the present fall in birth rate *may* owe something to particularly high and protracted unemployment seems quite plausible. It *may* also be connected with the increased cost and scarcity of housing in the last couple of years. Like unemployment, this is unlikely to remain in its present acute state for long.

It is too easy to assume that there will be an automatic fall in the birth rate because of the spread of sex education and of effective contraception. Effective contraception means that people can choose their family size; it does not necessarily mean that they will want fewer children. The recent "Family Intentions" survey (Woolf M, 1971, HMSO) showed that the average "ideal" family size was 2.5 under present conditions, and 3.4 if money worries disappeared. Little good evidence yet exists to link such stated intentions with actual family size, but this is no reason for completely ignoring the report.

It is often thought that fertility is associated with social class in a simple way, the example of the less fertile middle classes being gradually copied by the more fertile working class. In fact, although the middle classes are the more effective birth-controllers, the last two censuses have shown that their fertility is rising. Fashion may be important here. Also, as people become increasingly rich, they may cross an economic threshold which allows them to afford extra children, as it allows them to afford a second house or a second car. If the whole country becomes richer, then more and more people will cross this threshold, which would increase the birth rate.

If the general availability of effective contraception really reduces unwanted births then it might be expected to have its most striking effect on the number of illegitimate babies. Instead, these have increased both in absolute numbers and as a proportion of all live births since 1953, following a pattern quite different from general fertility. This has taken place despite the increasing popularity of marriage and a younger average age at marriage.

There are a number of other points. A stationary population does not necessarily mean that the proportion of old people rapidly increases. This is only true in populations of very high fertility, certainly not in ours. In a country like Britain, irregularities in the present age structure of the population are just as important in controlling the age structure of the future population as any imaginable variation in our one-half per cent growth rate.

It is also inaccurate to suggest that the drop in the Japanese birth rate was entirely unforeseen. In fact, it was the planned result of a government policy. Its success had nothing to do with the Japanese being able to afford contraception. It was largely due to changes in the law to allow easy abortions.

I would like to know which government plans are based on "assumptions about an explosive growth in population." Education Planning Paper No. 2 *(HMSO, 1970)*, for example, states that only a relatively small part" of the projected increase in higher education in the 1970s will be due to an increase in the total number of eighteen-year-olds. It is also difficult to see how a population growth rate of one-half per cent per year can be called "explosive."—Yours faithfully,

London, WC1 D. A. COLEMAN

SIR—While the recent decline in the birth rate is to be welcomed, demographers would be more than a little surprised by your suggestion (May 27th) that Britain may reach a state of "zero population growth" next year. This assumes that the birth rate (with no net gain or loss from migration) will continue to fall, by approximately 25 per cent, to a point at which it (16.0 per 1,000 in 1971) no longer exceeds the death rate (11.6 per 1,000 in 1971) and that thereafter both will remain permanently in balance.

Japan, South Korea

The Japanese economy is regaining momentum, but the latest QER argues that its acceleration will be relatively slow. It examines business fears of a new revaluation, and looks at the prospects for South Korea.

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Applications, accompanied by detailed curricula vitae and specifying "Economics," should be addressed to Personnel Division, OECD, 2 rue André Pascal, Paris, 16è.

For further management appointments see page 5

The crude birth rate is subject to considerable cyclical fluctuations and has no close correlation with the growth of population in this country over the past few decades. Professional population projections are based on detailed factual data on the "starting population" and assumptions of interrelated long-term trends in mortality, migration and fertility; in forecasting the latter alone it is necessary to consider the age and rate of marriage, the ratio of males to females, the age structure of the population and child-bearing intentions and realisations.

The stabilisation to which you refer would by definition imply a radical change in attitudes towards family building, ie, a reduction of the average completed family not merely to the present replacement size of 2.1 children, but to a lower level of approximately 1.7-1.8 (Clowes/Winstanley computer exercises) to compensate for the increasing absolute number of women entering the fertile age range and the probability of declining mortality in coming years. The "Family Intentions" survey, published by the Office of Population Censuses and Surveys last year, revealed that the average family size desired and realistically attainable by women in this country is 2.5 children, and that "without financial constraints" this rises to 3.5. A change of attitudes of this magnitude without any apparent reason is inconceivable.

We now appear to be experiencing a situation similar to that of the 1930s, when adverse economic conditions caused prospective parents to postpone child-bearing "until things got better." The falling birth rate even led to fears of a *decline in population*. At no time, however, did births fall to the same level as deaths and the historical trend of natural increase remained uninterrupted. Professor Abercrombie's *ascription* of today's downward trend to widespread unemployment (and, I would add, severe housing shortages) is borne out by past experience. Your own assertion that it is due to better "birth control technology" is not—similar declines have occurred during periods when only the most primitive means of birth control could have been used.

Meanwhile, our numbers are still increasing by over 100,000 per annum. It does not need an ecologist to explain why no increase, however small, is sustainable in the long run.—Yours faithfully,

London, W2 ROSAMUND McDOUGALL

Rhodesia and Nigeria

SIR—You are entitled to your critical—and in the main uncharitable—views concerning Rhodesian government policy, but surely your commitment to criticism behoves you to be scrupulously accurate. In your article "The husk of a policy" (May 27th), it is asserted that General Gowon "harbours strong resentment over the Rhodesian government's part in fanning the flames of Nigeria's civil war."

The Rhodesian government neither took any initiatives in regard to the civil war nor did it take sides. We are a relatively small country over 2,000 miles from Nigeria, and never by word or deed did the Rhodesian government identify itself with a conflict which, we recognise, was an internal matter for the Nigerian government.—Yours faithfully, S. F. BRICE

Deputy Secretary for Foreign Affairs

Salisbury, Rhodesia

The Wankie disaster

SIR—The Wankie disaster was not the worst mining disaster for a decade (June 10th): the one at Miike, Japan, in 1963 was (458 killed). The 1942 disaster in China and that in 1960 in South Africa were not the only mining accidents to exceed that at Wankie; apart from Miike, there were Courrières, France, 1906 (1,100 killed), Senghenydd, Wales, 1913 (439 killed), and Grimberg, west Germany, 1946 (439 killed). The disaster in China was not caused by subsidence, massive or otherwise; it was an explosion. Natural gas cannot ignite spontaneously in a mine; it needs to be ignited by something else.

Miners killed in explosions mainly die from carbon monoxide poisoning, some from injuries brought about by the blast, relatively few from intense heat.—Yours faithfully, HERBERT EISNER

Buxton, Derbyshire

The Quebec strike

SIR—In your article on Quebec's civil service strike and its aftermath (May 20th), you mention that the "common front's" leaders were refused support by their own executives. It would only be fair to mention that the vote taken among the strikers at the time was, by a reasonable margin, in favour of refusing to obey the back-to-work legislation in spite of the severe penalty clauses attached to it. Since the vote was badly organised and the participation insufficient, the leaders decided to recommend obedience This does not quite fit into the picture of union leaders endeavouring to lure their members down the revolutionary garden path.—Yours faithfully, BRUCE MONTADOR

Montreal, Quebec

Where Pakistan was

SIR—Mr Noorani (Letters, May 27th) seems to have his history completely mixed up. The Pakistani army was stationed on Pakistan's own soil and engaged in the task of defending the territorial integrity of Pakistan against a combined internal insurrection and foreign aggression. The analogy with "collaboration in the countries occupied by Hitler" is a complete travesty of historical facts. I cannot also believe that Mr Noorani is not aware that nothing else than Indian armed intervention could have ever brought the so-called Bangladesh into existence. The whole Indian nation has itself paid tributes to Mrs Indira Gandhi for this achievement.—Yours faithfully,

Kuala Lumpur ABU HASHIM

Blood sports

SIR—Thank you for your article on the bill to prohibit hare coursing (May 6th). But I should like, as a council member of the National Society for the Abolition of Cruel Sports, to correct a few errors.

First, the abolitionist cause has by no means "passed its peak." The *bill* has been deliberately obstructed, not defeated. In 1970 it was voted on for the first time since 1925, owing to its having been made a government bill. I am surprised that you do not realise that private members bills can be obstructed and prevented from coming to a vote by a few opponents.

If the Labour government had not resigned in June, 1970, the bill would have gone to the Lords. As this was prevented by the general election, we are grateful to Lady Bacon for testing opinion in the Lords.

Secondly, you appear to believe that coursing is a method of keeping down hares. But it is freely admitted that hares are preserved for coursing and that they are often imported from wild districts for the purpose.

Thirdly, the fact that the sport receives more working-class support than the more expensive blood sports, like fox-hunting, is a help, not a hindrance, to its abolition.

In 1835, when bull-baiting and bear-baiting, mainly the sports of the rural working-class, were made illegal, it was pointed out that the blood sports of the rich also deserved abolition. But in those days we did not pretend to be democratic, so the rural working-classes were deprived of these enjoyments. Nowadays we do pretend to be democratic, but we know well enough that the richer classes have more power and influence than the rest. That being so, it is only common-sense to begin with the less aristocratic blood sports.

Whether, as claimed vociferously by opponents of the bill, the abolition of coursing would lead to the abolition of the various kinds of hunting, only time will show. I only hope they are right.—Yours faithfully, M. C. C. CHAPMAN

Oxford

Vat

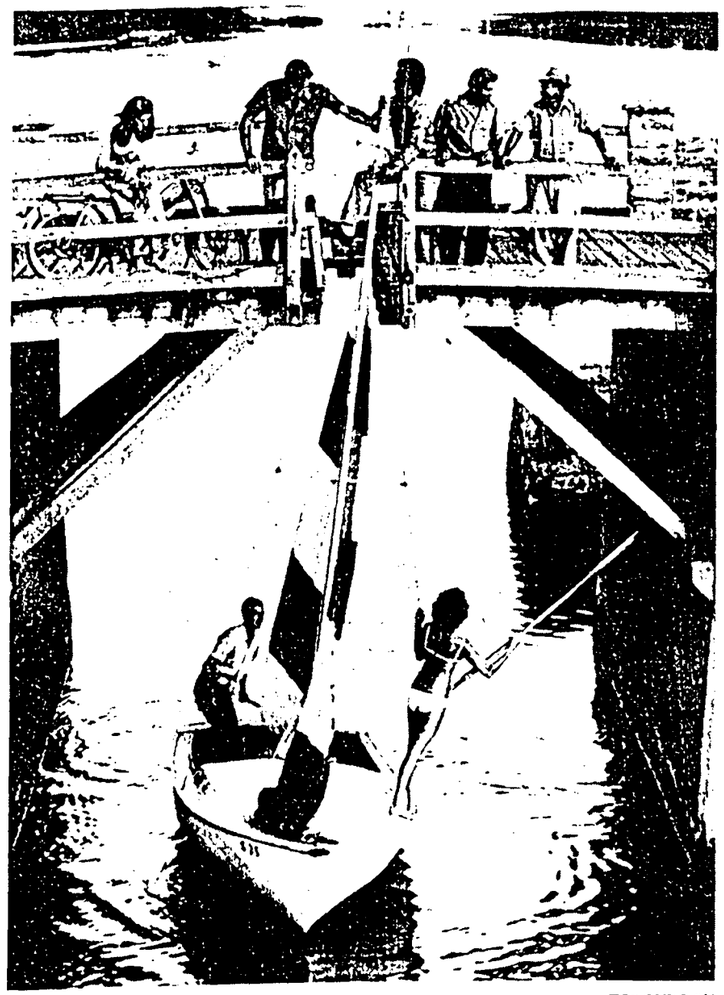
SIR—We should consider the dangers of increasing the price of children's shoes by putting Vat on them. Handicapped children and their parents would be particularly hit by such a sudden price increase. They wear shoes out more quickly than non-handicapped children because their disability sometimes causes them to drag their feet. They also need stronger or particular types of shoes, which again makes them more expensive. Why should children who already have many problems caused by their handicaps also become the special victims of this spiralling price increase?—Yours faithfully,

SHIRLEY AUGUSTUS

Invalid Children's Aid Association

London, SW1

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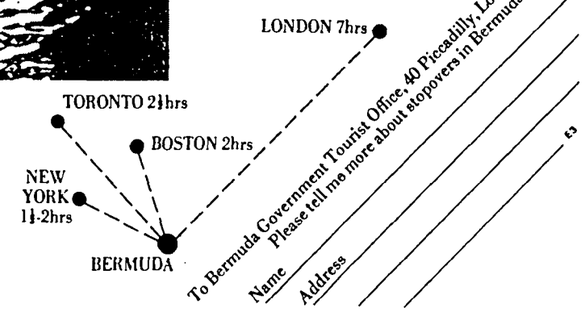
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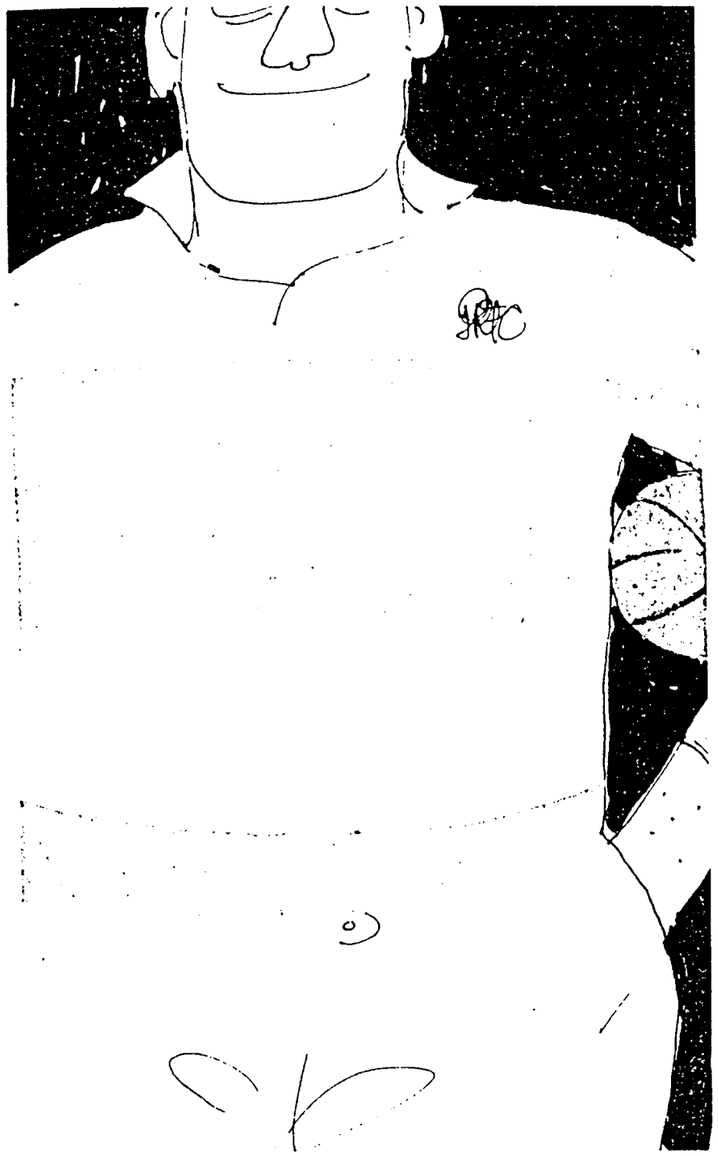
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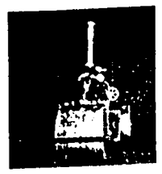
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CBM 105

The Economist

June 17, 1972



The steamroller is coming

Sir Max Beerbohm once described a final demand note from a tailor to a powerful client as being in the tone of a man approaching on his knees but waving his fist. The Conservative Government has adopted the same approach to the trade unions in the formulation of its incomes policy, and the posture does not work. Its failure was sealed this week with a surrender to the railwaymen which will really give them a 14 per cent rise in their weekly earnings from now on, sweetened by a £2¼m bribe for taking the rise in a form which kindly pretends to a muddled public that it is not quite as much as that.

It is necessary to keep on repeating how large a crisis this is. There is a galloping rot in any society where threats of trade union force can set in train this rate of inflation, which, if generalised, will cause the value of the pound to depreciate below the value of the penny during the average adult's lifetime. The railway union leaders, who are supposed to be among the most moderate union leaders in the country, must know that the first sufferers from their actions are the old. Although state old age pensions go up broadly in line with rising prices, continuance of the present inflation rate must render most private pensions progressively worthless.

The second main victims will be those who will now become unemployed. A statistical study by two Cambridge economists, Messrs Barker and Woodward, in the latest National Institute Economic Review, suggests that each time a group of trade union leaders push up the going rate of wage inflation by an extra 1 per cent they may, in the absence of yet further demand-reflationary action by the Government, be arranging for employment to drop by over 300,000. The railway union leaders have probably raised the going rate of wage inflation by an extra 3 per cent. The extra unemployment will be partly created by a squeeze on investment (which already looks awful, see page 72), but mainly through a worsening of the balance of payments; the cost inflation will show itself first in an increasing uncompetitiveness of British exports and of British goods sold in competition with imports.

That deteriorating balance of payments is now going to be made much worse by the crisis in the docks. As Lord Denning himself said in his frightening judgment in the Court of Appeal this week: "Only a few years ago goods for export or import were handled up to a dozen times; now they are handled only once at each end." The economic implication for an island of 55m people, which lives by trading, is that in this swiftly changing world it will be as menaced as a carthorse on a motorway if it tarries in old export-import methods that can be up to 12 times as expensive as anybody else's. Certainly, there should be (and are) generous redundancy and fall-back terms for any of the nation's small corps of 40,000 dockers who can fortunately be freed by this technological progress from their pretty antiquated and unpleasant jobs. But the Court of Appeal's ruling this week was that even an unregistered trade union (ie, one whose rules are subject to no vetting) cannot be sued if the shop stewards who are its agents block any of the new methods even by unlawful means.

Waiting for a payments crisis

The port employers on Tuesday brought forth a slightly more inflationary offer to the dockers (see page 69), and dock delegates on Wednesday agreed to postpone a national dock strike for six weeks; while they were meeting to debate this, three-quarters of the nation's dockers took the day off—and this sort of thing will continue all summer. There could not have been a worse moment for a court judgment to have expedited a rule of Luddite anarchy at the ports. Both the short-term and the long-term effects on exports may be very serious indeed.

One way of meeting these crises would be by the "natural self-correcting" mechanism of just allowing the number of unemployed to mount. No doubt this would cut demand for imports and slow wage inflation in the end. At present levels of unemployment, this passive

policy would be economically, socially and humanly wrong. Since it would also be politically disastrous, the Government is most likely to resort to the alternative policy. This will be (a) eventually to meet the balance of payments crisis by devaluing the pound ; and (b) eventually to slow wage inflation by a statutory incomes policy while calling it something else.

Since the Government believes in sudden sinking rather than placid floating, the eventual devaluation will probably be to another nominally fixed exchange rate. The experience of 1967 suggests that a devaluation to a new fixed rate takes just over a year to work through to the balance of payments. Perhaps an upvaluation, like sterling's ill-timed rise to over $2.60 last December, does the same ; if so, 1973's payments outturn may indeed be ghastly. This provides a doubly obvious case for hurrying the devaluation forward. Through at least three dreary years down to 1967 the Bank of England sold all the foreign exchange it could borrow in order to try to keep the sterling exchange rate inappropriately high. One might expect that it would now be willing to do the much easier reverse : namely, deliberately to buy foreign exchange with sterling in order to help get the exchange rate down to around $2.40 again. But no such moves are afoot.

Four ways to freeze

This week has also seen a torrent of protestations from ministers that they do not intend to resort to a statutory incomes policy. These loud words of denial are quite usual even from prime ministers about six months before they eat them. One argument this week has been that Labour's freeze in 1966 was obeyed by the trade unions because they subconsciously did not want to ditch Mr Wilson, while they super-consciously do want to ditch Mr Heath. This is merely to say that another freeze would have to be backed by fiscal weapons, such as a 100 per cent tax on all centrally bargained wage increases above the new statutory maximum. Another argument is that Labour's incomes policy in 1966-68 merely delayed wage claims, and that they came forth in a pent-up flood immediately the policy ended. Historically, this is not true ; the surge of claims immediately after the death of the policy was lower than the surge today. Anyway, the answer is that any new mechanisms should be intended to be permanent. Four possibilities are worth mentioning :

(a) *The Economist* has suggested a short-term wage freeze, followed by a period when the Government would decree a maximum (say 6 per cent a year) above which centrally bargained wage increases must not rise. If any worker got, say, a 7 per cent rise, then he should automatically have to pay the extra 1 per cent as an additional surcharge on his weekly national insurance contribution. No worker would then get any personal gain from any centrally bargained increase above 6 per cent. In later years the norm could be moved up or down from 6 per cent ; and the 100 per cent surcharge on all increases above the norm could be replaced by a graduated surcharge, reaching 100 per cent only on Wilberforce-size settlements.

(b) Alternatively, a large extra tax might be laid on employers who pay above-the-norm settlements, instead of on the weekly national insurance contributions of the workers who get them. This has a lot of disadvantages, and no economic advantages, compared with (a) ; but it has some supporters in Whitehall, where it is wrongly thought that the trade unions might not mind it so much.

(c) If the idea is to bring the Trades Union Congress into the act, then the best method might be to work out how much money would be involved in, say, a 6 per cent rise in centrally bargained wage increases among union members. Suppose it would be £900m in a year. Then the TUC could be asked to decide how the £900m be shared out ; any group of union members getting more than 6 per cent would then have to be balanced by an equal number getting less.

(d) The establishment of joint employers-cum-TUC conciliation bodies would be grossly inflationary, even if outside consumers' representatives (like Lord Wilberforce ?) were on them. This scheme, which the CBI and the TUC are going to discuss next Wednesday, would make sense only if they were told to work under some overall ceiling, such as the £900m mentioned above. Then any claims for rises above 6 per cent would have to be agreed by them ; and any such above-the-norm increases would take away money available to meet even below-the-old-norm claims by other unions later. Thus the more than £37m a year given this week to railwaymen is over £20m more than they should have got under any reasonable norm. In this system (d), any conciliation body recommending it would have had to say that this pre-empted over 2 per cent of other unions' share of the £900m fund, so that thenceforth any claims above 5.8 or perhaps 5.9 per cent would have to be vetted through the machinery. If the whole £900m had been used up, there could be no more centrally bargained wage rises that year. This would make inflationary awards by the conciliation board properly unpopular with other workers.

Quids pro quo ?

The purpose of an incomes policy is to counter the monopoly element in central trade union bargaining. There should not therefore be any ban on individual wage or salary increases that were not enforced through collective bargaining pressure, and the logical quid pro quo on the prices front would really and merely be methods to enforce competition, such as already exist under monopolies and restrictive trade practices legislation. But no doubt, if any of the above schemes for a 6 per cent wage norm were brought in, the Confederation of British Industry would continue its vetting of any price increases by its members of over 5 per cent a year ; indeed, the CBI would then be wise to say that it would work to keep the average rise in prices declared by its members to around or below 3 per cent.

It has been suggested that the Government should also postpone the fair rents act, now due to come into effect in October. The purpose of the fair rents act is that better-off tenants in council flats and houses should pay something more like the market rent. At present their rents are subsidised partly by taxpayers and ratepayers (including poorer people living in less good privately rented accommodation, who will at last get rebates under the new act), and partly by the homeless and ill-housed (because subsidising of sitting tenants in council houses and flats leads to gross underutilisation of existing housing space). It will be totally illogical if one of the TUC's "prices" for co-operation in any incomes policy is that better-off council tenants should continue to be subsidised by these groups. But if the TUC offered to accept any of the four economically enforceable suggestions above, the Government would swallow almost any illogicality as eagerly as it has swallowed so many of its other words. What the Government really must not do is to postpone the fair rents act, or undertake any other crawling, just in order to wring promises about promises and talks about talks out of the TUC. The TUC leaders signed Mr George Brown's declaration of intent seven and a half years ago, and did not keep it. They promised to curb strikes in return for Mr Harold Wilson's abandonment of his trade union reform act, and they did not keep that promise either. In the absence of automatically enforceable safeguards, such as under one of the schemes suggested above, any promise by the TUC, however well-intentioned, should be regarded as not worth the paper it is not yet written on.



It didn't fall to bits

North Vietnam's Xuan Thuy is going back to Paris with fresh instructions because South Vietnam has disobligingly refused to collapse

The prophets of the last quarter of an hour have got it wrong again in Indochina ; but this time it is the South Vietnamese who have gone on fighting longer, and better, than almost anyone expected. The leader of North Vietnam's delegation to the peace talks, Mr Xuan Thuy, said this week that he will soon be returning to Paris "with new directives." To be sure, Mr Thuy's government was simultaneously declaring that it would not change its policy until final victory had been won. There is nothing to prove that Mr Thuy's new directives will be new enough to bring an agreement within sight, or that the North Vietnamese army is incapable of pulling itself together for another major attack. And yet it does begin to look as if the balance of advantage may have changed fairly radically in the past month. Eleven weeks after the start of North Vietnam's offensive, and seven weeks after the fall of Quang Tri, the victory that seemed to be within the grasp of General Giap's troops has failed to materialise ; and the result for North Vietnam could be distinctly worse than just another drawn battle.

The unlikely happened

This is what Mr Kissinger will presumably be telling the Chinese in Peking on Monday. After the collapse at Quang Tri this paper said that the situation could be saved only if three apparently unlikely things happened:

> if the South Vietnamese army resists the instinct to panic,
> if the Americans find a way to make air power tell after all, if the North Vietnamese army has exhausted itself in this offensive as much as the calculations had said any ordinary army ought to have.

It may be that all three of those things have happened after all. No major South Vietnamese unit has broken since the 22nd division lost the hills west of Kontum at the end of April and the 3rd division came to pieces at Quang Tri on May 1st ; indeed, the men caught inside An Loc and Kontum have fought a great deal better than most people thought they would. It is American air power that has mined North Vietnam's ports, and cut the two railways linking it with China, and caused a large part of the North Vietnamese army's casualties in the south. And the North Vietnamese have still not been able to take Kontum, or prevent the relief of An Loc, or organise an assault on Hué. In fact, the most important development of this year's fighting may be that the North Vietnamese attack has actually helped to create something like a genuine South Vietnamese sense of national identity. No doubt it is a fragile thing : perhaps it is really little more than a coalition of people united by their shared dislike of communism and of the idea of being run from Hanoi. But if it holds together it could be a major new factor in the war.

The result is that North Vietnam has little to show for 11 weeks' fighting except one province capital in the far north, which it may not be able to hold, and a stretch of almost empty hill country along the western border. On the other side of the account it has had to accept the shutting down of virtually all its supplies from the outside world, except what it can get past the bombers by road and in small boats slipping along the coast from China. The blockade is much more damaging than it would have been at an earlier stage of the war, because North Vietnam is now relying largely on its own regular army to do the fighting in the south. And that in turn makes it easier for President Nixon to keep the blockade going. North Vietnam has been obliged to use its own army because the Vietcong cannot win the war alone, but by using its own army it has made the war look much more like a straight north-versus-south fight, and has therefore made American public opinion readier to tolerate the bombing of the north.

This toleration will not continue for ever. But Mr Nixon has probably got several more weeks in which he

can send the bombers in at a rate of 200 or more a day. And it looks as if it will take even longer than that for Russia and China to agree on a way of getting any significant amount of supplies through by the overland route. Prince Sihanouk told an American journalist in Peking last week that the Chinese were still refusing to let Russian ships into their ports because "they fear an attack from the Soviet Union more than they do one from America." The will of North Vietnam's leaders to continue the war may be unchanged, but the evidence is that their ability to keep it going in its present form, with their own army, is being severely damaged.

Three ways for Thuy to play it

There are three different things that Mr Thuy might do to deal with this changed situation when he gets back to the Paris talks. First, he could agree to discuss the terms that Mr Nixon laid down on May 8th—the day he announced the mining—for calling off the blockade and the bombing. The trouble with this is not just that Mr Nixon's terms require North Vietnam to hand over its American prisoners and accept a supervised ceasefire in Cambodia and Laos as well as Vietnam. It also seems increasingly unlikely that Mr Nixon would be willing to let the ceasefire begin before the North Vietnamese got out of even the relatively small part of South Vietnam they occupy at the moment. The South Vietnamese foreign minister, who was reported a week ago to have said that he would let them stay in Quang Tri, has now denied that he said anything of the sort. Unless it turns out that the South Vietnamese are incapable of recapturing Quang Tri, Mr Nixon is not likely to have a row with his allies about something as important to them as this. So North Vietnam would in effect be told to confine its troops to its own territory, plus parts of eastern Laos and northern Cambodia, and let an international team of inspectors check that they stayed there. No doubt the North Vietnamese are willing to pay a fairly handsome price to stop the blockade and the bombing, and they have had some experience in the art of diddling international inspectorates. Even so, they may not be willing to pay that sort of price.

Anyway, a ceasefire would do nothing about the question of who runs the government in Saigon. So the second thing Mr Thuy might do would be to come up with a new offer for a political settlement. He said this week that it was "for the people to decide" whether South Vietnam should have a communist government or a non-communist one. On the face of it, that looks similar enough to President Thieu's proposal. Mr Thieu is willing to resign from the presidency of South Vietnam a month before an election in which the National Liberation Front could take part, and which it could help to supervise. The difficulty is that at the moment the communists are still demanding not only the removal before the election of Mr Thieu and his "military apparatus" —which could mean the whole present command structure of the army and the police—but also their replacement by a so-called coalition which would not be required to hold the election by any specified date and would certainly rig the election, when it was held, in the communists' favour. The North Vietnamese will have to drop that demand if there is to be any hope of an agreement. Of course, there may be room for compromise about how long before the election Mr Thieu should stand down. But Mr Nixon is bound to say that any reasonable definition of letting the people decide means that elections fix governments, not the other way round.

The third possibility is that Mr Thuy is not going back to Paris with any serious expectation of reaching an agreement, but really in order to buy time. His instructions may be to try to get the Americans to call off the bombing of the north—or, more realistically, to do less of it—in return for an informal, unsupervised, truce in the south. The idea would be to enable the North Vietnamese to get through the next few months without too much damage in the hope that in November the American electorate will present them with a President McGovern. After all, North Vietnam's leaders know that the election of Mr McGovern would give them a free hand throughout Indochina; their main newspaper, Nhan Dan, gave him a little encomium on Monday.

On balance, this is the likeliest course for Mr Thuy to follow when the peace talks get going again. But even this one has its difficulties. The Russians, who believe in betting on favourites, are probably telling the North Vietnamese that in fact Mr Nixon is almost certain to be re-elected in November. The North Vietnamese know that, if the Russians are right, a refusal to settle the war now would expose them to several more months of blockade and bombing, even if the Americans agreed to cut down the bombing a bit, and that at the end of it they would be no nearer solving their basic problem. If Mr Nixon gets a second term he will be able to answer another North Vietnamese attack next year exactly as he answered this one. And North Vietnam cannot even console itself with the thought that its current offensive has left the Vietcong guerrillas in the south in a notably stronger position than before. The Vietcong have played a subordinate role in this year's fighting. They have temporarily occupied a few towns; they have killed some officials; they have reminded the local people that they are still around the place. But they were rebuked by the North Vietnamese last month for not taking a large enough part in the fight. And the fact that they came out of hiding at all means that they have exposed themselves much more dangerously to the revenge of Saigon if they now lose the protection of North Vietnam's regulars.

If the surprise doesn't come this time

The last paragraph of any article on Indochina should start with a sentence saying that North Vietnam is always capable of surprising the United States. Certainly there is nothing in the present situation that leaves Hanoi entirely without resources. Mr Nixon and Mr Thieu have done better than they expected in the past month, but they have not done that well. And yet it does seem that North Vietnam has failed to achieve what it set out to achieve on Good Friday, and that in the attempt it has had to pay a much higher price than it expected. That is why the "new directives" for Mr Thuy could mean rather more than such words have meant in the past.



A new sort of Japan

The departure of Eisaku Sato will mark the end of 27 years of Japanese history. Does the next Japan have to be nuclear?

Mr Kissinger was a year too late in getting to Japan last weekend. In June, 1971, with his considerable diplomatic skill and a confidential word of warning about Mr Nixon's projected trip to Peking and the impending American import surcharge, he might have managed to avert a drastic deterioration in the very special relationship between Washington and Tokyo. But this was not the way the White House chose to handle either the Peking bombshell or the Japanese. So when Mr Kissinger finally made his twice-postponed "private" visit at the weekend his mission was not to negotiate so much as to calm and charm the Japanese into a readiness for reconciliation.

Both Mr Kissinger and his Japanese hosts admitted that the very real differences between them which came to the surface during the past year are still a long way from being resolved. The only concrete accomplishment of the trip was the scheduling of another round of bilateral trade talks in July. But this was not a time for decision-making in Tokyo, anyway. Mr Kissinger was probably the last important foreign visitor to call on Mr Eisaku Sato in the prime ministerial office. This weekend, after the Diet ends its spring session, Mr Sato is expected to announce his resignation. When he does, the postwar era of American-Japanese relations will have come to an end.

Mr Sato, like seven Japanese prime ministers before him, based his prestige as well as his foreign policy on his intimacy with the White House. He reached the peak of his power in November, 1969, when he could argue that his policy had been justified by Mr Nixon's promise to return Okinawa and the lesser Ryukyu islands to Japan; a few weeks later the Japanese electorate rewarded him with a resounding election victory. The Okinawa pledge was finally redeemed on May 15th this year. But it was not the moment of triumph Mr Sato had expected. Because of the series of blows from Washington—the announcement of the Peking visit and the import surcharge last summer, swiftly followed by the entanglement of Japan in the Americans' ill-fated effort to keep Taiwan in the United Nations—both Mr Sato and his America policy stood discredited. A Japanese opinion poll in April put popular support for Mr Sato's government at only 21 per cent. After seven and a half years in office, the longest tenure of any postwar prime minister, Mr Sato had to go.

The decline in Mr Sato's prestige may well affect the choice of his successor. Although the selection of the Liberal Democratic party president (which is tantamount to election as prime minister in Japan's effectively one-party system) is a complicated business, the incumbent prime minister has nearly always been able to engineer the victory of his candidate. Yet Mr Sato's man, the foreign minister, Mr Fukuda, is no longer considered by the Japanese press to be the leading contender, precisely because of his identification with Mr Sato and Mr Sato's identification with Mr Nixon. Neither the current favourite, Mr Tanaka, nor any of the other three candidates can be called anti-American. The swing in Japanese politics over the past year has not gone that far. But whoever is selected at the party congress next month will be required to redefine Japan's relationship with the United States.

The one point on which virtually all Japanese and Americans agree, in principle anyway, is that the Japanese-American alliance must become more of a partnership; Vice President Agnew talked at the ceremony for the return of Okinawa about the need for "a balanced relationship." No one has yet drawn up a model partnership agreement; both the Japanese government and Mr Nixon have probably looked no farther than the current troubles. But any such contract would have to include the liberalisation of Japan's restrictions on imports and foreign investment, for which the Americans have been pressing so hard, and some form of increased Japanese contribution to America's military and political effort in Asia.

The easy bit

The economic part of the hassle should be the easiest part for any new Japanese prime minister to resolve. Every visiting minister to Tokyo from the rest of the free world is always asking the Japanese please to restrain their exports to his own home market; Britain's Mr John Davies was there two weeks ago, at a time when Japan's own trade figures for May were showing Japanese exports to Britain to be more than double those of May a year ago. After these visits, the Japanese government, acting along the old-boy network, asks industries please to go slower; the stronger industries wax cross with the government, and the weaker industries comply. The way to stop these rows is for Japan to be more willing to upvalue the yen: thus making its exports more expensive, and diverting more of its soaring gross national product from trading overseas to more essential (but, at present exchange rates, less profitable) tasks at home. A growing proportion of Japan's economic establishment agrees with this, but, until he has been selected, no aspirant to the leadership of Japan's business-dominated Liberal Democratic party is going to say so.

The political and military problem is much more difficult to resolve. Japan has already assumed responsibility for its own conventional defence. There is little more it could do militarily to help the Americans short of expanding its activities beyond its own territory or

taking over its own defence entirely by going nuclear. These are the very things that, for the moment, just about all non-Japanese and most Japanese want to avoid. So a more suitable outlet for Japanese energy and resources will have to be found for the immediate future: probably as a donor of greatly increased sums of economic aid, particularly in south-east Asia.

Making them feel at home

There is one central flaw in this or any scheme for a new relationship between America and Japan. It is the character of the Japanese. Many Japan-watchers have serious doubts about whether this island country, with its history of isolation, its hierarchical society and its lack of shared values with the west, or with any other nation for that matter, can ever enter into an alliance based on equality. Even such a steady advocate of American-Japanese friendship as Professor Reischauer, the former American ambassador, has expressed concern about Japan's capacity to make this transition. He says Japan may not be able to move "from a sense of dependence on the United States (and some fear of being inferior) to an ability to accept the United States as an interdependent equal." The consequences of Japan's failure to do so, as Professor Reischauer sees it, could be an American withdrawal from the alliance and from east Asia. And Japan's likeliest reaction to this would be to take up the nuclear option.

Going nuclear is the last thing that Russia and China want Japan to do, and it would shatter Japan's present hope of establishing good relations with both its communist neighbours. But this kind of logical calculation rarely determines national policy when issues of national security and national status are involved. The alternative to a nuclear Japan is to make a continuing alliance with America more attractive. But, as many commentators have argued, the strains of a one-to-one relationship can be absorbed much more easily in a group. And Japan's demand for status can also be more readily satisfied in a larger context—for example, by being awarded the permanent seat it has been seeking on the United Nations' Security Council. The Europeans, and others who are feeling the impact of the world's third largest and fastest growing economy, already have a stake in Japan's integration into their economic and political clubs. Their help will be needed as the United States and Japan set out to plot a new place for the rising sun.



Can we learn from Chile?

The Chilean communists are telling President Allende to look to the middle of the road, but that doesn't prove they've gone democratic

The members of the Chilean cabinet handed in their cards this week, leaving President Salvador Allende with the problem of finding a new administration that would be acceptable to the diverse forces within his left-wing coalition. Chile's marxist experiment is foundering, partly because the government's hell-for-leather rush to take over private business interests has contributed to a major economic crisis, and partly because of the bitter rivalry between those who want a sober transition to socialism and those who crave the blood and guts of revolution. What happens in Chile matters to the outside world not just because 10m people and a long tradition of constitutional rule are at stake, but because Chile has become a kind of laboratory for the relationship between communist parties and democracy.

It was Chile, after all, that gave the world the novel spectacle of a freely elected marxist government back in 1970, even if Sr Allende's Popular Unity coalition came past the finishing post with only just over a third of the votes. And now the tactics of the Chilean communists have raised some fundamental questions about the extent to which it is possible to look upon similar parties in western Europe as potentially democratic forces. They are said to have persuaded Sr Allende to make a move at the end of last month that, on the face of it, is very hard to reconcile with his left-wing political base and his plans for redistributing wealth and creating a centrally planned economy. At the end of May, on their suggestion, Sr Allende is said to have offered five cabinet posts to members of the armed forces. Since a senior army officer, General Palacios, is already minister of mining, this would have looked very curious indeed.

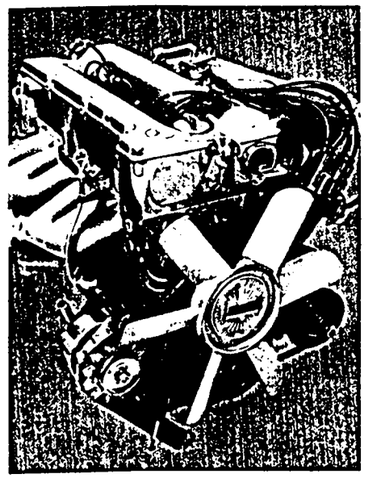
As it turned out, the commander-in-chief rejected the offer. Although Sr Allende may have hoped to win back some shreds of middle-class support by bringing in the men in uniform, the generals were shrewd enough to see that they could not have chosen a worse moment to get deeply involved in government after a half-century of political neutrality. Even the official statistics—which are almost certainly a gross underestimate of the real situation—show that the rate of inflation over the first five months of this year was around 25 per cent. The outlook for the rest of the year is very bleak, and many independent economists predict either runaway inflation or a system of formal rationing, as well as a balance-of-payments deficit even more whopping than last year's record figure. The generals have no wish to be identified with the government's economic blunders.

But the fact that the Chilean communists seem to have looked to the army to bail them out leads to some interesting thoughts about the evolution of such parties in general. The communist party of Sr Luis Corvalán is renowned both for its uncritical fidelity to the Russians and for its political opportunism. The issues that have torn apart the communist world—the stalinist purges and Khrushchev's attack on Stalin, the Russian invasions of

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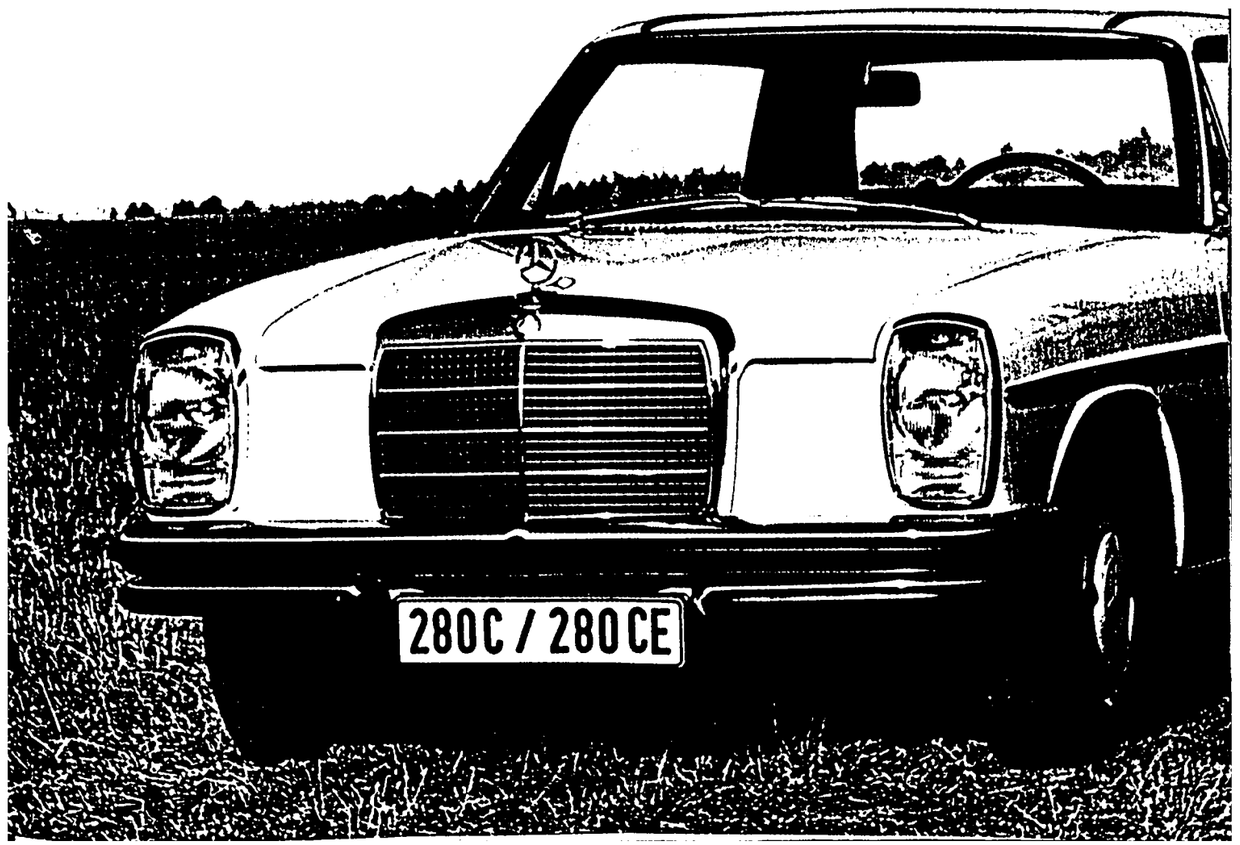
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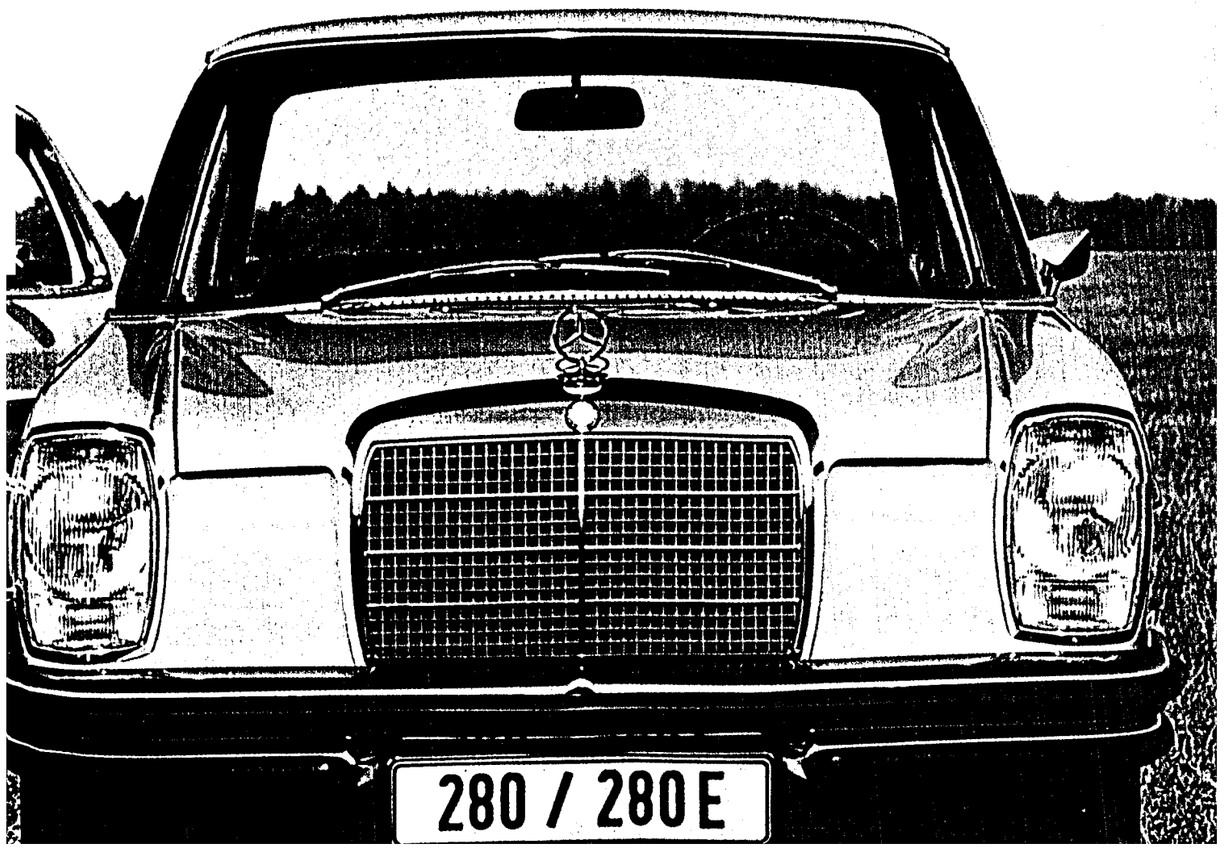
	200 D	280 S
	220 D	280 SE
	200	280 SE 3.5
	220	280 SEL 3.5
	230	300 SEL 3.5
	250	300 SEL 6.3
	250 C	350 SL
New	280	350 SLC
New	280 E	600
New	280 C	600 Pullman
New	280 CE	

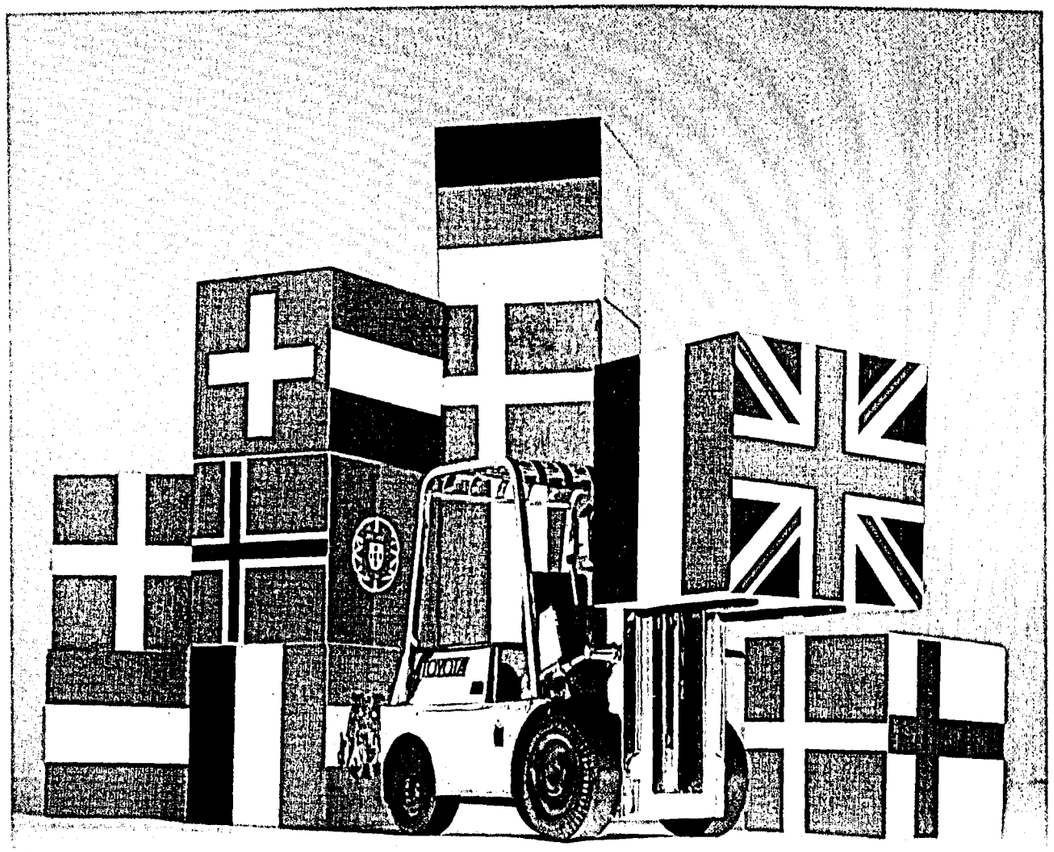
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Hungary and Czechoslovakia, the repression of intellectual dissent in the Soviet Union—have not troubled the provincial calm of the Chilean party. And the Latin American communist parties in general have been very flexible once the scent of power has reached their nostrils. Apart from the odd deviation during the 1960s, when the example of the Cuban revolution aroused hopes of similar uprisings throughout the continent, Latin America's communists have pursued "united front" tactics since 1935.

Why they looked to the army

The Chilean communists' motives for turning to the army at this stage are fairly clear. To begin with, they are just as jealous of the rival appeal of the new left as their cousins in France and Italy are. The Chilean communists have been fighting a running battle with the would-be guerrillas of the Movement of the Revolutionary Left (Mir) and their sympathisers within Sr Allende's own Socialist party ever since the Popular Unity coalition came to power. And they have a special reason for fearing the consequences of being outflanked on the left. The reasonable men among the communist leadership in Chile have become increasingly worried about the possibility of a civil war or a military putsch.

They have watched the emergence of armed vigilante groups on the right, and a new mood of resistance among the middle class in response to illegal land seizures and the persistent shortages of food and consumer goods. They now seem to have decided that the immediate need is to reorganise the administration, slow down the pace of nationalisation, and make gestures designed to conciliate moderate opinion and restore confidence among private investors. This means several things : tougher action against the wild men on the left who have been taking up arms and seizing farms and building lots ; a new economic policy with the stress on pumping new money into industry and raising production instead of on wage rises and state takeovers ; and a dialogue with the Christian Democratic party designed to drive a wedge into the opposition. The shape of Sr Allende's next cabinet will show whether or not the communists have managed to get their point across. One of the things to look for will be whether Sr Pedro Vuskovic, the minister of the economy, will keep his job. Although he has always worked closely with the communist party, his former friends now seem inclined to use him as a scapegoat for their own bunders.

Some outsiders, comparing the caution of Chile's communist leaders with the conservative image that M. Marchais and Signor Berlinguer have been trying to fashion for their parties in France and Italy, will be tempted to conclude that the orthodox communists have ceased to be a revolutionary force and that their new tactics are not incompatible with western models of parliamentary democracy. After all, Signor Berlinguer has attacked Italy's left-wing extremists as "that great Barnum's circus," and the French communists recently said they were ready to respect the principle of the rotation of power in a democracy.

Certainly these are practical men ; and by questioning the idea of revolution in an industrial society they are merely accepting the realities of modern power. But their democratic credentials are still suspect. Every communist leader knows that Lenin said that the basic question of a socialist revolution is the question of power. It is power that is at stake, and the value of democracy as a political system is not something that any orthodox communist would waste time discussing. The question is simply whether communist parties can win power by conventional means. Those who are tempted to conclude that, if they can, the communist parties of the 1970s will be reliable partners afterwards should read a document the Soviet party's Institute of Marxism-Leninism made public earlier this year. Entitled "The Falsifiers of the Theory of Scientific Communism," it outlined a programme for the seizure of total power by communist parties following united front tactics :

> Having once acquired political power, the working class implements the liquidation of the private ownership of the means of production. . . . Historical experience shows that this inevitably leads to the elimination of class antagonisms. . . . As a result, under socialism there remains no ground for the existence of any opposition parties counterbalancing the communist party.

This approach was followed to the letter by the communist party in Chile, working with Sr Vuskovic. The government's plans to assume direct state control of 80 per cent of industrial production do not just amount to a death-warrant for private enterprise; they are designed to undermine the economic bases of the opposition parties and the independent press.

The necessary basis of democracy

What has happened in Chile under Sr Allende's government suggests that, in the long term, political democracy is inconceivable without economic pluralism. The fact that Chile's communists seem ready to postpone their aim of consolidating their power by taking over private property has a great deal to do with their instinct for self-preservation. They know perfectly well that public opinion is running strongly against the government. They see the need to buy time. The behaviour of Sr Corvalán and his supporters does show that, under some conditions, the communists can emerge as a party of reason and order. It is even conceivable that, if civil war should erupt in Chile in the near future, the communists would take sides with the army against the extreme left.

But, having said all that, it is vital to remember that, to the extent that the communist parties succeed in making themselves look respectable, their chances of using the instruments of democracy in order to destroy the system from within increase rather than diminish. Chile is still the only place where a marxist government has won power through the ballot-box. The results of Chile's marxist experiment so far will hardly encourage western voters to adopt the same formula. And although the Chilean communist party is for the moment curiously isolated on the right of Sr Allende's government, its tactics are not proof that, once having come into power by an election, a communist party will be ready to leave by the same door—unless the only apparent alternative is to be thrown out of the window.

BRITAIN

Common market: it's just one hurdle after another

The Government had another narrow majority in the House of Commons on Wednesday evening, but, on the other hand, it also got over another major hurdle in the passage of the European Communities Bill. Clause 2, which gives the general power to implement the obligations of the Brussels treaties and is regarded as the guts of the bill, was passed by 296 to 288. The voting followed a very similar pattern to previous narrow majorities on the bill: 17 Tories voted against and 8 abstained, which led to the usual plaint from Labour's anti-marketeers that the Liberals and their own pro-market men had saved the Government once again.

The bill has seven more parliamentary days allotted for its committee stage, and as it is going through a committee of the whole House it will not require a report stage if it goes through unamended. The anti-marketeers claim that it is the desire to avoid a report stage rather than an overpowering belief that the bill is perfectly drafted which is behind the Government's refusal to accept any amendments to the bill so far. If just one minor amendment were made, or carried, in committee it would open up a flood of amendments on all other clauses on report, and the Government is naturally anxious to avoid the delay that would cause. But if the bill can get by without defeat in committee it should be out of the Commons by mid-July. No doubt there will be more cliff-hanging divisions to come before the bill is through, but it would not be surprising if many Labour anti-marketeers now began to lose whatever zest they might once have had for the fight. Everyone is getting a bit tired rather early this year, and although Mr Wilson called it a "filthy bill" on Wednesday evening he seems to have accepted the inevitable and is now looking to his own—and his party's—political problems which will arise when it is through.



Wilson: his hurdle to come

Mr Wilson's address to the miners of Nottinghamshire last Saturday sought to head off the danger that this year's annual party conference might commit the next Labour government to a policy of complete withdrawal from the common market. There is little doubt that the left could force that through the conference if it put its mind to it, but it would also put Mr Wilson himself in a very considerable spot if it did. For if the parliamentary Labour party did not then refuse to follow the conference line, the pro-marketeers from Mr Roy Jenkins down would be in an intolerable position. Mr Wilson would find himself faced either with a disastrous splitting away of many of his best MPs or a conflict between the PLP and the party conference.

In return for the left not using its power to push him into that choice, Mr Wilson is offering a harmless commitment to renegotiate the terms with the EEC and to hold a referendum. As the left remembers only too well how Mr Wilson once committed a future Labour government to renegotiate the terms of the Nassau agreement on Polaris submarines, there is no question of it being conned this time. Rather, it is whether the left will enjoy getting its way on every other issue so much that it is prepared to swallow the face-saving formula to please Mr Michael Foot and those of his friends who do genuinely believe it would be disastrous to drive the Jenkinsites out of the party. Certainly, the evidence that Mr Wilson is prepared to fight that battle pleased all Labour's pro-market MPs this week. What pleased the more cynical (or realistic) among them even more was the reflection that, in the present state of his leadership, Mr Wilson was hardly likely to fight the battle unless he was already assured of victory. Which big union leader has given the nod?

Enoch Powell

On loyalty

Viewed objectively, Mr Enoch Powell may seem a pretty dead duck in British politics. On the issues where he once made the headlines and the running—immigration, economic policies, anti-common market—he has been outflanked or overshadowed. The circumstances in which the Tory party, or the nation, might conceivably turn to him for leadership become more and more remote. But Mr Powell retains his immense capacity to get his erstwhile colleagues all steamed up, and some of his speeches are—in that most condemnatory of Tory ministerial phrases—as "unhelpful" as ever. And he is never more unhelpful to the Government than when he goes to Ulster.

Mr Powell visits the province rather more often than most Westminster MPs, but he makes no pretence that they are fact finding tours. He goes there to preach the gospel of British nationality, and if the British have got rather bored with that speech it, not unnaturally, still goes down like a bomb with the Ulster Unionists. He



Powell: nationality's the thing

was at it again at a Unionist rally in Banbridge, Co. Down, attended by Mr Brian Faulkner and Mr William Craig, last weekend. There is no public evidence that Mr Powell has ever regretted anything that he has said; but Mr Faulkner might yet regret that both men seem to have got carried away last Saturday.

Mr Powell began with an encomium on loyalty:

> Loyalty, like unity, is one of the simple things. Loyalty, like unity, is by its nature total. Nobody ever heard of partial loyalty, any more than of partial unity. You either have it, or you have it not.

Mr Powell has it not when it comes to his party's policies on Ulster. Anyone who believed that Mr Heath's initiative on Ulster was designed to preserve the union and protect the loyal was "remarkably, dangerously naive." Mr Heath's marching orders to Mr Whitelaw were, according to Mr Powell:

> Willie, for God's sake go and put a stop to that squalid nuisance in Northern Ireland, at least for the time being. . . . Just tidy it away old chap, never mind how, provided you do it as quietly as possible.

How naive can you get if you do not believe that such words coming from a man who is regarded—in Ulster at least—as a responsible Westminster politician are not also dangerous? But it is no surprise that Mr Powell got a good hand, as they say, from the 3,000 or more loyalists present, for he gave credence to the very suspicions of the British Government's policies which the Ulster extremists are most anxious to foster.

It is said that Mr Faulkner did not seem a very happy man when he left the meeting. It may be that Mr Faulkner may have been remembering that after Mr Powell's speech he had heard himself saying:

> Ted Heath has done something. He has done something that was only achieved, I believe, by about three other men before. One of them was Hitler, one of them was Mussolini and the other Stalin. He has done something which only dictators can do.

Mr Faulkner might have got away with that absurd indiscretion, for the newspapers did not report it, if Granada Television's cameras had not been present. As it was his words went out to millions of British viewers in the "World In Action" programme on Monday night. If the two men had deliberately set out to lose friends in the Tory party for the Unionist cause they could hardly have done a more effective day's work.

Ulster

The talking is now beginning

Mr Whitelaw has had another interesting week. On Tuesday—at his invitation—three masked men drove up to Stormont Castle, took off their disguises when they were past the waiting journalists, and revealed themselves to the secretary of state as senior members of the Ulster Defence Association. After 90 minutes of talk with Mr Whitelaw they drove off in the same fashion as they had arrived, and that evening the security council of the UDA announced that it had postponed for two weeks the extremists' threat to make Protestant areas as no-go as the Bogside and Creggan. The makeshift barricades which the UDA had erected and dismantled over the past four weekends would have been made permanent on Friday night or Saturday.

The UDA said it had received certain assurances from Mr Whitelaw which it could not discuss. Those assurances might not have amounted to much more than Mr Whitelaw reiterating that he would not treat with the Provisional IRA or go soft on the gunmen. He was able to back up his words with public action on Tuesday when he rejected out of hand the Provisionals' offer of safe conduct into "Free Derry" to discuss the IRA's peace plan. Mr Whitelaw made it plain once more that he has no intention of discussing anything with the IRA while it is bombing and murdering innocent civilians and killing British soldiers.

If genuine, the offer to Mr Whitelaw was made in a fashion most likely to provoke the Unionist majority. Mr Sian MacStiofain, the Provisionals' chief of staff, announced it at a press conference in a community centre in the IRA enclave of Brandywell. The conference was televised, and the sight of four of the most wanted IRA leaders appearing before the television cameras with immunity was regarded by many Unionists as a deliberate affront.

Mr Whitelaw was expected to agree to three conditions before he came to the Bogside (or anywhere else if the Provisionals were given safe passage) for preliminary discussions. These were for an end to arrests, no more arms searches, and a cessation of what the Provisional leaders called "harassment" of the Roman Catholic population by the security forces. Mr MacStiofain said that if Mr Whitelaw rejected the proposal the violence would continue, and he claimed that the Provisionals were stronger in men, arms and resources than at any time since 1921. Such braggadocio made no impression on Stormont Castle. The Government believes that the Provisionals are now in a position of political weakness in the face of an increasingly resentful Catholic community, which seeks an end to the offensive operations of the IRA.

The absence of the usual pre-condition in the Provisionals' peace offer—that internment must end before any talks could take place—gave the Social Democratic and Labour party the excuse to drop that condition from its own terms. So on Thursday, Mr Hume and Mr Devlin of the SDLP met the secretary of state formally for the first time. As Mr Faulkner had also talked briefly with him the previous day—and arranged a longer meeting for next week—Mr Whitelaw was encouraged to tell the Commons on Thursday that he planned to hold talks which he hoped would lead to a conference on the political future of Ulster, and that this autumn's local elections there would be on the basis of proportional representation. He was also prepared to consider an early plebiscite on the border if that was desired. Events might at last be moving to some purpose in Ulster.

Housing

Buying with Amery

Mr Julian Amery this week threw down a challenge to the new Labour councils on that prickly old subject, council house sales. A circular urges councils to use their powers to sell to sitting tenants; indeed, it says that they

have a duty to satisfy home-owning aspirations. The Government, of course, not only wants to increase home ownership to well over the present 50 per cent, but also wants to reduce the size of the public sector, which is about 30 per cent of the national stock. To prevent this, many Labour councils have put the brakes on the booming council house sales policy of their Tory predecessors (17,000 were sold last year after the Government lifted Labour's restrictions in 1970, and 7,000 in the first quarter of 1972). But, under present legislation, councils cannot be forced to sell ; and compulsion would introduce as much bitterness between Whitehall and town halls, and with more justification, than the controversial Housing Finance Bill.

The effect of that bill, intentionally, will be to make home ownership more attractive to better-off council tenants as rents rise. But the housing market is in no state to bear any extra demand at the lower end ; hence Mr Amery's anxiety to help tenants to become house owners and stay put. They get a lot of help : up to 20 per cent discount on valuation provided they sell back to the council at the original price plus improvements if they move within five years. And valuations are often well below the going price for comparable private houses.

To insist on this kind of handout to better-off council tenants—scarcely a group with first priority in social terms—begs a question : is an insistence on cheap sales not just as doctrinaire as a total ban on selling them at all ? Sales can have a useful social role in raising the status of housing estates. If the houses were sold at market prices, they could also bring in more money which could be put to work in providing more council housing for those who most need it. That would be the best way of helping poor, badly housed families who can suffer if sales are so extensive that a council has far fewer vacancies and less scope for shifting tenants from one type of council house to another. More flexibility in the use of council housing is generally what is needed.

Actors

Stage struck

As if the London theatre had not got enough to worry about—and theatre owners always think they have too much—the actors are now threatening to go out on strike. At their annual meeting last Sunday, members of Equity, the actors' union, voted overwhelmingly in favour of a motion calling for strike action and the formation of a fighting fund if the Society of West End Theatre Managers, representing their employers, turns down their pay claim.

The claim, submitted last November, demands a minimum wage of £30 a week for both rehearsal and performance time, two weeks paid holiday a year and sickness pay at full rate for three weeks a year and half rate for a further three. The SWETM (which actors pronounce "sweat'em") has offered to raise the present minimum of £18 a week for performances and £12 for rehearsals to £25 and £20 respectively by the end of this year and £1 above that for each of the next five years.

West End actors have never struck before. If they were to do so this time—their next meeting with SWETM has not been fixed—they would probably refuse to renew contracts rather than just break them, for a producer might find it well worth his while to sue a wealthy star. If the claim were conceded, it would not much affect straight plays as their smallish casts are nearly all on over £30 a week already ; though any change in rehearsal pay—at the moment an actor contracted to perform at over £75 a week does not get any—could prove quite a burden. The real sufferers would be impresarios like Mr Harold Fielding who put on musicals with casts of often around 80 people which require a lot of rehearsing.

Actors' pay claims in London have a tradition of lasting interminably. But perhaps the employers might be less intransigent if they did not feel financially threatened from other quarters. The theatre has always lived in dread of tax. The entertainment tax—which at one time took as much as 38 per cent of box office receipts—left the theatre at a very low ebb by the time it was repealed in 1957. Since then, the theatre has got on its feet again and also managed to talk itself out of selective employment tax and purchase tax. But its chances of getting out of the 10 per cent Vat do not look so bright, as the Government is plainly anxious not to create too many precedents to encourage other would-be special cases.

There is also a threat from the developers and planners. Six theatres are currently at risk : five face demolition if the Covent Garden scheme goes ahead and one, the Criterion, if the Piccadilly Mark 4 scheme, announced last month, is approved.

Teeth

Something to bite on

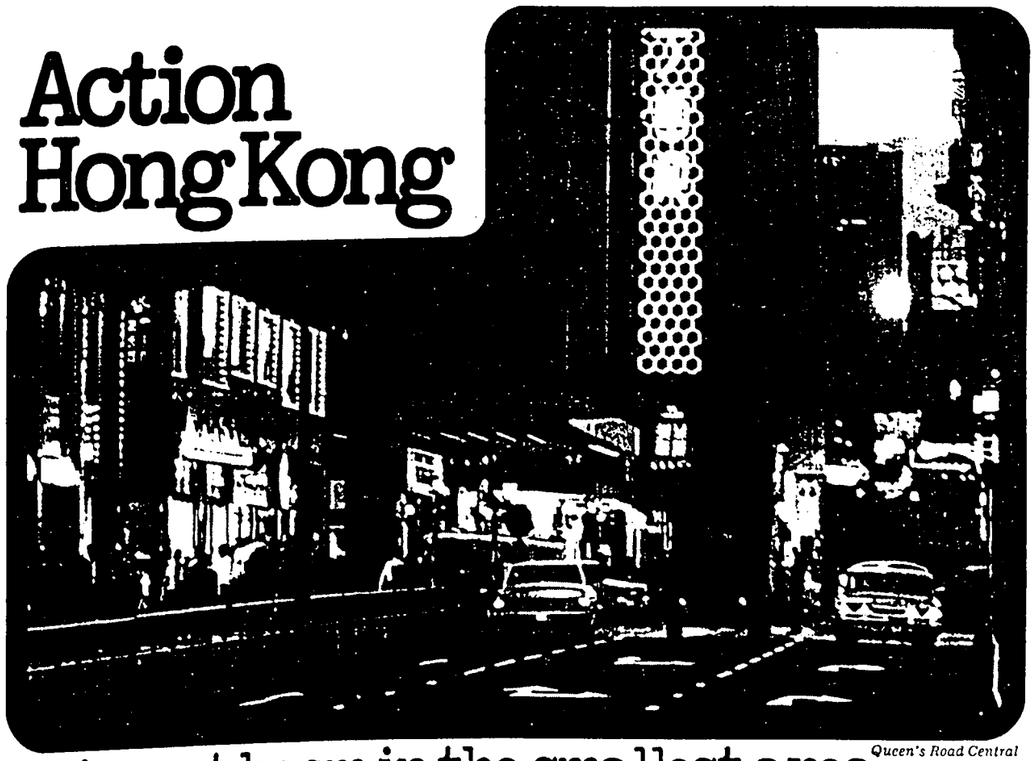
Digging holes and filling them in again has long been recognised as a good way of creating employment, and dentists have also found it pretty profitable—the "target average net income" of a practitioner in the general dental service, after he has paid his expenses, is £4,653 a year. But now some dentists are asking for a more constructive approach to their work. The holes need not be dug, they say, because the caries, which demands this treatment, ought to be and could be prevented in the first place.

This is the theme of a report ("The Mouth—Who Cares ?") from the British Dental Health Foundation, a body whose membership is open to, besides dentists, ancillary workers, technicians and the dental industry—which has presumably provided the bulk of the funds to get the foundation launched. As the report points out, the deplorable state of British teeth is well documented : more than one in three of the adult population of England and Wales have no natural teeth of their own ; between 70 and 83 per cent (according to the region) of five-year-olds, and 85-95 per cent of 12-year-olds, need fillings or extractions. The cause of dental decay is also well known and so, too, is the way to prevent it. But little is done. The purpose of the new foundation is to put pressure on all concerned to get more done.

Its difficulty is that it has to fight a battle on so many fronts at once. It is financially not worth while for dentists to undertake preventive work ; in any case, they can justifiably point out that they have to try to reduce the huge pool of untreated caries in the population at large before they can embark on prevention. Also, the health service charge for dental treatment works against early and regular visits.

Since their parents have false teeth, children grow up to accept that they too will lose theirs. So the foundation is undoubtedly right to emphasise in its campaign the cosmetic importance of good natural teeth. If young people could be persuaded of the contribution these make to their sex appeal—and of the contribution bad ones make to halitosis—they should become more receptive to dental education and preventive dentistry and more likely to pass on their lesson to their own children.

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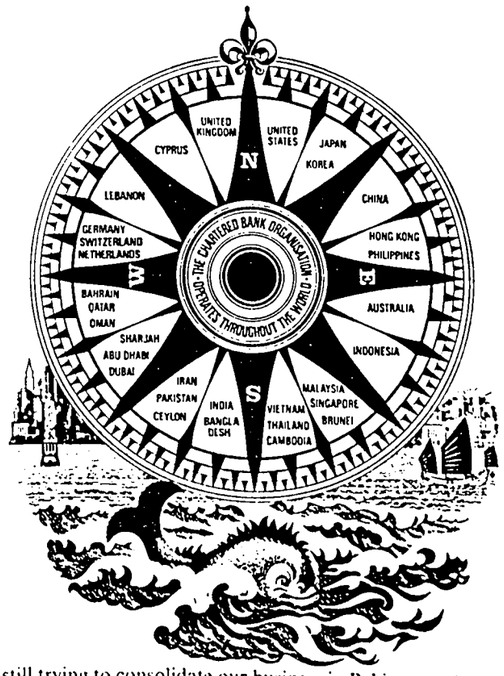
The one hundred and eighteenth Annual General Meeting will be held on 4th July, 1972 at 38 Bishopsgate, London, EC2N 4AH.

The following are extracts from the Statement by the chairman, Mr. W. G. Pullen, which has been circulated with the report and accounts for the year 1971.

Our branch system runs for the main part through the Middle East, the Indian sub-continent, South East Asia and the Far East and the last twelve months have seen adjustments in the Gulf, war between India and Pakistan, war continuing in Vietnam and an economic setback in Japan; all of which had a disturbing effect on world trade and business generally. Added to this was the international currency crisis and the realignment of parities following the devaluation of the United States dollar, which affected in one way or another every country in which we operate, and all these events add up to an exciting but very difficult year's banking. Fortunately the spread of our soundly based business stood us in good stead and we were able successfully to overcome any local dislocation and our results for the year were very satisfactory in the circumstances.

As an overseas bank operating in over thirty countries and committed heavily in international trade as well as local banking we have always realised that we had to accept reasonable risks if we were to serve our customers and the countries in which we were established but the behaviour of the exchange rates up to President Nixon's statement of 15th August, and their subsequent movements until the realignment of the parities on 18th December, acutely stressed the inherent dangers. By anticipating events we were able to avoid losses in a situation in which some countries were not certain up to the last minute what precise action they would take in respect of their currencies relative to the devaluation of the United States dollar. It is by no means clear that settled rates have finally been established; in fact if our own Chancellor of the Exchequer's budget statement is typical of today's thought then more frequent changes are likely to occur in future if parities are not to be so resolutely defended when they inhibit growth. As a British bank our concern must be primarily with sterling and any weakness of that currency could cause immense difficulties for us if we are not allowed freedom to hedge in other currencies. Uncertainty already exists in many of the countries of the sterling area regarding the extent and terms on which they will be allowed to retain their balances in sterling once the United Kingdom enters the EEC. It is assumed that the guarantees against devaluation of sterling given by the U.K. government to those countries keeping the major portion of their reserves in sterling will not be renewed and our interest, like theirs, is what will happen to the sterling area and what freedom will we have to operate in world currencies.

Mention has been made of the Indo-Pakistan war, which caused great anxiety at the time in respect of our staff in the many areas affected. Luckily all came through safely but the aftermath of the war has posed many problems and we are



still trying to consolidate our business in Pakistan and to re-establish our branches in Bangladesh, and at the same time settle cross-claims by both governments. Libya's pre-occupation with its leadership of the Arab world has meant that no attention has been given to claims for nationalisation compensation and we have received no payments for our holding and funds in the Commercial Bank of Libya. Burma too is typically silent on its obligations. At home continued progress has been made in working closer with our friends The Standard Bank and during the year both banks combined their Euro-currency operations in the International Division of Standard and Chartered Banking Group Limited, which as a result has become one of the largest and most competitive trading banks in London. Our pleasant and successful relationship with Sir Julian Hodge and his associates continues and I welcome this opportunity of congratulating them on their outstanding performance.

This Year's Accounts

A comparison of the figures appearing in the accounts with those published last year is rendered difficult by the changes in accounting procedures mentioned in the Report of the Directors. In addition, during 1971 the assets and liabilities of our International Banking Division in London were transferred to the Standard and Chartered Banking Group Limited. In these circumstances it is pleasing to note that the consolidated balance sheet figures, including acceptances, guarantees, etc., have increased to the record total of £1,076 millions and that deposits, in comparison with the revised figures for 1970, have increased by £20 millions and advances by £43 millions. Had the international business referred to above remained in our own books our deposits would have shown a 16% growth over those of the previous year. Capital and reserves, which were shown at £34 millions in the consolidated balance sheet for 1970, have been increased to £59 millions by the transfer of inner reserves and the addition of retained profits.

Copies of the full text of the Statement may be obtained from the Secretary of The Chartered Bank at 38 Bishopsgate, London, EC2N 4AH.

THE WORLD *International Report*

It isn't only Jews Russia is letting go now

FROM OUR SPECIAL CORRESPONDENT *Rome*

The Russians are starting to let some of their non-Jewish dissidents leave the Soviet Union, as well as Jews who want to go to Israel. This major new development seems to have had its experimental origin some time back, in 1966, when the Soviet authorities took the unprecedented step of allowing Valeri Tarsis—a writer, and one of the most outspoken critics of the Soviet regime—to leave the country. Although his visa was good for only three months, neither Mr Tarsis nor his government had entertained any notion that he would return to a country which he had openly branded as "fascist." Within three days of his arrival in London, he was stripped of his Soviet citizenship and declared a traitor, and mentally ill to boot. Mr Tarsis asked for political asylum, and then settled down to a quiet life on the shore of Lake Geneva. In retrospect, that decision seems to have been a test case.

Soon after Mr Tarsis's departure the brilliant Soviet mathematician, philosopher and poet, Alexander Yesenin-Volpin, told a western correspondent that when he had asked for an exit visa he was hauled away to a lunatic asylum. Now, however, the situation has altered. Taking advantage of the increased exodus of Jews from Russia, a number of political dissidents whose links with the zionist movement are tenuous at best (a few have Jewish or half-Jewish wives) have asked for and received permission to leave the country. A few of them have settled in Israel. Others have opted for western Europe or the United States. Within the past two months Rome has become one of the centres of the new Russian emigration. Among the recent arrivals are Yuri Shtein, a film director and one of the members of the group for the defence of civil rights in the Soviet Union that was organised in 1968. Another is the writer and linguist Yuri Glazov, who was thrown out of his job four years ago after signing a number of protests against judicial malpractices in Russia. The deeply religious painter Yuri Titov is yet another.

And on June 9th the group was joined by its most illustrious recruit yet—Alexander Yesenin-Volpin, released at last after his previous failure to get out. In a crowded Roman restaurant, surrounded by happy, shining faces, Mr Volpin declaimed some of the revolutionary verse he had written in a Soviet prison back in 1949, and dedicated himself, along with his enthusiastic friends, to the furtherance of the struggle for human rights in the Soviet Union.

The significance of what seems to be the formation of a foreign outpost of the Russian democratic movement is not yet clear. The Soviet government may have borrowed a leaf from the tsars as well as from Lenin, who permitted his ideological adversaries to leave Russia, but it is far from extending this policy to all anti-regime intellectuals who are ready to apply for exit visas. Nor should it be assumed that the majority of Russia's dissidents wish to emigrate. By and large, those who have come out, or would like to, feel that their effectiveness inside the country has been virtually destroyed as a result of continuous repression and harassment. But their energies have not been sapped, nor do they wish to sink into obscurity, as Mr Tarsis did.

Within the past few weeks, for instance, they have engaged in a campaign on behalf of the 40-year-old writer Vladimir Maximov, the author of a remarkable novel, "The Seven Days of Creation," published by a Russian emigré journal in Germany,



Yesenin-Volpin makes it at last
By permission of Peter Reddaway

and soon to appear in a number of translations in Europe, the United States and Asia. In poor health, and under threat of official reprisals, Mr Maximov has now had his cause taken up—as a result of the efforts of his friends in Rome—by a number of distinguished Italian writers, including Ignazio Silone, Elena Croce and Giancarlo Vigorelli. Last week, when some of Yuri Titov's paintings arrived from Russia, most of them irreparably damaged by sulphuric acid, the group issued a statement which denounced this as an act of political vandalism. Plans are also afoot to publish a series of books and possibly a magazine that would keep western public opinion informed of the struggle for human rights in the Soviet Union.

What impact will the departure of some of the leading dissidents have on their friends and colleagues in Russia? Clearly the Soviet authorities look forward not only to the eventual fading of news about Mr Volpin and his group but also to the demoralising effect of their departure on the dwindling ranks of the dissident communities in Moscow and Leningrad. But Mr Volpin has no such fears. "The growth of

public opinion in Russia," he said in Rome last Saturday, "cannot be stopped: for every single individual leaving the Soviet Union, two new ones will come up. Our friends know that we had no choice but to leave and that we shall continue our struggle as vigorously outside as we did inside the Soviet Union."

Although a few of the other recent arrivals concede that their departure has caused dismay among some of the remaining dissidents, the chances are that Mr Volpin's prediction will prove to be right. The struggle in the Soviet Union is nurtured by forces stronger than the leadership provided by a few individuals. Lenin's activities in London and Geneva 60 years ago did not bring about the downfall of the tsarist regime, but often proved invaluable to his comrades at home. What with modern communications, an increasingly alert western public opinion, and a marked sensitivity to it on the part of the Soviet regime, the role of individuals such as Mr Volpin is bound to grow. In the end Mr Brezhnev may well find his newest tactic of "getting rid of the troublemakers" more of a mistake than a blessing.

The Stockholm conference

It got a bit polluted

The Stockholm conference on the environment has established one thing clearly enough: the world's worst pollutant is, and always has been, politics. This fact of life emerged as a flood of proposals, counter-proposals and amendments poured from the separate committees in the second week of the conference. They covered everything from imperialism, colonialism, war and aggression to racialism, apartheid and national sovereignty.

Well ahead in the league of political spoilers at the conference was China. Starting with a long tirade against the United States last week, the Chinese delegation followed this up with an equally ferocious attack on the superpowers for aggressive policies of war and environmental pollution. With Russia boycotting the conference it was not surprising that China should seize the opportunity to lead the third world constituency among the 114 delegations, although the vehemence of the Chinese attacks clearly took even the American delegation by surprise.

In his resolution accusing the superpowers of polluting the environment,



China's Chen Hai-fen fans the flames

the leader of the Chinese delegation added the careful rider that "no reference should be made in this connection to countries which need armaments for self-defence or national liberation." By an odd coincidence the Stockholm Peace Research Institute—which has no connection with the environment conference—published its 1972 yearbook on world armaments the following day. This showed that 15 countries are now at "near nuclear" potential, with India singled out as the most advanced. The Chinese delegation did not say whether India is to be included in the special category of those who need nuclear weapons purely for self-defence.

On the resolution dealing with the world population explosion the Chinese delegation declared that "plunder, aggression and war are the real causes of over-population problems." Sex, too, presumably, although this does not fit neatly into maoist rhetoric. Nevertheless, many of the delegations were clearly impressed by the Chinese claim that even though China's population has grown from 500m to 700m in 25 years nobody in China is starving or unemployed.

As the conference approached its final plenary session this week there were desperate attempts to rescue a resolution on protection of the environment from the political morass of the earlier meetings. But, having learned the hard way that political resolutions at environment conferences get you nowhere, the more hard-headed delegates concentrated on getting some form of world body organised for monitoring environmental hazards. It was agreed that a 48-member council, financed partly by the United Nations and partly by the voluntary $100m environment fund, should be set up. When it is established, the new council will provide a monitoring system for the five subject areas chosen for the Stockholm conference—human settlements, natural resources, pollutants, environmental issues and development.

There will be plenty of disagreement when it comes to designing policies for dealing with the reports it sends in, especially in the development field. The nettle that must be grasped is what sanctions, if any, the council will possess in order to push recommendations through the barriers of national self-interest. The conference did not spell this out.

As proposals and amendments multiplied among the committees the Stockholm conference risked the ecological irony of being buried beneath the three tons of paper and newsprint that it spawned each day. If another conference on the environment takes place the organisers will have to consider a tight ban on all explicitly political resolutions. If critics then argue—as Professor Barry Commoner argued at Stockholm—that such a decision is itself a political one, there is an obvious answer. The Stockholm conference showed beyond doubt that when discussions on the environment get snarled up with political resolutions, national interest inevitably prevails over any wider considerations.

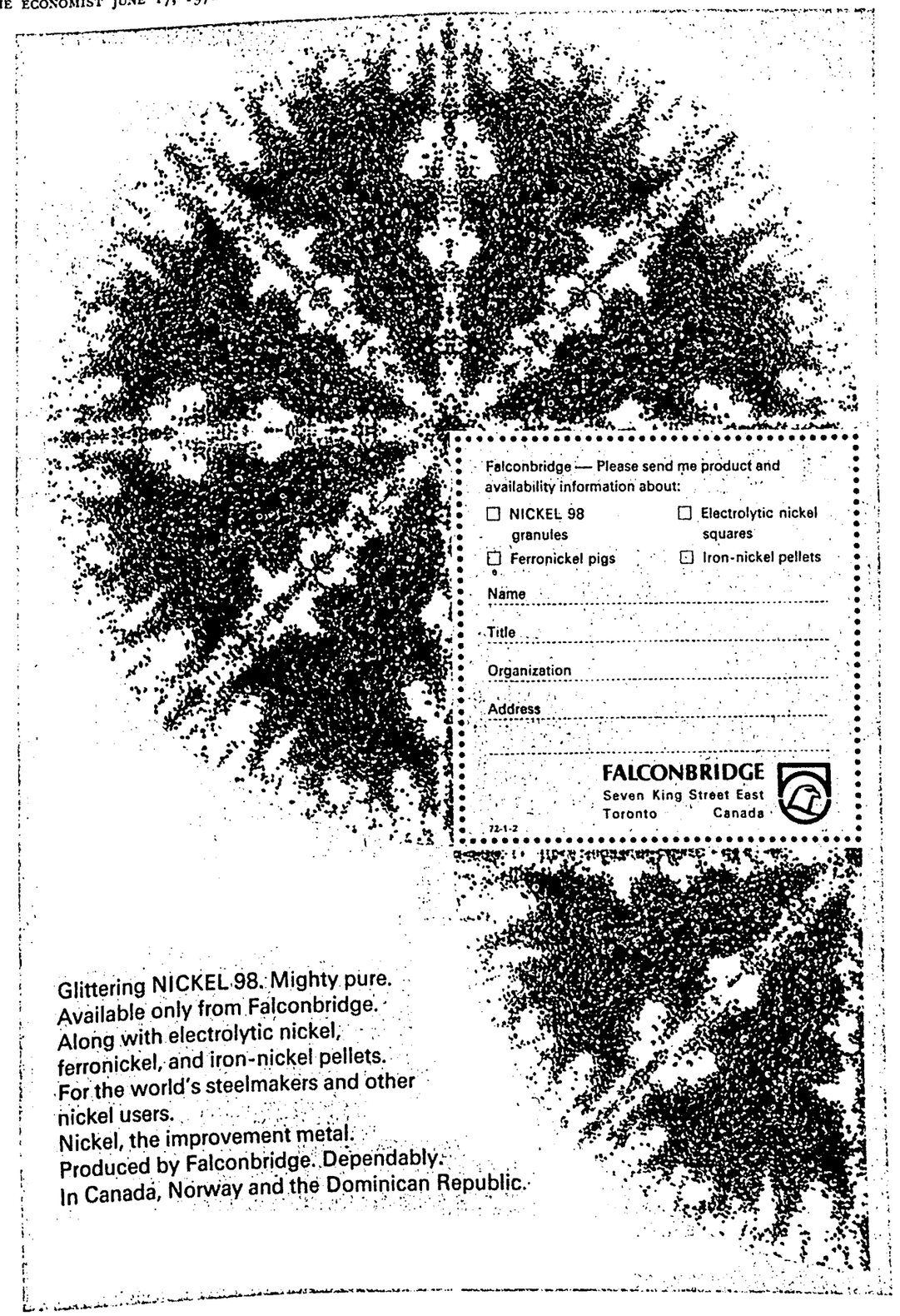
France

Adieu, méfiance?

FROM A CORRESPONDENT IN FRANCE

Like Napoleon I, Napoleon III and Pétain, Charles de Gaulle was exasperated by the French people and came near to despising them. "When I'm gone," he told Jean Mauriac and others, "everything will be adrift. France will be a swamp." Even though de Gaulle's successor is now displaying some of his predecessor's talent for annoying his fellow-Europeans, France has indeed changed in the three years since Georges Pompidou was elected president on June 15, 1969. "We have better things to do," M. Pompidou said the other day, "than try to rival the very great powers." Even when playing to the gaullist gallery, he has tried to educate it.

As the frippery and obsessions of latter-day gaullism have withered away, Marianne has reacquired human features. People are again more important than generalisations. Uni-



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forms are no longer sacred vestments ; the police have been told to cool it ; the secret services are at the cleaners. There is less tension in the air and much more freedom on television and the radio. There is greater self-confidence—national, regional and individual—and therefore less pettiness, quibbling and arrogance. Europeanness is fashionable ; paranoia is now a matter for medical rather than political science.

These points bear stressing because many foreigners, including many francophiles, gave France up as hopeless in the late 1950s, so nauseous was the wave of chauvinism and xenophobia then sweeping the country. The complexes bred by such humiliations as the 1940 defeat, Dien Bien Phu, the Algerian uprising and the collapse of the Fourth Republic—systematically exploited by politicians like Michel Debré—were mainly responsible. Concluding a gloomy report on France in *The Economist* of February 20, 1960, this correspondent wrote :

> Some satisfaction in Algeria, a diplomatic coup or two, and a major technological triumph on the H-bomb or sputnik level will be necessary to soothe the complexes on which the plotters and demagogues thrive and restore to gallocentricity its more genial characteristics.

De Gaulle ended the Algerian war, although not in the way his followers had hoped ; his nineteenth-century nationalism produced an occasional diplomatic coup for much the same reason as a model-T Ford will turn heads at Le Mans ; and he reaped the technological harvest sown by the planning, investment and educational expansion of the Fourth Republic. French complexes nagged less ; prosperity brought its especial balm ; and the 1968 explosion blew away some political as well as academic cobwebs.

Of the thousands of students who in May, 1968, defied the riot police and chanted "We are all German Jews," most are now pillars of the consumer society they affected to despise ; but it is hard to imagine them reverting to chauvinism and xenophobia. Their younger brothers and sisters are enthusiastically European. A middle-aged history teacher who makes an anti-German remark will draw moans and perhaps protests from his pupils. A well-documented history book now working its way into secondary schools asserts that Joan of Arc was not burned by the English but married and lived to the age of 41.

Even the French language is receiving something of a liberation from the academicians and latinists who have never really forgiven Rabelais. Less grammar and Latin are taught in schools. Le Monde has dropped its nitpicking feature *La défense de la langue Française*. The runaway best-seller of the past two years has been San Antonio, who writes with Joycean verve, stands grammar on its head and peppers his prose with slang and English.

French papers no longer try to prove that French humanism is morally superior to soulless technological societies like the United States. French anti-Americanism has usually been nine-tenths envy, and nobody envies an America saddled with Vietnam and plagued with problems of race, crime and drugs that make Pigalle look like a Quaker picnic. Anyway, France has gone technological itself now.

For Britain there is even sympathy. Seen from here, Britain seems to be in the same posture as France in the middle 1950s—teetering on the brink of Europe, industrial modernisation and bewildering new perspectives, and wishing itself back in the steam age. French institutions cracked under the strain, exacerbated as it was by the Algerian turmoil. Britain, happily, has stronger institutions and no Algeria (well, not quite) ; and few Frenchmen seriously expect Britain to funk it and bunker down in nationalist mediocrity. One senses an upsurge of almost affectionate interest in British institutions, books, films and consumer goods. Even small-town shops are beginning to stock such English exotica as jigsaw puzzles and (God help France) bottled salad-dressing.



Let aggression be dissipated playing boules

Prosperity becomes the French—as, indeed, it does most civilised people. The average Frenchman not only possesses more material goods than most Europeans, he eats better food, takes longer holidays and has better social and educational services. His children attend school on average from 4 to 17. He feels more secure, and is less touchy, more relaxed and more expansive, than he was in the late 1950s.

La méfiance—once a very French characteristic—is waning. Helpfulness is in. Parisians, like Londoners and New Yorkers, are often too busy commuting to bother about their fellow men ; but outside the capital, and one or two other backwaters, good manners and old-fashioned niceness are becoming the norm. Here are a few personal experiences.

A parcel of books I was mailing to England was too heavy. So two of the post office's four counter-clerks (all pleasant young women) dashed off behind the scenes in search of paper and string. Then they repacked my books in two parcels, wrapped and addressed them, and apologised for keeping me waiting.

Carless in a strange town on a wet day, I went into a grocery and telephoned for a taxi to take me to the station. Ten minutes later I was still waiting for it in the doorway of the store. The grocer came out, asked : "What time is your train ?"—and drove me to the station himself, refusing payment.

We were driving to Spain two days before Christmas. In a small market town my wife was tempted to buy a turkey, since French poultry is usually better than Spanish. But most of our travelling money was in pesetas, and the butcher didn't want a cheque. He

didn't know us but he said: "It doesn't matter. Pay me on your way back." "But we'll be away three or four weeks." "That's all right," he said.

It was misty, I was listening to the news, and I failed to halt at a checkpoint set up to catch smugglers in a frontier zone. A gendarme whistled, overtook me, and became incandescent when he discovered that I was travelling with neither identity card nor driving licence nor *carte grise* (car-ownership certificate). He had never before encountered so brazen an offender. His sergeant came to my rescue when he learned that I was English. "English people are always careless about such things," he said. "Carry on, *monsieur. Bon voyage!*"

"*Ce sera le marais,*" de Gaulle predicted. One can only wish there were more such swamps.

Germany

Very well. But how and when?

The west German political parties at last appear to have agreed on something—that the only way out of the present parliamentary impasse is a general election. The Social Democrats and their coalition partners, the Free Democrats, came to this conclusion during the long wrangle in the Bundestag in April and May over the ratification of the Moscow and Warsaw treaties. At that time the opposition clung to the hope that it could unseat the chancellor, Herr Brandt, through a constructive vote of no-confidence and get its own leader, Herr Barzel, elected in his place. But this week the Christian Democratic Union decided that it would not be in the opposition's interests to try this procedure again. It failed in April through at least two defections from its own ranks, and the attempt did not seem popular with public opinion.

But although the opposition has come round to the government's view that an early election is necessary, it is determined to rub Herr Brandt's nose in the mud before the voters have their say. Herr Barzel has therefore rejected Herr Brandt's proposal that there should be an all-party agreement to dissolve parliament and go to the polls. He insists that Herr Brandt should either resign or be defeated in an ordinary vote of no-confidence (which, unlike a constructive vote, merely obliges a chancellor to resign but does not at the same time provide a replacement), thus admitting that his policies have failed.

Herr Brandt will almost certainly not resign, but his party could abstain in a confidence vote and thus make it clear that this was purely a device to allow parliament to be dissolved. The summer recess starts on June 23rd, and the Bundestag will not meet again until September 18th. If the chancellor calls for and loses a vote of confidence then, the election would have to be held within two months. It will suit the government parties to fight it out as soon as possible, while the popularity of the treaties with Russia and Poland is still working in their favour. And if the Olympic games in Munich, which close on September 10th, go off without major hitches the government may pick up a few extra votes.

One small worry will have faded from the chancellor's mind. The former Social Democratic deputy from Bavaria, Herr Günther Müller, who now sits in the Bundestag as an independent, failed to make much impression on the Munich voters in the municipal elections on June 11th. In his bid for the post of mayor he received only 2.5 per cent of the votes and the official Social Democratic candidate won easily. It is unlikely that much more will be heard of his movement, Social Democrats 1972, which was formed to challenge the left-wing influence within the Bavarian section of the party.

Ireland

It's the Irish in them

FROM OUR DUBLIN CORRESPONDENT

Just as everything seemed to be going his way, Mr Jack Lynch, the Irish prime minister, has now suddenly come head on against a new and unexpected political challenge. The two opposition parties, Fine Gael and Labour, were thought to be disunited and in disarray. This week, against all expectation, they began moves to form a coalition government, if they are in a position to do so, after the next general election.

At the past three elections Labour has refused Fine Gael's advances. And only three weeks ago Mr Liam Cosgrave, the Fine Gael leader, was talking in a way that seemed to rule out the possibility of a coalition. At his party's general congress he was scathing about Labour and its policies and indicated that it would have to put its house in order before any deal could be made. But the left wing of Fine



Corish has changed his mind

Gael has been pressing very hard for a coalition deal with Labour as the only chance of getting Fianna Fáil out of office. Mr Lynch now has 69 seats in parliament against a combined Fine Gael-Labour total of 68, with six independents and one vacant seat.

In announcing his change of mind, Mr Brendan Corish, the Labour leader, ruled out mere support for a minority Fianna Fáil or Fine Gael government. He offered to negotiate a part in a coalition government on terms which would implement the basic elements of Labour policy on full employment, price control, housing, expansion of health and social services, industrial democracy and modernisation of agriculture. Mr Cosgrave immediately welcomed the move, which he said changed the political climate dramatically. He claimed that his party had long been committed to the policies referred to by Mr Corish.

That is stretching it quite a bit. It is difficult to visualise a permanent or even long-term coalition between parties whose extremes are at opposite poles of the political spectrum. But a cabinet selected from the best front-benchers of both parties could be a distinct improvement on the present government. And the real prospect of power for the first time in more than 15 years should be tempting enough to smooth, for a time at least, the substantial differences between the two parties.

Mr Lynch has until 1974 before he has to go to the country. The signs were that he did not plan to do so before June, 1973. But the new challenge may convince him that he would be wise to have an election soon, while he is at the height of his popularity in the party and in the country, rather than wait for the opposition's newfound unity to mature.

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South Africa

Back to Boerehaat

FROM OUR SOUTH AFRICA CORRESPONDENT

As police continued to batter anti-apartheid students into bruised submission this week, it became apparent that this was more than just another repressive incident. It was the culmination of a chain of events, linking back through the campaign against English-speakers, police raids and the trial of the Anglican Dean of Johannesburg, which indicates that the government is undertaking a fundamental shift of direction. In short, it means that the prime minister, Mr John Vorster, has abandoned his brief experiment with *verligte* (enlightened) policies. He has swung hard over to the right and is heading now on a course of unvarnished domination and authoritarianism.

Within a year the whole atmosphere of South Africa has changed. In the southern winter of 1971 all was optimism and there was an exciting whiff of change in the air. Dialogue was the in-thing and two bold instances of it set the whole country abuzz: a large multiracial conference at a specially integrated airport hotel outside Johannesburg, and the remarkable visit last August by President Banda of Malawi, which literally swept white South Africans off their feet. There was talk of talks with Ghana and the Ivory Coast, and the foreign minister flew to Madagascar to sign a trade pact. With the launching of Zululand under the outspoken Chief Gatsha Buthelezi, even some of the most sceptical liberals began to think things might really be on the move at last, and that when Mr Vorster spoke of "multinationalism" it was really a cunning politician's euphemism for multiracialism.

But all that seems very remote now as the police unleash their stormtrooper campaign to a chorus of approval from the Nationalist government, the party press and especially Mr Vorster himself. What caused the change, it seems, was the fact that the government began losing seats to the opposition United party. Nine had fallen at the general election of April, 1970, but this did not cause any immediate alarm. The Nationalists were inclined to dismiss it as a temporary setback due to complacency after nearly a quarter of a century in power. When more fell at the provincial elections later that year they began to sit up and take notice.



It doesn't exactly help to get them loved

But the real crunch came with a by-election last April when there was a 12.6 per cent swing to the United party in the safe Nationalist seat of Brakpan, cutting it to a marginal. This threw the Nationalist party leadership into a turmoil of self-recrimination, especially as the analyses indicated that the swing had been caused not so much by any attraction towards the United party as by disillusionment with the Nationalists.

It was soon to become apparent what conclusion all this self-examination had reached. With another by-election test looming in the farming area of Oudtshoorn, the Nationalists reverted to the most primeval of all their tactics — a campaign raising the ancient cry that the English-speaking community was guilty of *Boerehaat*—literally, hating the Boers. The tactic paid off handsomely, with the Nationalists scoring a big increase in their Oudtshoorn majority. This was the decisive event that confirmed Mr Vorster on his new course.

The tone of speeches in parliament reflected the change of tack. *Verligte* speakers faded into the background and *verkramptes* (the diehards) moved to the fore. Attacks on the lone Progressive, Mrs Helen Suzman, became markedly sharper and more menacing. Significantly, Mr P. W. Botha, leader of the Nationalist party in the Cape —traditionally the base of its more liberal wing—stood out prominently in the *Boerehaat* campaign. All mention of the outward-looking policy ceased.

Then came the drive to subdue the protesting students, and the prime minister's personal approval of the violence used. "If the police had not acted in this way, then I would have been personally disappointed in them," he said after the first baton charge when students were beaten up and chased into the nave of St George's Anglican cathedral in Capetown on June 2nd. More baton charges followed there and in Johannesburg. All outdoor assemblies have been banned throughout most of the country and a total of nearly 600 students has been arrested. It has all amounted to a massive demonstration of authoritative toughness, giving sharp definition to the new image the government wants to project.

But the reasons for this change run deeper than a mere electoral tactic. It is basically an authoritarian response to the government's crumbling situation. On all sides its policies are running into trouble. The bantustan (homelands) policy is failing to separate the races physically to any appreciable extent and instead is simply providing political platforms for some uncomfortably outspoken African leaders. The Coloured Council—the forum for those of mixed blood—likewise has become a focus of dissent. The movement towards a common front of all non-white groups is growing rapidly. The economy is being stifled by industrial apartheid.

In other words, apartheid is approaching a crisis point at which it must either be transformed or be more harshly held in place by sheer force. The *verligte* experiment represented an attempt to begin a process of gradual adaptation. But the grassroots resistance it encountered in the party, and its electoral risks, appear to have frightened the leadership into switching to the alternative. It is a switch that bodes ill for the prospects of peaceful change in South Africa.

Vietnam

The bombing takes its toll

FROM OUR SAIGON CORRESPONDENT

It now seems clear that the American blockade and bombardment of North Vietnam are seriously affecting its capacity to nourish the offensive in the south. Intelligence sources in Saigon say the blockade has been completely successful in stopping arms shipments to North Vietnamese ports, although small boats are still bringing in some supplies from China along the coast. The railway lines from China are impassable after the destruction of more than 30 bridges and tunnels, and the line south from Hanoi is also out of action. Several of North Vietnam's major oil depots have been severely damaged, and a number of truck repair and maintenance yards have been destroyed. As for the roads, however, American air force officers say that the North Vietnamese are still able to fill in the craters and repair the bridges fairly quickly.

Several power stations supplying plants connected with the war effort have been put out of action, including the big new Lang Chi hydroelectric station 63 miles north-west of Hanoi. North Vietnam has acknowledged that the bombing has caused severe economic problems, and it claims that many civilians have been killed and hospitals and schools hit.

The Americans deny this, and produce photographs showing that their new bombs guided by laser beams and television hit their targets with great accuracy. In the attack on the Lang Chi power plant, for example, bombs were steered through the roof of the generator house without damaging the dam and spillway only 100 yards off. The B-52 attack on oil facilities near Haiphong was also a precision job. The American argument is that at least some of the hospitals and schools that have been damaged have been hit by the falling Sam missiles and anti-aircraft shells sent up by the North Vietnamese themselves. Of the 1,400 Sams launched since March 30th, only 16 have scored hits. The South Vietnamese who were accidentally bombed with napalm last week were victims not of an American but of a South Vietnamese error.



Precision in the north . . .



. . . and inaccuracy in the south

The Americans claim that they have inflicted as much damage on North Vietnam's war potential in the past two months as during any 12-month period of the 1965-68 bombing. This has been achieved with far fewer sorties and a much lower tonnage of explosives because of the new bombs. In the earlier campaign, for example, the Americans sent 1,000 sorties against the Thanh Hoa railway bridge and lost 30 planes—but failed to knock out the bridge. On May 13th this year the bridge was destroyed at the first attempt without the loss of an aircraft.

Intelligence sources say the oil shortage is beginning to affect supplies to communist troops in the Quang Tri and Hué battle zone. But the Kontum and An Loc fronts are little affected because they had ample supplies before the blockade began. Anyway, the current lull in the south is not attributed to supply difficulties. It may be due in

John Paul Vann

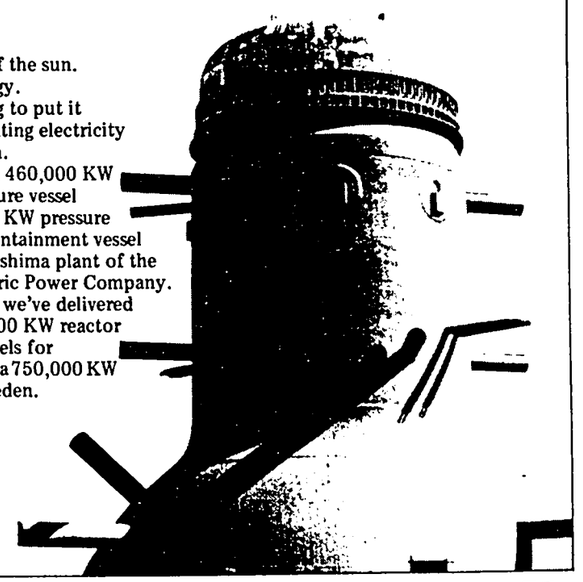


When John Paul Vann was serving as an American military adviser in the Mekong delta 10 years ago he saw things that his superiors did not want to know—notably that the communists were gaining strength and that the South Vietnamese army was in deep trouble. His perceptive and detailed reports to General Harkins in Saigon ended up in the wastepaper basket, but through friends like David Halberstam of the New York Times he was able to warn the American public where the situation was leading. His prospects of promotion were ruined, and he retired from the army in 1963 to lecture on Vietnam.

But to the dismay of the doves Mr Vann did not join the anti-war movement. Although he continued to criticise the way things were being done in Vietnam he still argued for continued American support. And in 1965 he himself returned to Vietnam as a civilian adviser, still outspoken about the excessive use of artillery and bombing, but with a deep personal commitment to help to win a war which he believed was still winnable—and worth winning.

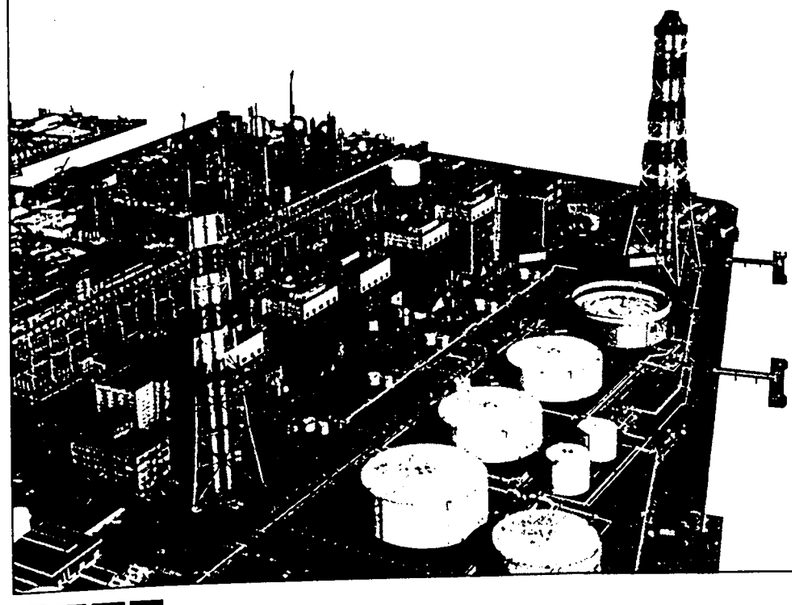
In his most recent post as senior adviser in the 2nd military region, the area including the central highlands, Mr Vann masterminded the defence of Kontum. His energy and courage became legendary. He slept in insecure hamlets to find out what was going on, and when American advisers were trapped in the fall of Tan Canh he took his own helicopter in under heavy fire to rescue them. On June 9th, a few miles outside Kontum, his helicopter was shot down in flames and Mr Vann became the highest American official to die in the Vietnam war. Tributes came from the White House and President Thieu—and, in a way, from Hanoi: there were special awards to the North Vietnamese troops who shot him down.

Although an exceptional man, Mr Vann did represent a type of American found in many parts of Vietnam—the official who has returned voluntarily to undertake a hazardous assignment in the provinces. To some extent these men are lured by the challenge. But many of them share Mr Vann's feeling of identification with the South Vietnamese, and a sense of duty to help them win through.



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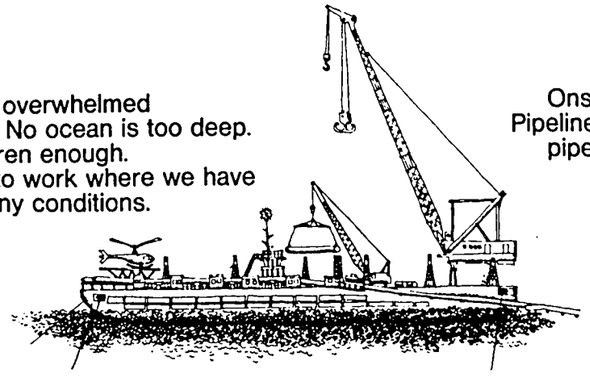
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part to the heavy casualties sustained by North Vietnamese units. But there is evidence that reserve forces are now being brought in. The focus of the offensive may now shift to the Mekong delta. It is known that the communists have increased the number of troops infiltrating into the area.

America and China

Kissinger rides again

There are some logical reasons why Mr Henry Kissinger should be off to Peking again, and some bizarre but just credible theories. The coolest explanation for his pre-announced departure on what sounds like a slow boat to China—he arrives on Monday—is that the Chinese want to know what Mr Brezhnev and Mr Nixon said to each other in Moscow last month and have summoned Mr Kissinger to tell them. And while he is there he can conveniently fill them in on his conversations with the Japanese last weekend (see page 17).

A higher-temperature explanation of Wednesday's surprise announcement is that the Chinese called for Mr Kissinger to give them reassurances about the limits of the American bombing of North Vietnam. Only two days earlier the Chinese foreign ministry had issued a statement asserting that the Americans had "steadily expanded the sphere of bombing up to areas close to the Chinese-Vietnamese border" and that this action was "threatening the security of China." The last time China used that phrase about its security was when the South Vietnamese army went into Laos in February, 1971. But China took no action then, and the Americans are not sending ground troops into North Vietnam now.

The White House press secretary, Mr Ziegler, told newsmen that Mr Kissinger's five-day visit had been agreed upon within the past month and its date fixed "in the last 10 days." This piece of news opens up the possibility that it was the Americans rather than the Chinese who initiated the visit, and not only to reassure the Chinese that their border was safe. The reappearance of Mr Kissinger in Peking while the outcome of the current North Vietnamese offensive is still undecided may be part of the American psychological warfare campaign to undermine North Vietnam's faith in its allies. The Russians may be hoping to exploit this "collusion" between Peking and Washington by sending their president, Mr Podgorny, to Hanoi. But then Mr Podgorny himself was clinking glasses with Mr Nixon in Moscow last month.

The most improbable explanation of the Kissinger trip rests on the slender evidence of a report in a Hongkong newspaper on Tuesday that communist cadres had been alerted for "a serious statement about the health of Chairman Mao." Any foreigner, and Mr Kissinger above all, would be the unlikeliest of deathbed companions for Mao Tse-tung. But it is just remotely conceivable that in the throes of a succession struggle within China one side would try to play the American card. The impossible has happened in China before.

India

Lefter than thou

FROM OUR INDIA CORRESPONDENT

The radicals in India's Congress party who united to expel its right-wing leaders three years ago are now at each other's throats. Former socialists are piqued by the preference Mrs Gandhi has shown to former communists. These ex-communists include one cabinet minister, Mr Mohan Kumaramangalam, several junior ministers, the most important of the party's three general secretaries, and the new chief minister of Orissa. Only one job, that of a junior minister, has gone to a former socialist.

Mr Chandrashekhar, the best known member of the ex-socialist group, expressed his growing disenchantment with the ex-communists in a recent article in the magazine Young India, in which he accused them of operating as a clique with the eventual aim of capturing the Congress party apparatus. He is also irked by their claim that they enjoy the confidence of the prime minister because they alone are loyal to Congress ideology. These sharp comments reflect growing differences over policies. Although they make common cause on the subject of land reform, Mr Chandrashekhar and his friends believe that Mrs Gandhi's government lacks the will to honour the party's pledges to curb monopolies.

The former communists have their reservations, too. But the curious thing is that their current emphasis is on speeding up economic growth rather than on a battle about the ownership of industry. They argue that productive forces should be allowed to grow because growth alone can meet the immediate problems of inflation and unemployment. This pragmatism suits Mrs Gandhi. But it has provoked indignant comments from Mr Kumaramangalam's old communist colleagues as well as from Mr Chandrashekhar's friends. This is an important reason why the prime minister is increasingly angry with the former socialists. She suspects that they are interested more in headlines than in radicalism.

Philippines

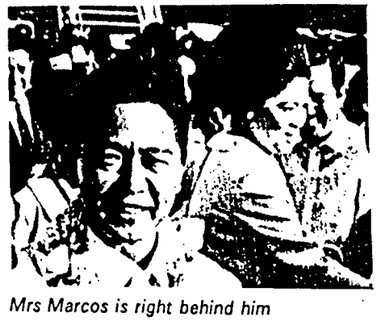
They won't believe the lady

FROM OUR CORRESPONDENT IN MANILA

Was ever a president so persistently and rudely abused as Mr Marcos of the Philippines ? It seems he can do nothing right and nothing he says is believed. Last week the chairman of the convention now drawing up a new constitution demanded that the president should give him a document of renunciation solemnly vowing that neither he, his wife nor his near relations would seek to be chief executive of the Philippines after 1973, when the next election is due.

The president's riposte was that he had already made many public statements clearly declaring that neither he nor his wife had any political ambitions beyond their current term in Malacanang Palace. Since no one has accepted them at face value, what use would a document of renunciation be ? The immediate result, of course, was to intensify the belief that Mr Marcos is dodging the issue.

The president and his wife have bought themselves an old colonial mansion on the Pasig river and are furnishing it to serve as a town house for their retirement. But the publicity given to this move convinced their critics that it was another confidence trick. Short of quitting the job right now, or slitting their own throats, nothing they say or do will make people believe that they have no intention of perpetuating their power.



Mrs Marcos is right behind him

The suspicion, however, centres not so much on the president as on his wife. It is the possibility that she might turn her good looks, and her delight at being a public figure, to her own political advantage that seems to strike terror in people's hearts. A first lady must play second fiddle. In the feudal Philippines there is no sentimentality attached to a rags-to-riches social climb, and Mrs Marcos's elevation from barrio beauty to first lady is considered an offence against social order.

Africa

Don't forget Burundi

This year's summit meeting of the Organisation of African Unity, which opened in Morocco's capital Rabat on Monday, has shown rather more unity than most of its predecessors. The main issues under discussion have concerned the struggle for the white-ruled territories in the south, and the perennial problem in the Middle East. On Wednesday the OAU passed resolutions increasing its financial contribution to the southern guerrilla movements by a half and supporting Egypt's position against Israel. The record number of 20 heads of state attending the meeting testifies to the calm of most of the continent. Only one country, Malawi, is boycotting the conference.

Malawi's absence marks the death of its brainchild, dialogue with South Africa. The dialogue issue, which dominated last year's meeting, has suffered several reverses since then. Although President Houphouët-Boigny of the Ivory Coast remains well disposed to the idea, he has avoided the subject since the rejection of his proposals at least year's conference. Lesotho has hardened its attitude considerably. So, publicly at least, has the new government in Madagascar. The military regime in Ghana which seized power in January is forthrightly opposed to it. If not dead, the issue has entered a phase of prolonged suspended animation.

But the guerrilla movements opposed to white rule in the south seem to be gathering a bit of momentum. The most important event, if it is put into effect, was the announcement last week that two of the Angolan guerrilla movements have decided to sink their differences and unite in opposition to the Portuguese. The Zambian-based Popular Movement for the Liberation of Angola (MPLA) and the Zaïre-based National Front for the Liberation of Angola (FNLA) have gone their separate ways for several years. Not only have they spurned co-operation; the MPLA has even been denied the use of Zaïrian territory as a base for its operations.

Zaïre's President Mobutu has preferred to harbour only the near-dormant FNLA, whose lack of bloodlust has conveniently posed no threat to discreet improvements in relations between Portugal and Zaïre. Guerrilla movements the world over show a stronger tendency to divide than to unite, so the reported rapprochement may come to nothing. But if President Mobutu now allows MPLA guerrillas to infiltrate into Angolan territory across Zaïre's border the Portuguese might be faced with a more serious war on a wider front.

For several years OAU meetings were overshadowed by the horrors of the Nigerian civil war. This year there is another tragedy in Africa—the massacres in Burundi—yet at mid-week there had been no debate on the matter at the conference. The danger is that sensitivity about the internal affairs of member states could prevent the OAU from doing what it can to contain the slaughter—which is now thought to have claimed more than 100,000 lives—and to send assistance to those who are still living. It is bad enough that the events have been all but overlooked by most of the world; they certainly should not pass unnoticed in Africa itself.

Zambia

Let them wear crackers

FROM OUR LUSAKA CORRESPONDENT

Having watched its foreign exchange evaporating for 18 months, the Zambian government has taken drastic action to curb imports and try to prevent a further slide in the reserves. The immediate result has been to disrupt commerce and industry. A month of haphazard import controls has so exasperated local businessmen that they have warned the government that the regulations could lead to the closure of factories and a wave of unemployment. Few businessmen question the need for import controls, but the apparently indiscriminate methods in which these have been applied have made the business community doubt whether the government knows what it is doing.

Applications for imported goods which were obviously essential have been rejected. Some applications, once approved, have been subsequently cancelled and firms have found themselves unable to claim goods which have actually arrived in the country even though they have already been paid for. The government's trade department has turned down an application by one company to import 150 tons of insecticide needed to help the veterinary department's programme to eradicate the deadly tsetse fly. Applications for hospital equipment and spares for copper mining machinery have also been rejected. One firm was refused permission to import women's brassieres, yet on the same day it received a permit to buy Christmas crackers. Even more bewildering was the trade department's rejection of applications to import goods from China at a time when the government was trying to coerce businessmen to buy Chinese goods to meet its commitments under the Tan-Zam railway agreement.

The import muddle is likely to be a temporary one. But its cause, dwindling foreign exchange, will be more difficult to overcome. The reserves, which stood at £18gm in January, 1971, have now fallen to about £59m. Although the government's own economists gave warning 18 months ago that major restrictions would have to be introduced, little was done until this year—and then in such a rush that it produced, in the words of one prominent businessman, "ineffable chaos."

The reserves are still reasonably high but there is as yet no sign that the decline has been halted. The main problem is that the government is trying to carry out an extensive development programme at a time when the world market price of copper—which accounts for 95 per cent of Zambia's exports—has slumped. In addition, Zambia has been buying quantities of defence equipment. The business community has been urging the government to allow the importation of more goods from South Africa; these are both cheaper and more readily available. President Kaunda's administration is reluctant to become too heavily dependent on the white south. Nevertheless, there has been some easing of restrictions on South African goods. Although Zambia's economy remains basically healthy, the country must still face a long period of financial stringency.

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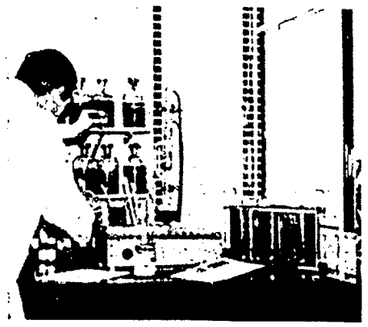
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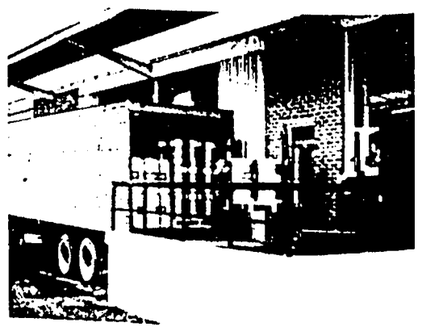
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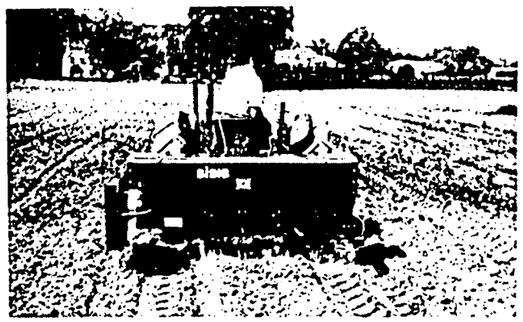
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THE WORLD

American Survey

One man, one vote rolls on

What has been called the "reapportionment revolution" has been rolling on for nearly a year in the United States and is now almost complete. This autumn, for the first time, members of the House of Representatives will all be elected from districts which satisfy the Supreme Court's insistence that each man's vote must be worth as much as another's, that is, that within each state every congressional district must be equal in population to every other one. Not until 1981, after the next census, will the state legislatures have the duty (it is often a pleasure as well) of again redrawing constituency boundaries for elections to Congress and the legislatures.

The one man, one vote requirement, first laid down in 1964 and later made more exacting, is supposed to guarantee fair representation. But many feel that it is only a first step toward a goal which will not be reached as long as party majorities in the state legislatures and partisan state judges can draw the boundaries as they like without meeting standards of compactness and respect for communities. Indeed, the insistence on numerical equality provides justification of a sort for the bizarrely shaped districts—one is described as resembling a snake with stomach-ache—which can be so rewarding politically.

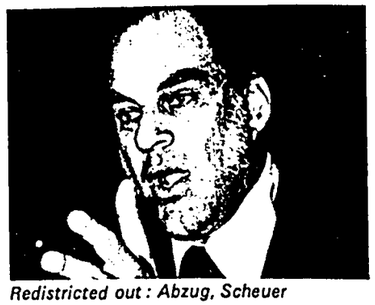
One Representative who is sure that she has been victimised by a male-dominated legislature is Mrs Bella Abzug, a freshman Democrat who is a crusader for peace and women's rights. Her 19th district in lower Manhattan simply disappeared when the Republican majority in the New York State Legislature redrew district boundaries this spring with the help of conservative Democrats. Her constituents were divided up among those of three male Democrats. Mrs Abzug will be fighting the only liberal among them, Representative William Ryan, next week for the Democratic nomination in his enlarged 20th district. Republicans and conservative Democrats are enjoying the sight of these two liberals at each other's throats. They are not unique, even in New York City. Up in the Bronx Representatives James Scheuer and Jonathan Bingham, both liberals, are pitted against each other in the new 22nd district, while Mr Allard Loewenstein, whose former district was flooded with Republicans, is trying to get back into Congress by taking on the veteran conservative, Representative John Rooney, in Brooklyn's 14th district.

The danger to incumbents is plainest in the states where population did not grow as rapidly as the average between 1960 and 1970 and which, as a result, are losing Representatives : New York (two), Pennsylvania (two) and seven smaller states (one each). But this is only the beginning. The days when movements of population within a state could be disregarded went out of the window in 1964 also.

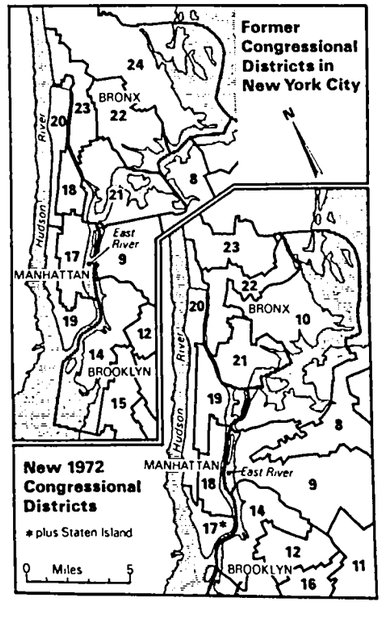
If redistricting (as redistribution of seats is called) were done nationally, each of the 435 Congressmen, ideally, would represent 467,000 people. As it is done state by state, fairly wide variations from this mean will persist. But within states variations from the ideal are allowed to be only slight. California (which, incidentally, is gaining five seats) will never again be able to have one district with 500,000 more people in it than are in its smallest district. Florida had inequities nearly as gross. And most of the states have experienced uneven growth and heavy internal migration, much of it towards the suburbs and a good deal of it away from the centres of urban areas. The expansion of the suburbs offered the Republicans an opportunity, but one which they could not always seize because they controlled fewer state governments than the Democrats.

The law courts have been doing





Redistricted out : Abzug, Scheuer



brisk business, either because the states were unable to produce a plan in time (as in Illinois and California) or because their plans were challenged as discriminatory. In Texas a court has imposed a solution which would result in the state's first urban-dominated delegation to Congress. In Georgia Negroes appealed against a redrawing of districts which would split Atlanta's black community, postponing the time when the city could send a Negro to Congress.

"One man, one vote" has not eliminated the old Adam in most politicians. The ancient art of gerrymandering—the shaping of districts to serve the designs of those in power—still flourishes. Mrs Abzug is not the only victim. The Democrats in Virginia paired Republicans in two constituencies, leading Representative Poff (who earlier this year turned down a chance to sit on the Supreme Court) to give up his political career.

Other good men have been faced with hard choices. In West Virginia Mr Ken Hechler, long a vigorous critic of the state's main industry, coal, was forced out of his own district and, to stay in Congress, had to take on and defeat one of his Democratic colleagues. In Illinois the Republicans have played the same trick on another liberal Democrat, Mr Abner Mikva. Put in the same inner-city constituency as a black Democrat, he decided to chance his luck in a suburban area. Mr Mikva said that he could not risk depriving Chicago, which has a huge Negro population, of one of its two black Congressmen. But the real risk may have been that Mr Mikva would lose the fight.

Partisanship is not always in the ascendant. There is often a fellow feeling among incumbents. In Illinois, where the congressional delegation is evenly split between Democrats and Republicans, its members suggested a redistricting plan which would have kept them all safe. But this was set aside for a "remap" (ordered by a Republican-dominated court) which comes close to guaranteeing the Republicans three new seats.

Sometimes parties punish their own members who do not hew the party line. In Maryland Representative Sarbanes, who beat his local Democrat organisation two years ago, was given a giant-killing job ; he was put in the same district as Representative Garmatz, the powerful Democratic chairman of the Merchant Marine Committee in the House of Representatives. But providence stepped in. Mr Garmatz stunned everyone by deciding to retire. In Massachusetts Mrs Louise Day Hicks has not been so lucky ; she has lost the most loyal Boston sections of her district and has been given, instead, suburbs where her narrow views are less popular.

Some of the black Representatives feared that similar fates awaited them. But the state legislatures have done nothing so foolish. Indeed, in Houston, Texas, a largely black congressional district has been created specially for Mrs Barbara Jordan, a Negro who is now in the state legislature.

The excesses of gerrymandering which have accompanied the full application of the rule of one man, one vote ought to spur Congress to pass legislation, which has been hanging about for years, requiring election districts to be compact and contiguous and to try to follow community lines. But the political rewards in gerrymandering are so important to both parties that it may have to be left to the Supreme Court to complete the reapportionment revolution.

Justice filled

At last President Nixon has an Attorney General again after the bitterest and most drawn-out battle over a cabinet appointment that anyone can remember. Mr Richard Kleindienst was nominated to head the Department of Justice last February, when Mr John Mitchell left to run Mr Nixon's campaign for re-election. While Democratic Senators had little sympathy with Mr Kleindienst's conservative philosophy and strict approach to questions of law and order, they felt that a President should be allowed to exercise his own judgment when choosing his close advisers. Therefore the nomination was about to be confirmed, with comparatively little difficulty, when Mr Jack Anderson, the columnist, alleged that Mr Kleindienst, while Deputy Attorney General, had been concerned in the out-of-court settlement of an anti-trust case against the International Telephone and Telegraph Corporation ; this was supposedly linked with a large contribution from the company towards the expenses of the coming Republican party convention. ITT naturally denied that there was any such link and Mr Kleindienst, insisting that he had not been involved in the settlement (negotiated by the anti-trust division of the Department of Justice), requested the Senate Judiciary Committee to hold further hearings on his nomination.

These left many questions unanswered, both about ITT and about Mr Kleindienst, but the committee decided that there was no proof of wrong-doing to justify turning down the nomination. Last week the Senate agreed, after a long but desultory debate. Senator Edward Kennedy led the handful of liberal Democrats who continued to argue, with the backing of the Washington Post, that the public could not be expected to have confidence in the enforcement of the law if it was in the hands of Mr Kleindienst. But only 19 Democrats voted against him in the end ; among the 26 who joined 38 Republicans to approve the appointment were probably some who hope that, as Attorney General, Mr Kleindienst will give them some more sticks to beat the President with in the coming election campaign.



Kleindienst confirmed

Senator Kennedy and his friends will have a chance to bring up the ITT affair again when hearings open on this week's nomination of Mr Thomas Kauper to head the anti-trust division of the department. But they will not be able to get very far since Mr Kauper was not in the government at that time. He comes from the University of Michigan ; only 36 years old, he is highly respected in his field. He is likely to have a fairly free hand in it, since his official boss, Mr Kleindienst, would obviously be wise to give anti-trust matters a wide berth.

ELECTION '72

Jersey unbossed

Newark, New Jersey

Last week's primary election in New Jersey was overshadowed by the contest in California on the same day. But the election of 109 Democratic delegates from this heavily populated area to the party's national convention was of considerable importance. Senator

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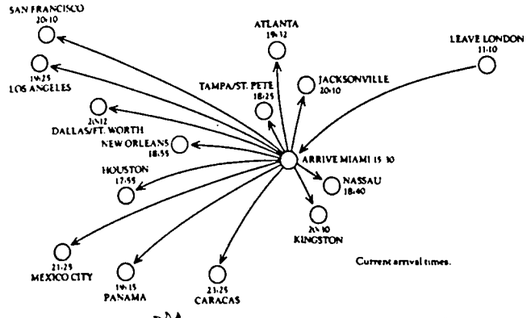
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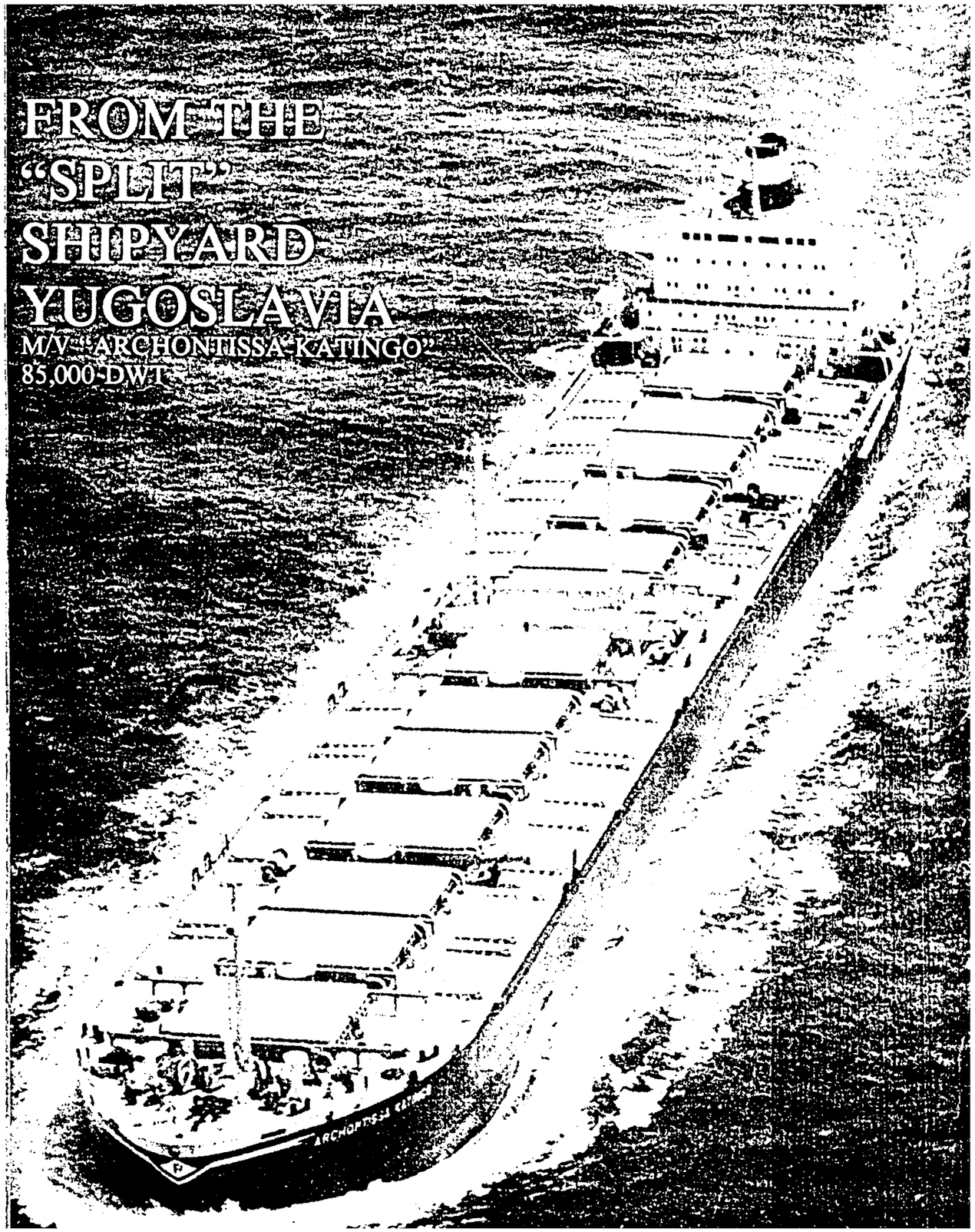


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McGovern, gaining his first victory in a northern industrial state, won 71 of the delegates. Only 10 went to Senator Hubert Humphrey and the remaining 28 are uncommitted.

In New Jersey the McGovern workers had two aims. They had to collect enough delegates to boost their candidate's chance of getting the party's nomination in Miami. They had also to convince their critics within the party that Mr McGovern could carry the state against the Republicans in November should he become the nominee (in 1968 the Republican presidential candidate won New Jersey by a margin of only 68,000 votes).

This meant defeating, but not antagonising, delegates put up by the old-style party bosses, most of whom are the antithesis of the McGovern faithful. Even though the Senator's sweep in the primary indicates that the old machines are no longer as powerful as before in New Jersey, their failure to support their party's candidate could still prevent the Democrats winning the state in November. But when it comes to practical politics the McGovern workers showed that they were no naive idealists. They stressed to the delegates pledged to other candidates that, win or lose on June 6th, the important thing was to work together for victory in November.

New Jersey was ideal territory for Senator Humphrey. It is a state where organised labour is strong, where there is a large black population and where the party's machines were working in his favour. But Mr Humphrey's organisation was badly run and inept. While the top labour leaders in the state wanted to endorse him their followers were not so enthusiastic. Some 22 of the delegates pledged to Senator McGovern were trade union officials.

Mr Humphrey also lost standing in the Negro community when Mr Kenneth Gibson, the black mayor of Newark, a dilapidated city where Negroes make up over half the population, backed his opponent. Mr Gibson's support came only a week before the primary and, while he campaigned hard for Senator McGovern in the last four days, his decision was probably too late to affect the outcome of the election in Newark, where Mr McGovern's delegates were opposed by those favoured by the Democratic organisation with all its powers of patronage. But even in Newark McGovern delegates did not lose by nearly so large a margin as is usual for those who run against the bosses.

ELECTION '72

Democrats delegate

With only one of this year's 24 primary elections still to come, in New York next Tuesday, the Democrats are now also completing the process by which delegates to their presidential convention (at Miami Beach on July 10th) are chosen in the states that do not have primaries. This year, however, both methods are subject to new rules laid down after the shambles at the last convention in Chicago in 1968. These regulations were drawn up by a committee headed by Senator McGovern before he became a presidential candidate. They are designed to give Democrats at all levels, from the grass roots up, a voice in the choice of delegates to the national convention and to ensure that each state delegation shall be roughly representative of the various groups of voters in that state—young people, women, blacks and so on. The confusion to which this attempt to put new life into the party is giving rise, as it is tried out for the first time, is illustrated in the following reports.

1. Shaken kingmaker

FROM A CORRESPONDENT IN CHICAGO

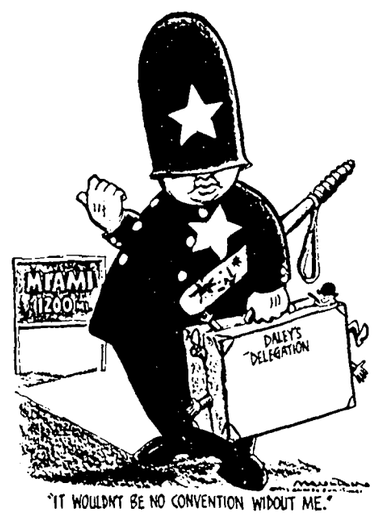
For nearly two decades Chicago's mayor and Democratic boss, Mr Richard Daley, has prized his national reputation as a kingmaker when his party's presidential candidates are chosen. But in 1972 his position is in doubt. Not only has Senator George McGovern accumulated so much support in primary elections that he appears to be almost certain of nomination on the first ballot at the Democratic convention, but suddenly, to his fury, Mr Daley has also found his own traditional place as chairman of the big delegation from Illinois being challenged.

An insurgent group, headed by a Chicago alderman, Mr William Singer, hauled Mr Daley before an examiner appointed by the Democratic National Committee, Mr Cecil Poole, a black San Franciscan lawyer. The charges were that the mayor had violated the party's new rules which say that an organisation, such as Mr Daley's tightly-run Illinois machine, cannot pick its own people to run for delegate, that they must be chosen openly and that the structure of a delegation must reflect the demography of a state.

In the primary on March 21st a slate of 58 delegates chosen by Mayor Daley was elected from in and around Chicago; they were committed to no particular candidate at the convention, although it was widely assumed that Senator Edmund Muskie of Maine was the mayor's choice. Behind this apparent neutrality was Mr Daley's feeling that the large industrial states in the north, the "breadbasket" of Democratic votes, should be free to manoeuvre at the convention, exercising traditional influence not only on the selection of a presidential candidate but on the party's platform and the nomination of the vice-presidential candidate as well.

However, the Daley issue has put Mr McGovern in a tight spot. If he supported the challenge by the insurgents, he would alienate Mayor Daley, whose help he needs badly in the general election campaign in the autumn against President Nixon. The result has been a flurry of telephone calls and visits to Chicago by Mr McGovern's chief aides. They say, in effect, that they do not back the challenge and presume that the Daley delegates have been fairly elected. On the other hand, if Mr McGovern is not to lose his liberal support he must be at least neutral in this intra-party battle; so he will let the Democratic machinery decide where justice lies.

Mr Poole has three choices open to him. He could rule that there were no violations of party guidelines in the selection of delegates. (This course is unlikely, since the evidence presented



"IT WOULDNT BE NO CONVENTION WIDOUT ME."

to him shows that the Daley organisation did in fact back individual candidates and, what is more, blacks, women and younger voters are inadequately represented.) He might also rule that there was widespread flouting of the rules. This, too, is unlikely, because if he takes too strong a position, Illinois, with a large delegation, may find itself without a voice at the convention, with no time to re-elect or reappoint a new delegation.

What is most likely is that Mr Poole and the party chieftains will find that irregularities did indeed occur, but that there is no need to create a major upset by questioning the legitimacy of the delegation from Illinois. Indeed, they will probably point out that the rules and procedures are very new and should perhaps be modified in future.

Moreover, by the time the Democratic credentials committee makes its report on the Illinois delegation, it is quite possible that Mayor Daley will have moved his slate of 59 delegates into the McGovern camp, thereby giving the South Dakota Senator more than enough votes to be nominated on the first ballot. Such a move would preserve Mr Daley's image as a kingmaker and would also cut the ground out from under his Illinois challengers, most of whom back Mr McGovern anyway.

2. Open party

FROM A CORRESPONDENT IN MINNESOTA

The Democratic state convention in Rochester, Minnesota, split between loyalists for the state's Senator Hubert Humphrey and a liberal coalition mostly for Senator George McGovern, was a victim not of the old closed politics but of the new open ones. It was open at both ends and in the middle. The new rules invited in an amorphous contingent of militant females, old radicals, party regulars who wanted to support Mr McGovern and those, students especially, who had been suckled on the politics of confrontation, demonstration and endless talk.

The Democratic Farmer-Labour party, to use the official name of the state Democratic party, boasts of a moderate populist heritage and of a freedom from bosses, Senator Humphrey included. Its traditionalists had a majority at the convention and had stipulated that any proposal must achieve at least 55 per cent of the votes if it were to be included in the party's platform (its formal set of election policies). None the less, the liberal coalition managed to win endorsement for such extreme planks in the platform as the legalisation of marijuana and hashish, unconditional amnesty for evaders of conscription and approval of marriages between homosexuals. At one point, when the party officials rammed through a recess, in the hope of finishing the platform in the party's state committee later, the liberal coalition staged a demonstration, shouting "No, no, no, no, no." The recess stood but they won extra time for more debate.

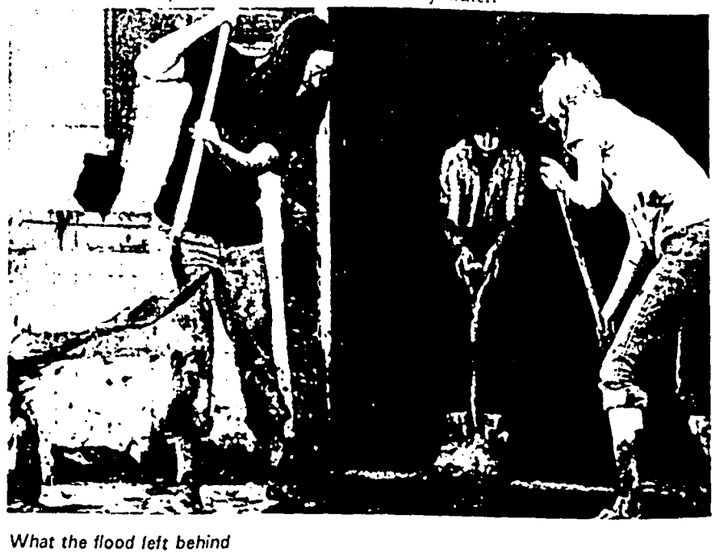
The next day police showed up but stayed off the convention floor while other controversial planks, such as the repeal of abortion laws, were shunted

Rapid disaster

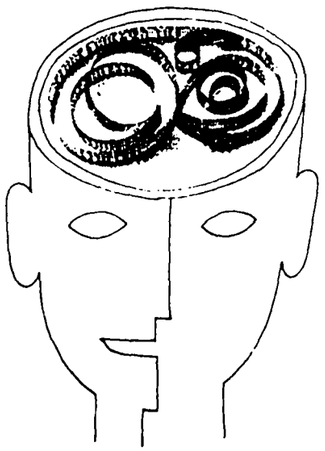
Last week Rapid City, South Dakota, a small, pleasant town of 43,000 people, suffered the worst flood to have occurred in the United States for 35 years. So great was the devastation and the disruption of communications that the exact death toll may not be known for some days if ever; it looks as if about 200 people lost their lives and well over 100 others are still missing. About 3,000 more are homeless; broken houses, caravans and motor cars lie jumbled together like discarded toys.

Although there has been an interesting suggestion that an experiment in cloud-seeding conducted by the South Dakota School of Mines and Technology over the Black Hills on the day of the flood might have caused the disaster, the more probable cause was a freakish combination of weather conditions. Rain-laden clouds hung over the Black Hills (noted for the carvings of faces of presidents on Mount Rushmore) instead of drifting eastward, while releasing 10 inches of rain in 24 hours on the area. The unprecedented deluge of water rushed down through the dry canyons and small creeks leading from the hills into Canyon Lake, formed by a dam, above Rapid City. Amazingly the dam held up to the first roll of water, which went on to flood the town, but several hours later there came another. By then the dam's spillways were clogged with debris and its earthen supports gave way. In Rapid City, many people were stranded overnight on floating rooftops and blazing fires were fed by ruptured gas and electricity lines. The entire water supply was unusable for several days after.

President Nixon quickly declared Rapid City and its surroundings a disaster area. What that means in actual practice is that those made homeless will be able to have rent-free accommodation, probably in government-provided caravans, for a year. It also means that surplus food and food stamps for free food have been sent into the area by the federal government. Other sources of federal assistance which have also become available to Rapid City are the clean-up services of the Army's Corps of Engineers and the money-lending facilities of the Small Business Administration and the Farmers Home Administration. This will be especially important as only a tiny fraction of the losses to private property, estimated at $56m, will be covered by insurance which seldom provides compensation for damage done by water.



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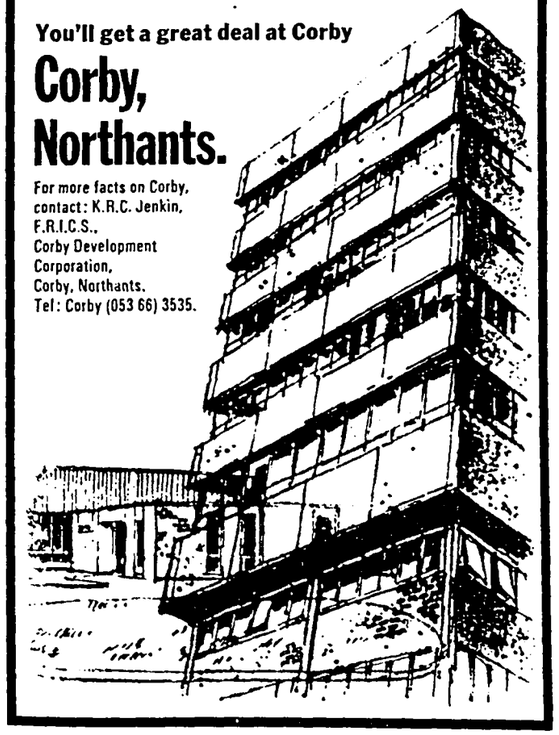
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aside or modified. The Humphrey loyalists talked of Sodom and Gomorrah and of dopers, fairies and lesbians. A movement began among candidates for the state legislature and professional party workers to disavow or ignore the radical planks. Bitter traditionalists from rural areas and from trade unions complained that the bearded long-haired zealots did not give a damn about whether candidates got elected, while those in the coalition insisted that they must pursue principle and work for change.

The coalition was angry that the Humphrey delegates to the Democratic national convention at Miami Beach refused to put one of the coalition's members on the national credentials committee. They threatened to sit out the coming campaign in Minnesota except for Senator Walter Mondale's race for re-election. This could wreck hopes that for the first time the Democrats might win control of both the state's legislative chambers. As for the allegiance of the Minnesota delegates who will go to Miami, they are split with 33 for Mr Humphrey, 19 for Mr McGovern, eight for Representative Shirley Chisholm and four uncommitted. The big question is whether Minnesota is a sign of the conflict to come at Miami Beach. Hereabouts people say yes.

3. Holding together

San Antonio, Texas

The Democrats of Texas can thank Mr Dolph Briscoe for the fact that their party did not tear itself to pieces at its state convention this week. Even so it was a close run thing. Mr Briscoe, a wealthy banker and rancher, who is the Democrats' candidate for the governorship, is a man of impeccable conservative views. But he realises that, with a scandal-stained Democratic state administration and Mr McGovern as the party's probable presidential candidate, it is going to require a serious effort to keep Texas firmly in Democratic hands. So this week, aided by his formidable and ambitious wife, he made a determined attempt to prevent a major split with the McGovern forces. This could have had the most dangerous consequences for his own campaign in November; conservative Democrats in Texas remember all too clearly what happened in 1960 when the liberals voted in protest against one of their men and Mr John Tower became the first Republican Senator from Texas since post-Civil War days.

Initially the McGovern men were both hostile and suspicious. Mr Briscoe was known to be an opponent of Mr McGovern and he had just defeated a most able and attractive liberal, Mrs Frances Farenthold, in the contest for the Democratic gubernatorial nomination. However, his obvious honesty won them over and they agreed that there would be no walk-outs from the convention as long as they were treated fairly by the platform. Mr McGovern's lieutenants put it a little differently when addressing their troops at a packed eve-of-convention rally: "We're not going to walk out and let the bastards take our seats." These rather unfraternal sentiments were received rapturously.

The McGovern rally was more of a three-hour emotional orgasm than a political meeting. But the rally, though important as a demonstration of support for Mr McGovern, was more significant than this. For the first time the liberals evidently believe that they can wield effective power within the Democratic party of Texas. "It is all due to that great man, Senator McGovern, and his party reforms," said one of the Chicano (Mexican-American) leaders, in a moving little speech. And of course it is. Texas now has to send a truly representative delegation to the national convention or risk having it unseated. To the Democratic old guard it was a painful business and they demonstrated their distaste by going as far as they dared in order to frustrate the reforms.

For two days the party's credentials committee listened to a series of over 40 challenges to the composition of some of the delegations to the state convention. These ranged from the protest of one elderly man against "that man Milton Williams who's been raising his hound dogs on my land" to the rather more substantial grounds that a number of the Wallace-dominated delegations had been constituted in clear defiance of the guidelines—either because they had no blacks or Chicanos or too few, or because they had used a small majority to freeze out all the McGovern supporters. But the old guard was in the majority on the credentials committee and most of the objections were turned down flat.

However, ultimately the challenges made only a marginal amount of difference. On a straw poll of all the delegates, the state convention voted very nearly as predicted, 33 per cent (1,270 votes) for Mr Wallace, 28 per cent (1,061) for Mr McGovern, 16 per cent (613 votes) for Mr Humphrey—who came to the convention to campaign, 22 per cent (846 votes) uncommitted and 1 per cent for the others.

For Mr McGovern it was a most impressive performance in a state of the Old Confederacy. He picked up another 34 delegates on his way to obtaining the presidential nomination and the fact that Mr Briscoe succeeded, but only just, in preventing a massive schism in his party means that the Democrats now stand a reasonable chance of holding on to power in Texas.

Bomber Lavelle

To its list of revelations about the war in Vietnam the New York Times can now add the case of General John Lavelle. In direct violation of the Administration's policy during the first three months of this year General Lavelle sanctioned 20 bombing raids on military targets in North Vietnam. Then in order to cover up the nature of the raids, it is alleged that he submitted reports to his seniors which classified the missions as "protective reactions," the only type of defensive bombing which was authorised by Washington at the time. It was not until April that President Nixon ordered a resumption of the full-scale bombings of the North. General Lavelle, who as head of the Seventh Air Force was responsible for all the combat missions in south-east Asia, was dismissed from his job in April and last month became the first senior general in recent history to be demoted on retirement.

The reason for General Lavelle's departure was not explained until a Congressman from New York and the New York Times started to make inquiries. Now in testimony before a congressional committee the general has taken the full responsibility for the unauthorised missions and for the false reports. What has also been revealed by the testimony is that, while General Lavelle failed to get any official authorisation for what he considered was a justified response to a dangerous build-up of North Vietnamese forces, he was clearly under the impressions that his seniors in Saigon knew what was going on and deliberately took his reports at face value. Certainly it seems curious that his raids were allowed to continue unquestioned for three months before he was dismissed from his post. At the time the Administration, which was engaged in secret talks with the North Vietnamese, was denying repeated accusations from Hanoi that American aircraft were continuing to bomb the North.

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RESULTS

The growth of Jacques Borel, which has been extremely rapid in the past 13 years (average annual sales increase for this period=46%—average annual profits increase=44%) continued in 1971. Consolidated turnover in 1971 amounted to Frs. 217,169,000 compared with Frs. 149,540,000 in 1970 (a progression of 45.2%).

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The 1970 Frs. 5.25 dividend was raised to Frs. 8.25 (+57%).

The share price illustrates this development : the price of a Jacques Borel International share increased from Frs. 185 the average price for December 1970, to Frs. 396 in December 1971. On April 28, 1972, it reached Frs. 900.

STRUCTURE

Jacques Borel International, whose main shareholders are the American Group W. R. Grace & Co. and M. Jacques Borel, holds the majority shareholding of several specialised subsidiaries, the main ones being :

—Générale de Restauration en France (98.8% shareholding)

—Ticket-Restaurant (88% shareholding)

—Société Francaise des Drugstores : Drug West (75% shareholding)

—S.E.O.R.I.M. (97% shareholding), engineering hotels and restaurants and S.C.A.P.A. (97% shareholding, the Group's wholesaler).

RECENT DEVELOPMENTS

The 1971 and 1972 years marked an important stage in the development of the Company which gained the leading position in France for restaurants on motorways and which set the basis of its foreign development.

In France, Jacques Borel notably gained the licence for most of the restaurants on the Rhône-Alpes (320 Kms), Paris-Poitiers, Paris-Le Mans motorways, with an option in the hotel trade ; in this field, the Group obtained the licence for the hotel at the new Roissy-en France Airport.

Abroad, Jacques Borel International set up :

—in Spain, the "General de Restaurantes" specialised in the management of restaurants and bars on the motorways and the "Société Hotels Jacques Borel."

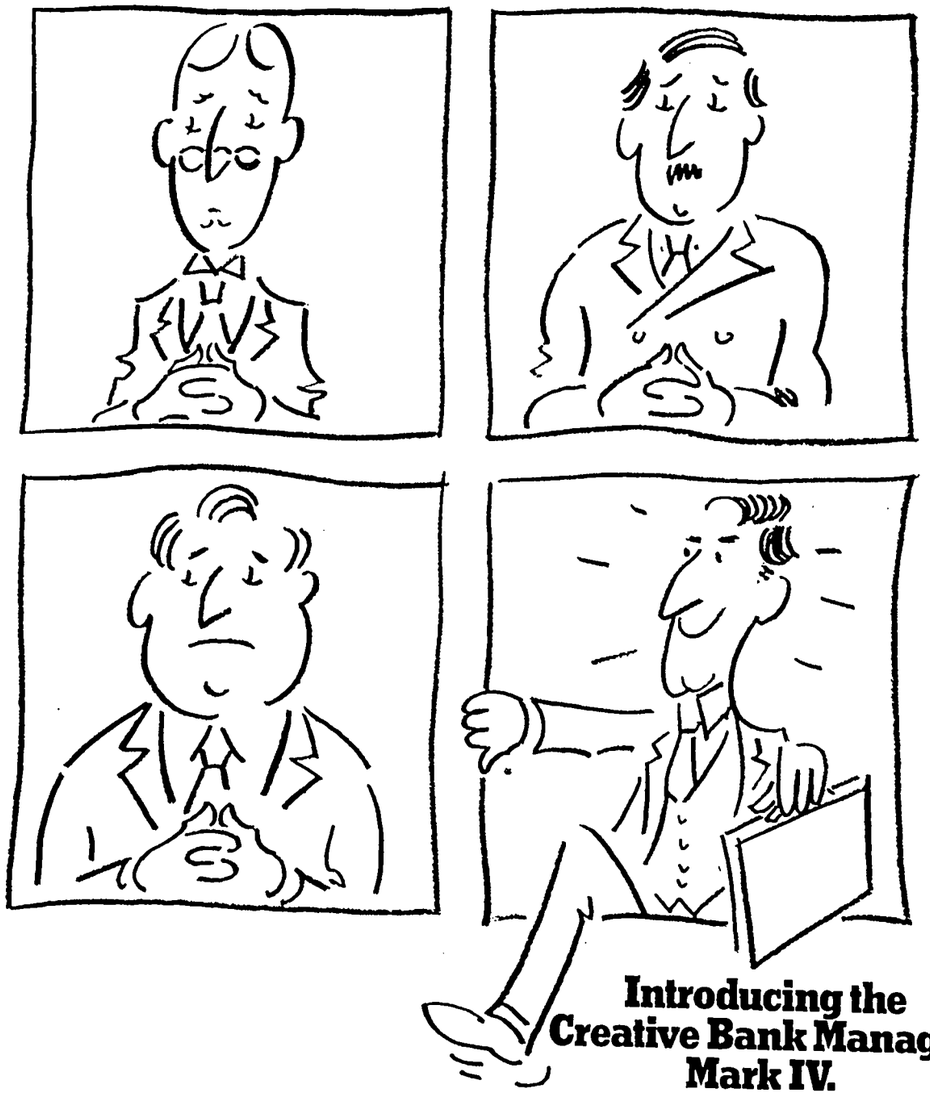
—in Germany, the "Jacques Borel Gastronomie und Hotel GmbH" (Dusseldorf) which is opening notably a restaurant to seat 200 in the Olympia shopping centre in Munich.

—in Italy, the company took control of "Ge-Me-Az Cusin Alimentari," the second largest company in institutional food business in Continental Europe, whilst in Belgium, sales of another subsidiary of the Group, the "Société Générale Belge de Restauration," developed its sales very rapidly.

The Jacques Borel International Company, which is negotiating in order to acquire other restaurants abroad, estimates that 25% of its sales in 1972 will be made outside France.

FINANCIAL TRANSACTIONS

The Group's investment programme will be financed partly by autofinancing and partly by use of the financial market. Since May 23, 1972, the Company has proceeded to a capital increase from Frs. 40,481,500 to Frs. 45,541,600 by the issue of 50,601 new shares Frs. 100 face value to be subscribed in cash, at Frs. 650 each. At the same date, the shares were quoted on the official list of the Paris Stock Exchange.



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Mk II. Fifties model. Not many styling changes, but war service had introduced some modifications under the bonnet. Greater readiness to look forward, less talent for passivity ; but still lack of affinity with the go-getting businessman. Main function : to sit among the mahogany and say 'no' politely.

Mk III. Never became universally available. Barclays development work produced several unorthodox models—and caused anxiety by housing some of them in light, glass-walled branches. These unfortified branches were generally condemned by all except their staff and customers.

The engineers of Barclays' future were seen to be implementing a three point philosophy :

1. all banks need not be the same.

2. initiative in a manager is not a sin.

3. in the successful bank of the future, the manager will need to show inventiveness and imagination on behalf of his customers.

Pundits regarded this philosophy as eccentric and even dangerous.

Mk IV. The current model. Some examples elsewhere, but chiefly concentrated in Barclays. Styling hardly matters ; drive is paramount. Accepts innovation as fashionable, even habitual. Evidently a product of the company which launched Barclaycard ; which was first to lower its lending rate ; which runs one of the most successful banks in America.

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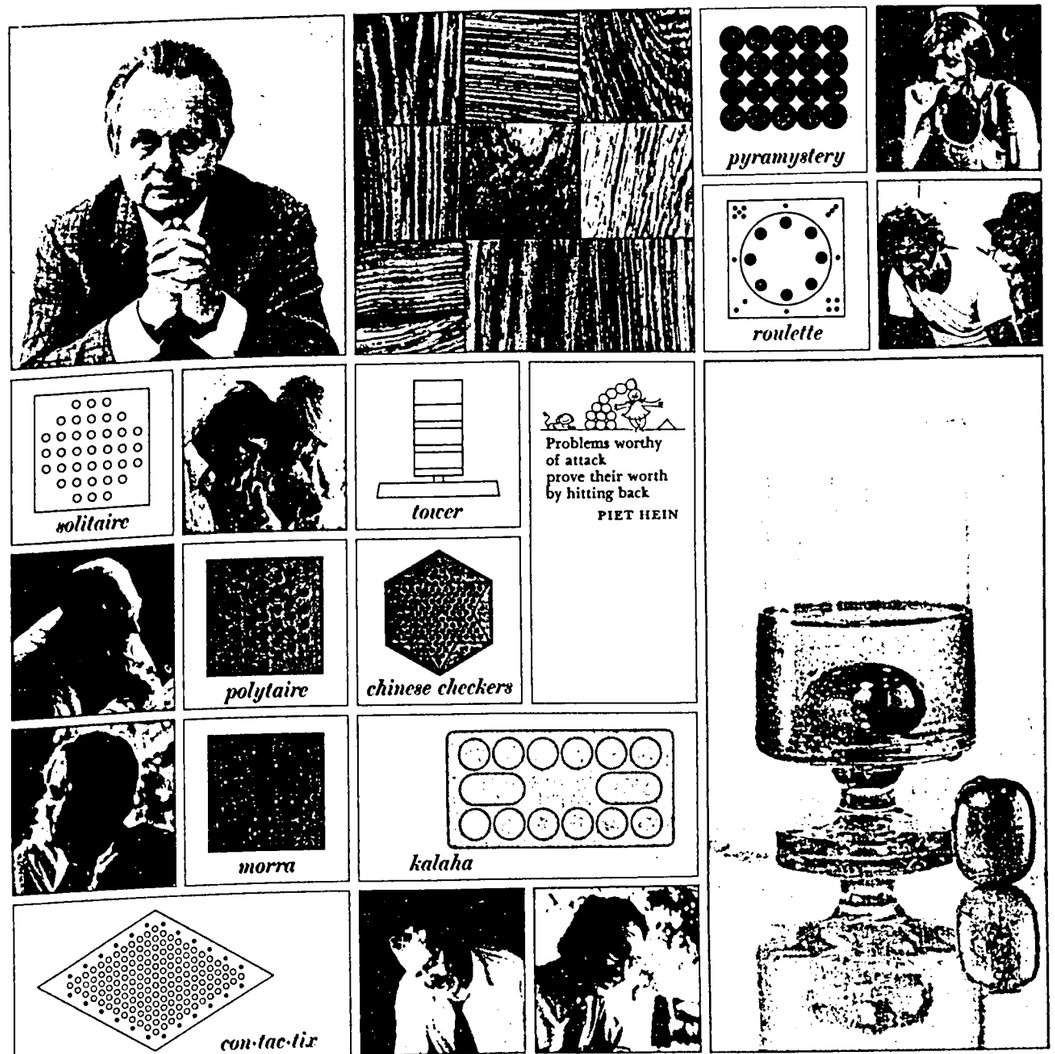
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Books

The chrysalid years

VIRGINIA WOOLF: A BIOGRAPHY: VOLUME I, 1882-1912
By Quentin Bell.
The Hogarth Press. 247 pages. £3.

Professor Bell's biography of his aunt has been awaited with pleasure but also with anxiety. Brought up in the profoundly influencing atmosphere of Bloomsbury, would he be able to look at his own family objectively? He has succeeded, and this fascinating and admirably written book passes the most difficult test: it stands up to the masterly autobiography by Leonard Woolf, who encouraged him to undertake the task. It is rather short; letters are quoted sparingly. The author does not shrink from personal judgment on people and actions, but disclaims any intention to assess Virginia Woolf's writings. (The question hardly arises in the first volume, by the end of which she was working on "The Voyage Out," but had published nothing but book reviews.) From personal knowledge and unpublished documents Professor Bell gives a far fuller account of her life than anything yet available. This volume covers her first 30 years, up to the point when she agreed to marry Leonard Woolf—"the wisest decision of her life," as Professor Bell says in his closing words.

Virginia Woolf was always close to her friends and her family, most of all to her equally beautiful but totally different sister Vanessa Bell; the two were complementary and devoted to each other. At this stage, before Virginia Stephen's marriage, the book is almost a dual biography of the two sisters. Virginia was immensely intelligent, sensitive, uncertain of her emotions, drifting at times, always aware of her liability to periods of insanity, devoted to writing but always —as readers of "A Writer's Diary" already know—finding it torturingly difficult. In a letter of 1911 she wrote:

> I could not write, all the devils came out—hairy black ones. To be 29 and unmarried—to be a failure—Childless—insane too, no writer.

Vanessa was the opposite in every way: an artist, sensible, sensual, knowing her way and following it—and always an



Virginia Woolf: late developer

immense support to her sister.

The first stage is the best known to the public, thanks to "To the Lighthouse": life with their self-tortured and torturing father. His death was a relief, and the two sisters and their brothers sets up the celebrated menage in Bloomsbury, where they got to know Thoby Stephen's intellectual friends from Cambridge. Thereafter, the story of the set was one of successive liberations: from their more stuffy relatives; from many contemporary conventions; from restrictions first on what one could say and later on what one could do. To understand this last, one has to know who was in love with whom as what time: this Professor Bell sets out with an admirable mixture of frankness and discretion.

In many respects, and most in the field of action, Virginia Stephen stood apart from the rest. Professor Bell quotes her as saying, later on, that she was a "sexual coward," and he gives reasons for this. Emotionally she was a late developer, and it needed Leonard Woolf's return from Ceylon to break the spell. Their marriage changed everything, and Professor Bell is right to break the work in half at this point.

The story so far gives a curious double impression. The background is of her friends and family, immensely vigorous, original, moving rapidly from stage to stage of development and liberation; while she, though one of the most brilliant and exciting of them all, was emotionally a chrysalis and, as a writer, still at the first stage of development, with no novel yet completed. One waits with excitement for the second volume, due in the autumn.

The man, not the legend

NASSER
By Anthony Nutting.
Constable. 492 pages. £3.95.

You have got to be keen to welcome another book on Nasser. Have courage: Sir Anthony Nutting's warts-and-all portrait of the Arab hero whose mistakes were as catastrophic as his achievements were monumental is by no means the same old stuff dredged up again. Or at least a lot of it isn't. Avoiding stodginess (not a footnote to be seen) without falling into the opposite peril of trivialisation, Sir Anthony bases his account on his own knowledge of Nasser and on the opinions and memories of Nasser's closest associates. And the picture that emerges makes the paradoxes of the Nasser legend even more strange and curious.

The book is written within the framework of familiar conclusions: Nasser's overwhelming contribution to Egypt and to the Arab world was the restoration of a sense of dignity and national pride. But why, one wonders, was it Gamal Abdul Nasser's role to bring so inestimable a gift? He knew nothing of Arab countries or charateristics outside Egypt: he had never even been to Syria when he allowed a group of Syrian officers to unite their country with his, and his subsequent heavy-handedness showed that he learnt little when he did go. When he committed his army to the Yemeni revolutionaries, he read up on the country that was to become what he called his Vietnam by borrowing an out-of-date economic report from the files of the American embassy.

Ignorance led to failure and failure fed the suspicion that was Nasser's "besetting sin and principal weakness." Sir Anthony presents a sharp portrait of him in the months following Syria's breakaway in 1961: deeply hurt, suspecting everybody, quarrelling with old friends who hinted their criticism, he withdrew into "a protective cocoon of yesmen." It was this moody, bitter man, involved in virulent disputes with

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Nutting and friend, 1954

almost every other Arab ruler, and in the middle of one of his tempestuous rows with Khrushchev, who sought friends among the non-aligned leaders of Africa and Asia. But one by one these friendships broke or the non-aligned were swept away.

Sir Anthony Nutting provides illuminating background to present Russian-Egyptian relations by his description of the rough passage of earlier years. Then, as now, the Egyptians asked for more and were rebuffed. There is the incident of Khrushchev's telegram to Nasser during the Suez-Sinai affair in 1956: this told Nasser that Russia could do nothing to help him and advised him to make peace as quickly as possible with Britain and France. Fearing the effect of this telegram on the morale of those around him (his commander-in-chief, Field-Marshal Amer, was already, apparently, in a state of total nervous collapse), Nasser hid it in his safe, saying nothing to anyone. He revealed it only in 1960 as an answer to the Syrians who were advocating an immediate attack on Israel and arguing that Russia would help them out.

The author takes the generally accepted point of view that Nasser had no intention of fighting Israel when he allowed himself to be trapped by the events of May, 1967. He goes further by arguing, without excusing Nasser his folly, that Israel had deliberately set the trap. Working from the assumption that activists in the Israeli government and army were determined on a long-planned showdown with Nasser, he argues that everything, including deliberate leaks to the Russians about Israel's plans to invade Syria, was part of a huge man-trap into which Nasser well and truly blundered.

Talking to Nasser 36 hours before the six-day war broke over his head, Anthony Nutting found him in a dream world, treating 1967 as if it were 1956 all over again and believing that if he kept his nerve nothing would be lost. Everything was lost. Except, that is, Nasser's own legend. But this admirable book is about the man, not the legend.

Harsh hindsight

VICTORS' JUSTICE
By Richard H. Minear.
Princeton University Press; London: Oxford University Press. 245 pages. £3.75.

Mr Minear's object is to re-examine the proceedings of the International Military Tribunal which met in Tokyo between 1946 and 1948 and tried 28 of Japan's wartime leaders. His concern is to "demolish the credibility of the Tokyo trial and its verdict" on two grounds: he exposes the shaky basis in international law on which its findings rested and its procedural flaws; he upholds on historical grounds the case which the tribunal dismissed—that self-defence played an important role in Japan's actions throughout the prewar period. While denying that he holds a brief for General Tojo and his fellow-defendants, he claims to "hold a brief for justice, even to enemies" and insists that Tokyo justice was "victors' justice." On a broader plane, he concludes that we should henceforth reject the idea of trials after war, except for conventional war crimes. These arguments are presented clearly, incisively and persuasively.

It is when Mr Minear professes to be challenging the prevailing image of the Tokyo trial that he is less plausible. He writes for an American audience and it may be that Americans have viewed the Tokyo trial less critically than those in Japan or abroad. Certainly in Britain it has long been accepted as victors' justice. It was in Britain that the petition in favour of foreign minister Shigemitsu secured its major backing from those who were convinced that a glaring injustice had been done. Perhaps British opinion was also swayed by the dissenting judgment of Justice Pal which was so damaging to the findings of the tribunal as a whole. This book is, therefore, likely to be regarded here as less novel and less iconoclastic than the claims made for it would suggest.

While the Tokyo trial had many shortcomings, some of the author's complaints are harsh. He emphasises that the judges set out to present in their 1053-page "Findings of Fact" a version of prewar Japanese history and that their account has since been considerably eroded by historians. Certainly much material has become available since 1948 which makes substantial revision of the judges' version necessary. But it has to be said in defence of the judges that they held their hearings in an atmosphere of great anti-Japanese animus and adopted an interpretation which seemed to fit the evidence and was widely accepted at the time. A truer picture of the Tokyo tribunal would have emerged if the book had compared its workings with those of the local war crimes tribunals which were simultaneously operating in territories like China and the Philippines, which had been occupied by Japan. There is no doubt that the Tokyo tribunal was more judicial and judicious. But, should we become too smug over the standards of allied justice, Mr Minear's book is a valuable corrective.

Yale talk

AFTERNOON ON THE POTOMAC?
By Roy Jenkins.
Yale University Press. 60 pages. £1.50.

It can be dangerous for politicians, even the most intelligent of them, to attempt great brevity. This tiny volume consists of three lectures delivered by Mr Jenkins at Yale last December, consisting respectively of 17, 18 and 16 rather small pages. Their theme is the relationship between economic power and political power; their argument appears to be that the United States has been experiencing at the beginning of the 1970s what Britain experienced in the 1960s—"the British crisis, writ large, and in a still more acute form."

This is a fairly considerable over-simplification. Mr Jenkins probably exaggerates the importance of Britain's economic weakness as a cause of the British retraction towards Europe at the end of the 1960s. The cost of British military operations outside Europe never became really unsupportable; it was a marginal extra burden upon an economy that had gone badly wrong for other reasons, and it could have been sustained without great difficulty if those other reasons had been put right. The real cause of the change of British policy is to be found elsewhere, in the realm of political will. The result is that when Mr Jenkins tries to transfer his supposed British pattern to the American scene he runs into difficulties.

His account of the likely new relationship between the dollar and the world's other currencies after last August's crisis is, as might be expected, impeccable. It is when he turns from the monetary relationship to the military and political one that he suddenly goes curiously out of focus. That the American position in the world is going to be different from what it was in the 1950s and early 1960s is now part of the conventional wisdom. But then that is at least as much a result of the growth of Russian and Chinese power, which is an autonomous development, as it is of America's economic problems. And Mr Jenkins has little to offer on the shape of the new political relationship between America and the rest of us except the rather unhelpful phrase "primus inter pares" and a rhetorical flourish about the American tent no longer being sited quite "on the very top of the highest hill." In fact, the political relationship will depend as much on that matter of will as on economic considerations. It could still be quite early afternoon on the Potomac.



Jenkins: wrong time of day?

Fairly filial

TOLSTOY MY FATHER: REMINISCENCES
By Ilya Tolstoy.
Peter Owen. 322 pages. £3.50.

It is tempting, but perhaps unfair, to compare Maxim Gorky's brilliant memoir of Tolstoy with this loving but also rather too blandly written book of reminiscences by one of Tolstoy's sons. Gorky, who saw a good deal of Tolstoy in 1901 and 1902, was clearly bowled over by this "cruel old rationalist" who nevertheless "resembled God." He did not always enjoy his talks with the old wizard who talked so profoundly and well on anything, from dreams to French literature and the Jews, and liked best of all talking about peasants, women

Christopher Tugendhat

THE MULTINATIONALS

Winner of a 1972 McKinsey Foundation Book Award for a book which 'most clearly merits the attention of top management.'

'His main purpose has been to describe why the multinationals emerged and how they function. His informative, fair and very readable book does this most successfully.' *Colin Jones, Financial Times*
'An interesting, indeed remarkable book on a question of increasing urgency.' *Thomas Balogh, New Statesman* £3.25

Graham Turner

Winner of the 1972 John Player Award for British Management Journalism

Author of THE LEYLAND PAPERS

'Graham Turner . . . has done well in unravelling the intricacies and the sheer brutality of the boardroom revolutions which led up to the creation of the British Leyland Motor Corporation.' *George Oliver, The Economist*
'No enterprising, ambitious man . . . can afford to miss it.' *Lord Robens, Spectator* £2.75

EYRE & SPOTTISWOODE

and God. But he could talk to Tolstoy as an equal, entering the old man's mind; the son, Ilya, is always at a distance and somehow remains outside.

His reminiscences were first published in Russian in 1913, shortly after Tolstoy's dramatic and still puzzling death at a railway station. They give a nicely rounded portrait of the family, and of Tolstoy himself in his family context. The Tolstoys used to play a game called "postbox" in their family home in Yasnaya Polyana. During the week, every member of the family would drop unsigned bits of poetry, notes and jottings into a box standing by the grandfather clock. The box was opened on Sundays; contributions were read aloud, without attribution to authors. But everybody must have known immediately who wrote this pretty little riddle: "Why is a sanitary barrel like a society lady?—Both are taken out at night."

No much is left to the sons of the great except the opportunity of having the last word. Ilya makes it pretty clear how tricky it was to live with a man like Tolstoy, torn by his own inner problems and doubts—artistic, religious, moral and philosophical. The last chapters on the end of Tolstoy's life are very good, and rise to the drama of the occasion. This may not be the greatest book on Tolstoy, but as an affectionate and truthful family portrait of a giant it remains well worth reading.

Corporate Goliath

AMERICA, INC.
By Morton Mintz and Jerry S. Cohen.
Pitman. 444 pages. £3.50.

This is a study of the gigantic industrial and financial complex that "owns and operates the United States"—in the opinion of the authors, one a well-known investigative reporter, the other an expert in anti-trust matters. It is also a study of the factors that underlie at least some of the frustrations that are now being expressed politically in votes for Senator McGovern and Governor Wallace and have underlain similar populist movements in the past: the resentment of the little man against bigness, against centralisation, against lack of personal contact and against the power of money, whether in government or in business.

The story is not a new one; the book itself is evidence of that since it consists largely of case studies of the ramifications of corporate power and corporate irresponsibility, as told in evidence before congressional hearings or in press reports. These scattered sources are brought together into a surprisingly entertaining book, although a very one-sided one.

What is new is the extent to which the concentration of American industry in a few hands had been increased by the conglomerate mergers, uniting in one huge corporation a cross-section of activities that are entirely unrelated to each other. This concentration is increased by the financial domination exercised by big institutional shareholders, notably the banks, through their trust funds. What is also new is the growing public awareness of all this, fostered by Mr Ralph Nader with his attacks on the automobile manufacturers, on the food industry, on the government regulatory agencies and on practically every other manifestation of the establishment. The impact of Mr Nader, and of the many groups linked with him, on the Congress, the Administration and the industrial giants themselves is already far from negligible. But it is only a tiny foretaste of what the American business community is likely to go through should Mr McGovern be elected President next November.

Pot-pourri

USES OF MARIJUANA
By Solomon H. Snyder.
Oxford University Press. 127 pages. £2.70.

It is worth noting that Dr Snyder, who is professor of psychiatry and of pharmacology at the Johns Hopkins school of medicine, calls his book "Uses of Marijuana" and does not prejudge the issue by adding "and Abuses." This is a sensible, completely objective and concise account of marijuana, covering the history of its use, its effects on behaviour as measured by careful experiments, its alleged dangers, present research into THC—tetrahydrocannabinol, its psychoactive substance which has been isolated and synthesised—and the "legal turmoil" over the drug. The book is very well written, with flashes of humour.

Most of Professor Snyder's account is restricted to the variety of cannabis that is used—and widely used—in the United States. But the uninformed will find in this book a useful summary of all the varieties—marijuana, dagga, kif, bhang, ganja, charas and hashish—of how they are prepared and consumed and of their comparative potency. To



Some people also smoke pot

make the last two the resin, which contains almost all the THC in the hemp plant (*Cannabis sativa*), is scraped from the top leaves and pressed into blocks. They are, therefore, much more powerful than marijuana, which is prepared from the leaves and stem of the plant.

Much of the information has, of course, been published before, in official reports and scientific papers—though not so readably and without the excellent photographs. A recent example was the report published in January, 1969, of Britain's advisory committee on drug dependence, which was violently condemned by both the then home secretary and his shadow. Perhaps they, and others who shared their views, might change their minds on reading Professor Snyder's account of American research into the effects of marijuana. He even suggests that pharmacological research into THC may yield a useful drug for some conditions, so that after a generation of near-hysteria cannabis may win back its ancient medicinal use.

Phelps's law

INFLATION POLICY AND UNEMPLOYMENT THEORY
By Edmund S. Phelps.
Macmillan. 350 pages. £5.25.

The Phillips curve, showing a relationship between a greater rate of inflation and a lower level of unemployment (and vice versa), was originally put forward by its inventor as an empirical generalisation. It then

gradually acquired the status of a law in the minds of many economists until they began to notice that stagflation had made it look silly. But a number of economic theorists, led by Professor Phelps, have recently developed a more sophisticated approach. He suggests, as a rough approximation, that when the rate of inflation matches people's expectations there will be equilibrium, and that the equilibrium level of unemployment will be the same whatever that rate of inflation is. But in the short run, if the actual rate of inflation is different from what was expected, there will be a temporary, disequilibrium, Phillips curve type of relationship. Thus unemployment will be low when the actual rate of inflation exceeds the expected rate and vice versa. It is the difference between them which matters, not the level of either regarded separately.

The foundations of this theory are presented in the first part of the book. They involve getting away from the idea that wages would instantaneously adjust so as to equate supply and demand even in labour markets without collective bargaining. Markets would behave like that only if everybody in them knew everything about what was going on in them. But ignorance requires people to search for information and search takes time. Thus a theory of frictional unemployment and of changes in wages and unemployment as a function of the degree of disequilibrium is built up. It is an interesting and worthwhile development.

Professor Phelps's argument that all the social and organisational factors in wage determination leave relatively unaffected the nature of the relationship between unexpected inflation and unemployment, despite their obvious effects on the level of unemployment, is less satisfactory. His discussion may fit American circumstances but seems very remote from the hard realities of the British wage scene.

The next third of the book is described as a cost-benefit analysis of inflation. It consistently and carefully distinguishes expected from unanticipated inflation, and "efficiency" effects from distributional effects. But it is an essay rather than a manual, despite the author's hope of "having an early policy impact." The central point is that, all things considered, zero inflation may not be best.

The last third of the book is unavoidably the most highbrow and there can be few central bankers who will master it. It is clear, from what was said earlier about this being the economics of disequilibrium and changes through time, that the nature of optimal inflation policy which forms the subject is an exercise in control theory. The twin difficulties which arise from the author's attempt to use prose rather than mathematics and from the complexity of a modern economy make the going rather hard. At one point, six whole pages are required to spell out the nature and simplifications of an "illustrative" model. Things get a little easier again in the chapter on international ramifications right at the end.

Euromix

THE EUROPEANS: WHO ARE WE?
By Richard Mayne.
Weidenfeld and Nicolson. 206 pages. £2.

Dr Richard Mayne is the most readable of Euromaths—learned, curious about everything and above all tolerant about the way the European debate keeps shifting its ground. He is also, as a writer of books, pamphlets and articles, too prolific for his own good. Earlier efforts by Dr Mayne have been among the best on the subject. But this book is something of a bran tub of Europeanism into which a multitude of European bits and pieces have been put for visitors to dig out. The book starts by defining for Europeans their own prehistoric identity—how the land mass came to be where it is—followed by a long exercise into the realms of ethnography and anthropology as they concern Europeans. It is not often that such subjects are discussed as easily and humorously. But by way of expeditions to San Marino, Liechtenstein and Monte Carlo the discussion finally winds its way to the role of the common market, and, in particular, of the Brussels Commission, in all this. This institution is discussed sympathetically; the author draws on his own experiences at one time as one of its more expert members. But one turns the last page not terribly sure how or why one has reached it.

Eurolengo: The Language for Europe by Leslie Jones (Oriel Press, £1). Yes, it's another esperanto, with every "eurolengo" word copyrighted in advance. "Ferar un apel de telefon is tres fasil." If it were a bit funnier it might make a good spoof. But it is not easy to see earnest businessmen learning the 50 lessons and word lists of Mr Jones's book: they would spend the time better learning French.

International Interest Rate War
Eric Chalmers
This book seeks to allocate blame for the rising level of international rates during the sixties by an assessment of the general economic and monetary policies pursued in Britain, America and West Germany.
£4.95

Research and Innovation in the Modern Corporation
Edwin Mansfield, John Rapoport, Jerome Schnee, Samuel Wagner and Michael Hamburger
For a decade and a half, economists have been engaged in an intensive effort to expand our knowledge of how new processes and products are invented, commercialised, and accepted. This volume adds significantly to our understanding of the economic effects of technological change, placing most emphasis on the individual firm and its attempt to develop and apply new technology.
£4.95

Inflation Policy and Unemployment Theory
Edmund S. Phelps
This is the first monograph to take a cost-benefit approach to monetary planning. It views a reduction of inflation by monetary means as a social investment and argues that such an investment ought to be subjected to the cost-benefit test. The analysis that follows integrates the modern microtheory of unemployment into the theory of optimal inflation.
£5.25

Macmillan

Business Brief

Amtrak: on the subsidy trail

Passenger rail services in the United States are hopelessly in the red, but on Wednesday Congress finally authorised further massive financial support. The railways will now almost certainly get the proposed $225m in federal grants and an increase to $200m in their government-guaranteed borrowing ceiling—even though there is little chance that the loans will ever be repaid.

The funds will go to Amtrak—official title, the "National Passenger Railroad Corporation"—which a year ago took over inter-city passenger services from 20 different railroad companies. Amtrak was given a generous financial send-off with a $40m federal grant, a $100m federally guaranteed loan, and $200m in payments from railroad companies (who were glad to get rid of their passenger trains and concentrate on more profitable freight traffic).

After its initial backing, Amtrak was supposed to become self-supporting. But last autumn, its president, Mr Roger Lewis, a former head of General Dynamics, asked for another $170m to keep it going until mid-1973. The House of Representatives approved this. The Senate went one better. Feeling benevolent towards public transport, it voted $270m, which may be the first time a part-nationalised industry got a bigger subsidy than it asked for. The $225m now being proposed is a compromise settlement.

There are many reasons why the Administration wants to keep passenger trains running. A fifth of the population of the United States is concentrated in the north-east on 2% of the total land area. In this region, road traffic between towns is expected to rise 65% during the 1970s. There is resistance from environmentalists to more road spending and to building new airports, which would not have to be faced if the extra passengers all went by rail. A report on the transport needs of the region, published last autumn after almost a decade of research, suggested faster trains as the best way to meet the demand.

But the railroads' present share of passenger traffic is minute: somewhere between 1% and 2% of passenger-miles. Although Europe and Japan are optimistic about the prospects for long-distance rail travel, their estimates are not really relevant to much of the United States. Even in Europe, rail enthusiasts do not expect to compete significantly with the airlines beyond distances of 400 miles; while, for distances below that, they are looking to trains much faster than those in use today, involving large capital outlays on both trains and track.

In terms of American distances, 400 miles is a low limit, except in a few areas like the north-east corridor. Even Boston to Washington is 443 miles. The American tracks were laid at a time when people travelled from one city centre to another. Now much of the traffic wants to go from one suburb to another. Compared with air travel, rail is too slow. Compared with private car or bus, it is too inflexible and too expensive; where it is competing with a good freeway system, it is also often too slow.

All these factors contributed to American rail passenger services' thundering loss of $200m in their last year of private ownership. The year before that, losses had been an even more catastrophic $500m. Only one of the services taken over by Amtrak was making money—the 150 mph Metroliner between New York and Washington. In its first year Amtrak has cut losses to $150m, and expects to knock off another $25m this year. But in the next two years the new company's expenses will still be double its operating revenue. On a number of routes Amtrak is losing several times what it is collecting in fares. Half the trains run by its predecessors have already been axed. Further cuts will now be politically difficult in view of the continued congressional subsidy. Meanwhile, as the bus industry is quick to point out, it would sometimes be cheaper to close the rail services down and give passengers a free bus ticket.

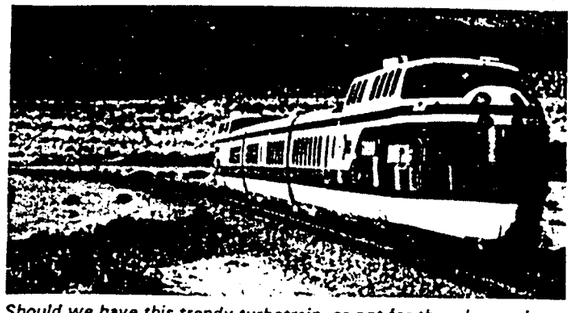
Congress thinks the management of passenger trains in private hands has been so poor that it is worth giving a nearly nationalised system a chance. Amtrak is trying to justify this confidence in the following ways:

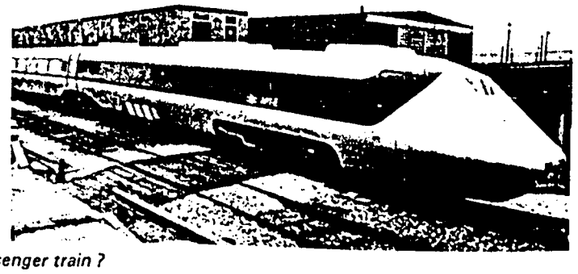
● It is cutting costs. One major saving has been to consolidate reservation systems and terminals. The five terminals in Chicago, costing $55m, are being cut to one. However, rationalisation of the train services themselves is hampered by lack of information on the users. Also, many items of expenditure are outside Amtrak's control, since it is still hiring personnel and equipment from private railroad companies.

● It is adopting a more flexible pricing policy. Amtrak has been given pricing freedom although American trains normally operate under a panoply of price controls which are a hangover from the nineteenth century when the railroads had a transport monopoly. In one experiment, Amtrak cut the rail fare from New York to Boston to make it comparable with bus fares. This led to a jump of 75% in traffic over the previous month and 20% over the previous year. The bus companies resent this policy; they argue that subsidies give the railroads an unfair advantage. But to Amtrak it makes commercial sense to distinguish between different classes of passenger, as the airlines are trying to do. Last month Amtrak announced a major revamp of fares, with prices generally reduced in the east and raised in the west.

● It is trying to expand its package holiday business. Leisure travellers on the airlines are increasing faster than business customers: these people could be sensitive to the right pricing policy by railroads.

● It is trying to improve on cleanliness, courtesy and information services—which its complaints mail shows to be its biggest sticking points with its customers. Morale of both passengers and crew has been improved by a $6m introduction of new uniforms, hot pants for girls and striped trousers for men. Small luxuries like linen towels and flowers in some dining cars help provide the personal service the airlines have already capitalised on.





Should we have this trendy turbotrain, or opt for the advanced passenger train?



They said it wasn't going to be like this any more

● Changes in booking systems are helping customers. Previously there were virtually no interchange facilities between airlines and railroads, so it was difficult for a passenger to switch to rail for a particularly beautiful stretch of country. Booking a journey which involved several railroad companies could be very complicated. There were 150 different timetables covering what are now the Amtrak services. In Amtrak's single timetable the number of symbols has been cut from 88 in a typical train schedule to under 10. There used not even to be credit card facilities for rail travel; this was an extraordinary omission in a country where cash has almost been superseded for large payments. Arrangements with car rental companies are also being improved.

● Amtrak is trying to cash in on people's romantic nostalgia for the railways by keeping on some of the services which gave American railways a great reputation throughout the world. There is the Empire Builder from Chicago to Seattle through mountains and snow, with wildlife along the track; the Coast Daylight and Coast Starlight between Los Angeles and San Francisco, running between the mountains and the sea; the Super Chief from Chicago to Los Angeles (which almost breaks even) and the Broadway Limited to New York.

Trains in the west tend to be in better shape than those in the east, largely because the carriers were less run down financially, and had been better maintained. The service from Boston to New York used until recently to operate with 35-year-old carriages. The aim now is to transfer under-utilised western equipment to the east, including the famous dome cars with their panoramic views.

● Amtrak is going for some quite bold experiments with a greater variety of services and furnishing on rail cars, in some ways returning to the grand railway era of luxury lounges. The first refurbished cars are now out of the workshops; they are being introduced on the Florida Special, with an eye on the expanding leisure market, especially to the new Disneyland. The journey includes complimentary champagne, coffee, and orange juice, colour television, and two types of film. Another trial balloon is the luxury couchette with its own shower, on the lines of a hotel bedroom. This is priced to compete with an airline-ticket-plus-hotel.

Success will depend on the reliability of service. American trains have a bad record, especially in the cold American winter, but Amtrak seems to be getting more punctual.

Since Amtrak had only a rough idea of how much dead wood it was taking on a year ago, it can hardly be blamed for going back to Congress so soon for more money. Even when it has got its new handout, three major worries will remain unresolved.

Three big problems

One is its relationship with the railroads whose track it is using. When Amtrak was put together, this question had to be dealt with in a hurry, without properly sorting out the enormous accounting problems of allocating joint track costs. Even British Rail is still fraught with problems on this score; it has never, for example, felt able to break down its profit/loss between passengers and freight. For a railroad like Amtrak, which does not own a single mile of rail, the problems are that much worse.

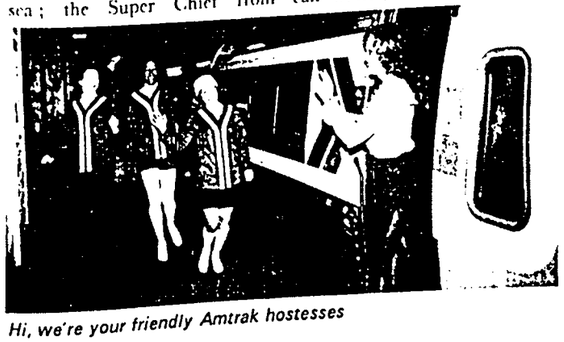
Amtrak's arrangements with the railroads are recognised as being unsatisfactory to all parties. They must be renegotiated by June, 1973, and some agreement reached on the split between fixed and variable costs. Although there are some hopeful signs (a compromise has just been struck with Penn Central), most railroads are probably losing money on the present deal. This leaves them with no incentive to provide Amtrak with an efficient service. Metroliner cannot achieve its maximum speed on much of the track that it is using. Yet if Amtrak pays more to the railroads, it will slide further in the red.

The second issue is how to increase train speeds. This is vital if they are to attract more customers. Metroliner's traffic has been rising by 30% a year, so there is a potential market.

Should the United States develop the Metroliner and the 170 mph turbotrain (which has been given a lot of publicity, but of which only two have been built so far, partly because they cannot reach their maximum speeds on American track)? Or should it develop its own version of the 155 mph British Rail "advanced passenger train," with its improved cornering and braking properties on existing track? The "advanced passenger train" would need redesigning for the United States, where safety regulations are more stringent and rail cars wider.

The money now being agreed by Congress will provide funds for investment. But faster speeds will make the conflict of interest between passengers and freight even bigger: schedules will then have to be arranged to keep freight trains out of the passenger trains' way. Depressingly, some experts think speeds of 250-300 mph will be needed to make surface travel over distances of more than 400 miles really competitive with air. Technologically, that is several years and billions of dollars away.

The third big issue is how many routes Amtrak should maintain. If he has to keep loss-making services going for social reasons, Amtrak's president wants direct subsidies for them—like British Rail gets. But he should beware of having too many. The Americans have already followed the European precedent by dropping their objections to public ownership and subsidies for the railways. But they may be in danger of allowing nostalgia for the good old railroads to go too far in diverting passengers from buses to trains. In the long run, buses are almost certainly cheaper and more flexible, and can cope with higher traffic densities. The experimental bus now being evolved to run on railway tracks may be one promising hybrid for the future.



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BUSINESS

Red faces in the docks

Although the dockers voted officially on Wednesday to postpone their threatened strike for six weeks, the militants may still close several ports.

The discussion was quiet and orderly at Transport House on Wednesday, until the motion was passed 49-32 in favour of a six-week postponement of the national dock strike. Then 100 militants swarmed out from the Marquis of Granby pub across the road, joined the men waiting outside the meeting, and poured out a barrage of abuse against the official union leaders. These militants are no fringe element in the docks. In port after port they have had unanimous support at mass meetings for container blacking. In London, Liverpool, Southampton, Manchester and Hull they have won votes in favour of a strike from next Monday. This will probably be endorsed by the partly marxist National Shop Stewards Committee, when meeting in Hull on Saturday.

The heat generated after Wednesday's vote is rarely seen in modern labour relations. For almost half an hour the union leaders sat silent on the platform in front of militants baying for their blood. There were threats to bomb Transport House and to burn the houses of Mr Jack Jones, general secretary of the Transport and General Workers' Union, and Mr Tim O'Leary, chief of the TGWU docks section. Between the many obscenities the men shouted that endless committees had failed to find them jobs ; the employers had failed to honour their promises ; jobs had been taken from under their noses by property developers ; some of their members had been out of work for years, and they were not going to wait another six weeks. The leaders were called scabs and leeches, words normally reserved by militant dockers to describe traitors to the cause. There were threats of physical violence. After two hours there were still some militants in the building, notably two smooth young men in leather jackets advocating " true socialism " as the remedy.

The Government has been bringing pressure on the employers to buy the dockers off. It has some power, because the Minister for Transport Industries, Mr John Peyton, has a say in decisions on investment in the ports. Negotiations have largely switched from the usual employer-docker council, the National Joint Council, to the emergency committee under the joint chairmanship of Lord Aldington, chairman of the Port of London Authority, who has the Government's ear, and Mr Jones. Some of the employers feel their hands are being forced by this committee. Mr Jones is likely to make public any offer made to him by those employers who are in the committee, and so put the rest on the spot. They feel there is a danger of offering too much too soon, as British Rail did with the railwaymen. Their fear is deepened by experience. What they offer Mr Jones and Mr O'Leary tends to be expanded in the retelling to the dockers, which again commits them further than they



They had strong views . . .



about Tim O'Leary

want. There have been some threats of resignation among the employers.

The Aldington-Jones committee has been working hard to find solutions. Monday evening's session lasted seven hours. As a result, improved terms were offered to the dockers at Tuesday's meeting of the National Joint Council. They did not seem exorbitant: they would cost the employers an extra £1m a year at the very most. Beside the extra week's holiday and increased fallback pay already offered to the men, there were two extra enticements: another £500 severance pay to those on the temporarily unattached register who voluntarily leave the docks making the maximum £2,830 ; and a £50-a-head disturbance payment to the men on the register. Severance pay has been eagerly taken up by quite large numbers of London dockers.

The dockers were also told that the committee unanimously accepts that those dockers now on the unattached register—where they would get £23 a week under the terms now offered by the employers—should be offered work if they want it. This is a bold decision, which may be hard to translate into practice. The decision lies in the committee's charitable view—charitable to dockers, that is—of the conflicting reports about what each side has agreed in years gone by.

The dockers have appeared to accept the inevitability of new technology and a rundown of jobs ; they have also accepted all kinds of individual container contracts, including a deal with the roal hauliers to let them stuff containers. At the same time they believe they extracted promises from the employers that every docker would have a job in the industry for life, if he wanted it. Whether getting £23 a week for doing nothing, and being able to take other work outside the docks as well, counts as a job is a matter of heated debate. The dockers have broken so many promises themselves that the employers can be forgiven for occasionally bending the rules. They have, in any case, gone to considerable lengths to make jobs where none exist, and have recently been carrying 14 per cent more men than they needed, on full pay—in addition to those temporarily unattached to any employer, and drawing fallback pay.

The Labour government allowed the threat of nationalisation to drag on right through its term of office. This weakened management at the docks. The present Government failed to appreciate, on taking office, just how far militancy had thrived on the confusion. It failed to make the simmering labour problems in the docks its first priority ; it concentrated on financial reorganisation, very successfully, as the National Ports Council annual report, published on Thursday, shows.

Meanwhile the militants have been gaining power. Decasualisation of port labour, which was supposed to give dockers a new sense of responsibility, played into the militants' hands. It created the need for shop stewards, into which positions the militants moved largely unopposed. At the same time Mr Jones allowed the TGWU's rule that communists could not hold office to be abolished.

Container blacking shows how easily the dockers can be whipped up into a storm about nothing, because the number of container-stuffing jobs that the dockers could conceivably do is small. On Monday, in the first action of its kind, one group of union men won an order from the National Industrial Relations Court to stop dockers picketing their container depot at Chobham Farm in east London. This is the largest depot of its kind in Europe, but apparently only 63 of its jobs could be done by dockers. This has triggered off a fresh row as the pickets refused to obey the injunction or turn up at the NIRC (see page 75). The total number of container-stuffing jobs that might conceivably be done by dockers in the country as a whole is only a few hundred. But 20,000 docker jobs are likely to disappear by the end of the decade.

One ironic twist is that containers have been as big a financial disaster to shipping companies as to dockers, and have even hurt the finances of some of the big ports. The shipping lines and ports are still investing in containers, and have orders for them stretching several years ahead. Containers have failed to lower transport costs ; all the savings have been given away in wages. But they have kept the rate of inflation below what it would otherwise have been. There may be a move to other methods of modernising cargo-handling. The use of pallets, which is favoured by the Scandinavians, is one which produces big savings over conventional methods without causing such disruption to employment.

Corporation tax takeovers

Unless the Government changes corporation tax while there is still time, it could find that it has triggered a spate of takeovers for that most undesirable of all reasons, tax avoidance

Consolidated Gold Fields is bidding for the Amey Group. British-American Tobacco and Imperial Tobacco are reputed to be discussing possible merger terms. The hoary old rumour of Rio Tinto-Zinc's interest in English China Clays is going the rounds again. And why ? Largely because each of the bidders would, if successful, be in a position to make a big saving under the new corporation tax. Each of them has an incentive to escape from a pattern where the lion's share of its income comes from abroad. The Government could and should alter this silly incentive when the relevant clauses of the Finance Bill come up in committee during the next few weeks. Takeovers motivated by tax avoidance are the least desirable of all. This accidental quirk of an otherwise greatly improved form of corporation tax could produce some bizarre couplings.

Where the nonsense gets in

Treatment of £100 of profit under the new corporation tax

	Profit earned in Britain		Profit earned abroad	
	Dividend	Retention	Dividend	Retention
British corporation tax, 50%	£28½	£50	—	—
Foreign tax, eg 55%	—	—	£55	£55
Gross dividend :	£71½	—	£45	—
of which—ACT	£21½	—	£13½	—
—net dividend	£50	—	£31½	—
Retention	—	£50	—	£45

The reason is simple. Under the new arrangements, pre-tax profits from abroad will always be worth more to a company if they can be ploughed back into the business than if they have to be paid out in dividends. The ideal will become a business that earns enough in the British market to cover dividends and enough from overseas to pay for its new investment. If the ratio tips in a way that leaves you getting too little from Britain, there is a powerful motive to go out and buy any business making the right size of profits to cover your dividends and its own. The stock market has begun to worry about a wave of artificial takeovers in the next couple of years. So should the Government. There would probably be nothing basically objectionable if Shell, or any other oil company, were to take over Tesco or Grand Metropolitan Hotels ; but there would be nothing particularly desirable about it either.

Mr Barber rightly decided to change corporation tax so as to bring the tax burden on profits paid out as dividends down into line with that on profits ploughed back into the business. His aim was to stimulate the capital market and make it easier for companies to raise money for profitable new investment. The means devised to get round the difficulty of dividends paying both corporation tax and income tax was to charge a flat 50 per cent corporation tax on all earnings and then distribute dividends net of tax. But the dividend will be grossed up by the simultaneous payment of three-sevenths of it to the inland revenue as "advance corporation tax" (ACT). To a net dividend of £50 will be added £21.43 of ACT to make a total gross dividend of £71.43. ACT will serve the purpose of income tax on £71.43 at next year's basic rate of 30 per cent. When corporation tax falls due, another £28.57 will be paid on the £100 profit used to provide the £50 dividend, bringing the total tax up to 50 per cent. If, however, the £100 is ploughed back, then a straight £50 will be paid when corporation tax falls due. The table shows how this works out.

The catch comes in the way foreign income is treated under double tax rules. These are supposed to allow relief of foreign tax against corporation tax but not against income tax on dividends. This is where the Government tries to have its cake and eat it. Although it calls ACT corporation tax, it intends to treat it for double tax purposes as if ACT were income tax, and allow relief only on the £28.57. So a company that uses its foreign income as dividend will end up paying something like £13.50 more tax than if its £100 had been retained in the business and got the full 50 per cent relief. (This is on the assumption that foreign tax works out at 55 per cent ; the table shows how the figures break down.) For big companies with large overseas and small home earnings, it amounts to a 13½ per cent surtax on very large sums.

When the Government taxes the profit earned in Britain by foreign companies, it will drop the pretext—indeed, indignantly deny any suggestion—that ACT is income tax under another name. It will insist that it is an integral part of corporation tax. There is a reason for this : by mutual agreement income tax on dividends between countries is often waived under double tax treaties. By denying that ACT here has anything to do with income tax, the Treasury will save itself £25m a year. The Chancellor must be hoping that American double tax negotiators will not notice that what he is saying to foreign companies who take money out of the country is the opposite of what he is saying to British companies who bring money in.

The Government expects ACT paid on foreign earnings of British companies to bring in £100m a year. This is probably a huge overestimate. Companies are going to use all their ingenuity to get round it. A Bats-Imps merger, with maintained dividends for Imps shareholders, could save £3m-£4m a year. A few more deals on this scale would rapidly whittle down the expected £100m. This, after all, is what companies pay their accountants to do. The deals would also create mayhem in the corporate structure of British industry and send some share analysts to an early grave while they tried to work out company earnings in the meantime.

The simplest and fairest solution is to treat ACT as corporation tax throughout, and to allow foreign tax relief. This would put the Government in a much stronger negotiating posture with the notoriously tough double tax negotiators of the United States Administration. Most important of all, it would stop a potential flood of nonsense mergers.

Complaint upheld

The Press Council has upheld the complaint of Mr P. Grier, 17 Brinsworth Close, Twickenham, over figures on Scottish housing subsidies that appeared in the issue of September 11th, 1971. Mr Grier said that to describe the subsidies as having exceeded £200m in the previous year gave a grossly exaggerated and unfair impression when this figure reflected the consolidated current and capital expenditure on housing in Scotland by the public sector, while the annual subsidies were running in 1969-70 at £33m. He also said that it overlooked other forms of help given to owner-occupiers. A correction was published on November 13th, together with an explanation that some of the grants would not necessarily be paid until 1973. Mr Grier complained to the Press Council that the correction was "contemptible." The Press Council's adjudication was :

> In the Press Council's opinion the complainant was justified in criticising the housing subsidy figure published in *The Economist* as giving a grossly exaggerated and unfair impression. The correction which was eventually published was inadequate. The complaint is upheld.

They still won't invest

Manufacturers are still delaying investment decisions. They may delay them until next year, and then have to buy imported machines

Although some of Britain's largest manufacturers and most people in the distributive trades have increased their plans for new investment since the budget, the bulk of manufacturing firms have apparently done just the opposite. The Department of Trade and Industry says that prospects are even bleaker now than at the time of its previous sounding last November and December. Manufacturing investment this year looks like being 3 per cent less, in real terms, than 1971's already depressed level, which itself was 7 per cent below the level reached in 1970.

This hardly seems to make sense. It certainly contrasts with the optimism coming out of the Confederation of British Industry's own inquiries. But the CBI probably has a preponderance of large and more optimistic firms. Industrialists are citing a baffling range of excuses for not investing : ranging from squeezed profits, higher material costs to unused capacity. An increasing number point to the unfortunate effect of the change in corporation tax, which provides a positive disincentive to spend on new plant before the start of their new tax year. Waiting will bring a gain of up to 10 per cent of the value of the investment.

In addition, the ending of Set and the change to Vat will inject a once-and-for-all £485m into the corporate purse in the second quarter of next year. About £330m of this will come from collected Vat and car tax not passed on to the Government until the end of each period, and £155m from the refund of the "forced loan" that industry made to the Government through Set. On top of this, the benefit of the tax change itself will be £60m a quarter.

All this could produce a massive jump in industrial investment in the middle of next year: perhaps a jump which British producers of capital goods will be unable to meet. The effect on the import bill could be disastrous. It becomes all the more important, therefore, to bring forward some of that potential investment. This could be helped by the first reliable signs of an increase in industrial activity. The steel industry has been turning out more ; some of its extra production has been going into rebuilding stocks, for which there is plenty of scope. Even the engineering industry's Neddy now expects a slow increase in home orders during this year and a sharp jump next, although the machine tool sector is still shedding labour.

Unfortunately, the nearer the heavy end of industry, the greater the gloom. Capital spending by the steel industry is only offsetting the worst of the downturn for some other parts of the process plant industry. The Government is pushing the electrical generating industry, to go ahead with orders for new generating plant that it does not want yet (see page 80). A much better government move would be to say that "free depreciation" means that companies can take their 100 per cent allowance when they want (ie, against next year's corporation tax, even if they invest this year).

Most of British industry is still being too ostrich-like. The wage inflation of the past few years makes it all the more imperative to look for capital-intensive ways of producing. The increase in productivity through streamlining and redundancies has given it a vital springboard. The more adventurous of British firms are in the process of investing in common market countries ; but, curiously, they are not seeing their chances in the home market. It will be a tragedy if Britain goes into the community on the crest of a consumer boom but understocked and under-invested. Our new industrial partners will then gobble up far too much of the British market.

Key indicators: British economy

Industrial production
Total output (which includes construction) moved up to a record level in April. But manufacturing output fell back slightly.

Trade
Deficit of £43m in May, the average for the year so far. But invisibles still in surplus of £50m a month.

Investment
Fall of 1 per cent in manufacturing investment between fourth quarter 1971 and first quarter this year : no change in investment by distributive and service industries.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	April	127.7	+0.9	+2.3	+2.4
employment*	March	88.8	−0.4	−0.2	−5.7
productivity*	March	141.6	+12.2	+1.7	+8.7
Export trade*‡	May	146	nil	−2	−3
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	April	114.5	+1.5	+1.1	+3.2
Unemployment*	May	164.8	−7.0	−5.0	+15.5
Average earnings*	March	196.0	na	+3.6	+10.4
Retail prices	April	156.2	+0.9	+1.8	+6.3
Export prices	March	150	+1½	+1½	+8½
Import prices	March	135	+½	+1½	+5

*Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.6 per cent. *Seasonally adjusted ‡Provisional*



From exporting our products and services around the world to building the runways and airport terminals to fly them from.
And at roof level we really spread ourselves.
Not only in Britain where we put the roof on just about every type of building, but overseas too - we export a wide range of roofing materials. And asphalt from our mines in France and Switzerland ends up on European roofs.
We're on top of the job everywhere.
And just to show we can land the big ones we've recently completed a jumbo-jet apron at Bahrain Airport.

Tarmac
THE MEANS AND THE END
Tarmac Group, Wolverhampton, England.

CHARTER CONSOLIDATED LIMITED

Points from the statement by the chairman Mr. S. Spiro

Consolidated profits before taxation amounted to £17,645,000. Last year's figure, adjusted to take account of adoption of the Institutes of Chartered Accountants' recommendations on the incorporation of associated companies' undistributed profits or losses, was £20,200,000.
The figures for the two years are not strictly comparable because of some exceptional items. This year we received £3,147,000 less in dividend income from Zambian Anglo American due in the greater part to the receipt last year of special terminal dividends consequent upon the restructuring of the copper mining companies to provide a 51 per cent interest for the Zambian government. Included this year is an amount of £1,010,000 reflecting losses of SOMIMA which is treated as having commenced trading although a commercial rate of production has not yet been reached.
Profits from realizations amounted to £3,445,000 compared with £1,104,000 last year. Despite difficult trading conditions for industry Cape Asbestos achieved a satisfactory increase in profits from £2,528,000 to £3,098,000.
Our results, in conditions of substantially lower metal prices, can thus be looked upon as not unsatisfactory and a reflection of our wide spread of investments.
The stock exchange price index for mining finance shares, in which general category the greater part of our quoted investments lies, was at much the same level at the end of our accounting year as it was at the beginning, and the net asset value at 31st March, 1972 was £294,587,000 equivalent to 281p per share, compared with 277p per share previously. Our net assets in liquid form at the end of the year amounted to £26 million.

Investment changes

Arrangements were completed during the year for a merger between Thos Barlow & Sons and Rand Mines and the opportunity has been taken to effect a reorganisation of some of Charter's important investments in conjunction with Anglo American Corporation group and Barlow Rand.
We are glad to be able to participate in a rationalization of the platinum industry. The platinum market has been affected by the general down-turn in economic activity but we believe that this metal will be utilised increasingly in the future.
We are very pleased that Charter has been able to obtain a major participation in the diamond business.

Legislation

We greatly welcome the changes which have been introduced by the government in the reform of the taxation structure and the overseas investment insurance scheme but it is a matter of regret that the discrimination against overseas income which has borne foreign taxes will continue when this income is utilized for the purpose of paying dividends.

Prospecting and mining

Charter has pursued its development as a mining finance company. We are engaged in extensive prospecting operations in many countries with the object of expanding our mining interests, and we continue to seek and to examine possible new business projects.

Zaire

We have been much encouraged by the results obtained from Zaire (formerly Congo Kinshasa) where we are participating with the government of Zaire and international partners in a consortium company, Société Minière de Tenke-Fungurume, to which we provide technical and administrative services. From intensive exploration and investigations at Tenke-Fungurume near Likasi in Shaba province (formerly Katanga) probable and indicated reserves delineated in seven deposits amounted to 20 million metric tons grading 6.2 per cent copper and 0.40 per ton cobalt. Inferred reserves in these and other deposits are estimated at a further 14.8 million metric tons.
The geological environment and metallurgy are technically highly complex and some time will be required before a full assessment of the project can be made.

Somima

The build-up to full production of copper concentrates at Akjoujt has been seriously delayed and is now only likely to be reached towards the end of 1972. Although the effectiveness of the TORCO process in treating the Akjoujt ore has been amply demonstrated, a series of defects have emerged in the functioning of the treatment plant which have called for modifications and replacement of equipment.
We are confident that the engineering problems will be resolved, but it will not be possible to assess fully the economic prospects of the project at different copper price levels until the modifications are complete and full production has been reached.

Malaysia

Results from tin operations have been encouraging. Although the nature of some of the operations leads to wide fluctuations in individual performances, particularly in the case of Ayer Hitam, the trend has been for an increase in production and profits.

Cleveland Potash

Overall good progress has been maintained at the Cleveland Potash mine in Yorkshire which is jointly owned with ICI. We are suffering some delays in the construction of the treatment plant and in shaft sinking at depth. Some deferment of the initial commissioning of the mine is likely but it is still anticipated that production will commence in mid-1973.

North Sea oil

A significant development in our exploration activities during the past year has been Charter's direct participation in offshore oil exploration in the UK sector of the North Sea. Charter is a major partner in a joint venture with Home Oil of Canada, which will act as operator, Oil & Gas Enterprises (N.S.), and Canadian Industrial Gas (U.K.). On the basis of the seismic and other information available we submitted an application to the Department of Trade and Industry and our consortium was awarded two blocks. Detailed seismic work is now being carried out and it is hoped that drilling will commence in early 1974 or as soon as suitable equipment becomes available.

Industrial

Charter's principal industrial subsidiary, Cape Asbestos, had a significantly better trading year in spite of difficult conditions.
Charter's other industrial subsidiaries also showed a combined improvement in earnings.

Prospects

Whilst our earnings are much influenced by the level of metal prices, particularly copper, our investments in mining finance companies combine growth prospects with a wide spread of revenue producing interests. In the short term we do not look for any dramatic improvement in metal prices but we do not anticipate any significant worsening and are reasonably confident of a mildly upward trend in the medium term. The comparatively small scale operation under difficult conditions at SOMIMA is particularly sensitive to the price of copper. Drilling results at Tenke-Fungurume in Zaire are encouraging but in any event it would be some years before any mining project could be brought to fruition. Cleveland Potash should prove a satisfactory profit earner in due course. Meanwhile our mining finance investments, incorporating important interests in gold, have now been further strengthened by the rationalization of platinum interests and by our substantial new investment in the diamond business.

Copies of the annual report and accounts and chairman's statement can be obtained from 40 Holborn Viaduct, EC1P 1AJ, or from Kent House, Station Road, Ashford, Kent.
The seventh annual general meeting of Charter Consolidated Limited will be held at Winchester House, 100 Old Broad Street, London EC2N 1BE on Tuesday, 11th July, 1972 at 12 noon.

BUSINESS *Britain*

Sir John at Tolpuddle

Whatever he may have felt about the way that the Court of Appeal had disagreed on Tuesday with his reading of the Industrial Relations Act, Sir John Donaldson continued on Wednesday to make his own case law. He threatened to jail those shop stewards in the London docks who had continued to black lorries in defiance of a National Industrial Relations Court order, unless they appeared in his court on Thursday to explain—or, alternatively, in the Appeal Court by 2 p.m. on Friday. They turned down the first alternative and were picketing as usual on Thursday. Their public statements —backed by votes to strike in their support in London and Liverpool— did not seem to indicate that they would be at the Appeal Court either, although that court is much more in their union's good books since it allowed its appeal on Tuesday.

That Court of Appeal decision is liable to have a profound effect on everyone's view of the act. Sir John Donaldson had ruled that unions must discipline their own shop stewards, and could not escape the court's displeasure by pleading that men would not do what they were told. This ruling had shown some signs of having effect. Officials of the Transport and General Workers Union had been trying to get blacking ended in the docks by arguing that it was not worth the drain on the union's funds, which was expected to go well above the £55,000 of fines already imposed.

Framers of the act had hoped that such fines would eventually force the unions to debar from membership those who disobeyed union officialdom by constantly calling unofficial strikes. One of the cornerstone assumptions of the act had been that it would then become possible for employers themselves to sack wildcat shop stewards, after they had been deprived of membership in their own unions. The shock on Tuesday, when Lord Denning gave his ruling that the union need not be responsible for unlawful actions of shop stewards, was therefore considerable.

The worry after the Appeal judgment is that employers have few effective sanctions against unofficial strike action if they cannot take the guardians of the unions' large official funds to court. Employers can still take the individual stewards there, but without any hope of getting substantial damages and at the risk of making martyrs. The NIRC has no qualms about this, but jail is nothing like as effective (or, frankly, as desirable) a sanction as large fines on a union.

The judgment does not mean that unions can never be taken to court when their local officers break the law. In many cases, unions back their shop stewards, and so become responsible for their actions. Few unions have the same complex internal political splits as the TGWU, which made the Court of Appeal decide that there were limits to Mr Jack Jones's power. In Mr Hugh Scanlon's Amalgamated Union of Engineering Workers the rules say that strike action has to be backed by the district committee, which means that, if such a strike is unfair, then the union can be penalised.

One of the aims of the Industrial Relations Act was to make registered unions alter their rules so that it would become clear who could call strikes. The hope had been that unregistered unions would find that many of the strikes called by their members were unlawful and rendered them liable to fines upon their funds, so that the incentive to register would be considerable. Now the Appeal judgment makes the penalties for being unregistered much less severe.

Ministers would like Tuesday's decision to go to the House of Lords. But an appeal does not rest with the Government. It rests with the haulage companies: Heatons, Craddocks and Panalpina. The first two are small, and have already suffered heavily both from the blacking and from the costs of fighting court actions in support of what at least some ministers thought that they and Parliament had laid down in their own act. They may not want to risk the costs of a further appeal. But Panalpina is bigger and may fight on if it thinks there is chance of success.



Alan, Vic and Bernie ; to Tolpuddle by way of Chobham Farm ?

Railways

Bad day's work

The Government is now facing the biggest decisions on the railways since Lord Beeching produced his original plan for cutting them back to size. British Rail should be pared down to as few as four or five main lines. Mr Richard Marsh, the chairman, gave warning of cuts on Tuesday after he had paid up a further £2m to get the railway unions to call off their third threatened go slow. The total cost of this week's wage settlement is now £37.2m, and this year the railways may lose, on one count, around £270m. This is equal to nearly half their turnover. The loss counts in £60m of subsidies for lines kept open because the Government wants them to be ; £27m which is the cost of keeping within the Confederation of British Industry's price freeze ; and £150m knocked off the industry's debt by the 1968 Transport Act. Rail experts think the finances of BR are going to get worse, not better, in the next three or four years.

The scope for both price rises and cost-cutting on the existing railway network is limited. Any cuts will have to be severe. The lesson of Lord Beeching's economies was that weeding out unprofitable routes creates a vicious circle, since it reduces traffic on the rest of the system, and makes still more lines uneconomic. Railways are an anachronism in a small country in a motorway age. Apart from a few fast, dense routes, public transport is cheaper by bus—cheaper still if some of the old railway lines were used for special bus tracks.

The Government is unlikely to agree to this, even though many of the railwaymen could be found jobs on the buses. The more likely policy is one of more subsidies, plus some cuts in services to save the Government's and Mr Marsh's face.

Nationalised prices

Someone pays

The biggest constraint on railway fares is the Government's tacit undertaking to see that the nationalised industries conform to whatever price freeze the Confederation of British Industry gets agreed. The nationalised industries have been particularly badly hit by the freeze, and their combined losses are running at a sum that must represent around 1 per cent of the country's gnp and is equal to 10 per cent of their combined turnover.

A number of increases have slipped through, notably the 7½ per cent on the price of coal which will pay £60m towards the miners' £117m settlement, leaving the rest to be met, once again, by subsidies. But the National Institute of Economic and Social Research calculated last summer that goods covered by the CBI's freeze made up one third of the retail price index, and, of that one third, half was accounted for by the nationalised industries. The effectiveness of the freeze depends on the nationalised industries conforming to it.

CBI members, wriggling uneasily under a political commitment to renew the freeze that they would much rather not honour, blame the Government's inability to control rents, house prices, fares, beef prices and whatever else they can think of, for the size of the wage demands they are now facing. This, they say, is making it difficult to know whether they can renew the freeze even for another six months (their settlements, none the less, are well below those of the nationalised industries). It is therefore tactically impossible for the Government to attempt to pass on the inflationary wage settlements it has agreed in the nationalised industries to the consumer.

But this is still the only way of bringing home to the public what these settlements cost. They are now pushing even potentially profitable businesses into the red ; the post office has fallen short of its relatively modest financial target—of 10 per cent on telecommunications and 2 per cent on the postal services—by a margin of £180m over the five-year accounting period, and the postal services, which should on this basis have shown an accumulated profit of £45m by then, are losing nearly that much every 12 months.

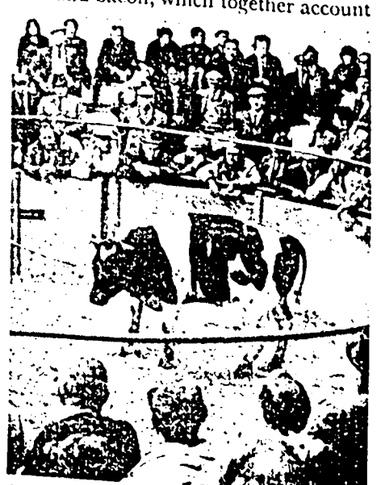
Ministers are now beginning to worry what will happen to nationalised industry prices when the freeze does end, probably early next year. To allow prices to jump up sharply then, as soon as the restraint ends, would produce an alarming increase in both the cost of living and in industrial costs just at the time when Britain is going into the EEC. However, the EEC does not, officially, allow industries to be subsidised, although it has had to accept that in practice large numbers of them are. Britain's nationalised industries would not be in quite so bad a way if they were allowed to cut unprofitable operations and unnecessary men; this applies particularly to the British Steel Corporation which has had to give two years' notice of closure of the foundry iron blast furnaces at Stanton, employing 1,500 men who are unlikely to get other jobs in the industry. But the Government will not sanction any rationalisation that is likely to lead to unemployment within the next 18 months. So the industries are in a trap where they can neither increase prices nor cut staff in order to meet the wage increases that the Government has obliged them to pay.

It is probable that the true loss on the nationalised industries is still being understated. Mr D. B. Myddelton, who took the Gas Council's accounts apart two years ago, has applied the same analysis to all the nationalised industries in the spring issue of the Institute of Chartered Accountants quarterly research bulletin. He calculated that they all understated their fixed assets and depreciation charges by a margin of 25 per cent over a 20-year period from 1951. On an adjusted basis, an apparent 2.8 per cent return a year on assets averaging £6.7 billion becomes a return of less than 1 per cent on assets of nearly £13 billion. He reckons that the accumulated loss of all the nationalised industries to 1970 is not the £2 billion shown in their conventional accounts, but, in real terms, something well over £8 billion. Whatever the figures will show when Mr Myddelton gets round to adding on current losses, the current rate of subsidy now must be running at least at £500m a year.

Food prices

Still beefing

The cost of living index has moved sharply up this month : bread, beef, beer and bacon, which together account



Bidding was brisk, and foreign

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Points from the Review of 1971 by the Chairman Mr. John MacConochie

"A period of transition"

- Deterioration in profitability from ship operating responsible for losses of £1.76 million
- Ancillary shipping and non-shipping activities increased their profit contribution
- Decision to reduce materially the Group's dependence on liner trades fully vindicated—benefits becoming apparent in 1972
- Group profits in the first quarter of 1972 showing a distinct improvement
- Final dividend of 10% on the ordinary stock recommended—same as last year

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for 9 per cent of the index, all cost more. It can be small relief to Mr James Prior, Minister of Agriculture, that in the last few days beef prices have begun to retreat from their recent scarifying levels, since most of the fall in price has not come from more supplies but a boycott of butchers' shops. Sales of beef have been as much as a fifth down this week as shoppers changed to poultry and lamb, forcing up their retail price in turn. Although the surge in meat prices is already halted, and cattle auction prices are coming down, the political damage has been done: since the election food prices have risen by 17 per cent.

The extra ½p on a loaf of bread will go less noticed since bread has lagged behind the recent round of price increases. Nonetheless, the average family will pay 2½p more a week.

More embarrassing for the Government is the 1p that some brewers are threatening to put on a pint of beer; the British public spends twice as much on beer as on beef. Since all price controls were removed in 1970 and brewers have been able to fix their own prices, 3p has been added to the cost of a pint. Much of this has gone directly into the brewers' profits; brewery shares have been among the star performers on the stock market, rising by 118 per cent in the past 15 months as profits have soared.

Last week's 10 per cent increase in wholesale bacon prices is only now beginning to work through to the shops. This rise is even more open to political criticism as Mr Prior has recently cut back subsidies to bacon curers. The bacon market is carefully divided up between British producers and importers. To stop prices from rising, it is only necessary to allow in more bacon, principally from Denmark where it is cheaper to produce. British pig men and bacon curers have recently been enjoying such a boom market that the European producers have been complaining about being kept away. If Mr Prior wants to see prices come down again he has only to let in a breeze of competition.

Economy

Trade gaping

The trade figures are bad. The deficit in May was the fifth in a row. Its size, £43m, equalled the average of the previous four months. As the January to April figures had been distorted by the effects of the miners' strike, there had been hope that they were untypical. That hope has now been dashed. If there were no further deterioration, Britain would run a visible trade deficit of £500m this year, little short of the £562m registered in the devaluation year of 1967. That would be a good deal worse than the National Institute of Economic and Social Research forecast only last week: it was thinking in terms of a deficit of rather less than £200m. But the larger figure could be a more realistic reflection of the fact that the relative price advantage secured for British exports by 1967's devaluation has now been lost entirely.

That is not to say, of course, that all the good effects of devaluation have spent themselves. In 1967, invisible earnings brought in only £254m—and covered, therefore, less than half the visible deficit. Last year invisibles earned £635m. They can be expected to repeat that performance, or nearly so, this year. If visible trade deteriorates no further Britain should still run a small total surplus on current account. The worry is that the trade figures might worsen in the second half of this year as the consumer boom gets under way and if economic growth accelerates. Indeed, if it does not, Britain will almost certainly not be getting the growth it wants.

The rapidity with which British trade can deteriorate should never come as a surprise, but it is still very disturbing. Exports in May were about 4 per cent lower in value than they had been last autumn: imports were 10 per cent higher. There have been lower deliveries to most sterling area markets, especially to Australia, New Zealand and South Africa. Imports of nearly all kinds, except food, have risen quite sharply; indeed, imports of cars and trucks, which now make up almost one-sixth of all imports of finished manufactures, have risen by as much as 15 per cent over the past few months alone. Home demand for cars has been high; home supplies, against a background of industrial disputes, inadequate. This pattern may be repeated in other industries as consumers feel the full impact of the March budget in their pockets. It could also apply to capital goods when investment picks up.

Scotland

Highlands' fling

Life is looking up in the highlands, according to a very cheerful



Business is booming, so they tell me

report published on Tuesday by the Highlands and Islands Development Board. Unemployment has not risen much over the last year. Investment almost doubled between 1970 and 1971. The fishing industry has had a record year, and so has tourism. And the impact of the North Sea oil industry is yet to come.

The board reckons that oil could have a "remarkably beneficial effect on trade and employment," starting with the building of drilling platforms in sites around the Moray Firth. By the end of this year, these alone should make a sizeable dent in the region's unemployment, which is still running at 9.3 per cent. Down in Aberdeen, the oil industry is expanding rapidly. The North East Scotland Development Authority announced this week that over 100 firms had now moved into Aberdeen, with two more setting up each week. As yet, the highlands has not had much of a share in oil's backup industries, but they should develop over the next few years, particularly in Shetland and Orkney. Much depends on how actively British companies are prepared to bid for the work.

There is no better indication of the reversal of the region's economic fortunes than the turnaround in migration. In every decade since the 1830s, the population of the region has dropped. Over the last decade, it has actually risen, mainly since 1966. Migration has been tiny compared with the rest of Scotland.

The fishing industry, which is still one of the main providers of jobs, is doing nicely with more boats, bigger catches and higher prices. The herring catch last year was 52 per cent up on five years before. Tourism had a record 1971 and there are plans for another major skiing resort on the Aviemore model at Ben Wyvis, where the snow is said to be more reliable.

There may even be rich mineral deposits in the mountains. Several min-

Another record year of growth

Extracts from Sir John Keswick's Statement to the Stockholders of Jardine, Matheson & Co., Ltd.

Profits
The 1971 results were another record for the Company. This is the tenth successive year in which growth, on a compounded basis, has averaged 20% per annum. The consolidated trading profit before tax was HK$72.1 million (£4.95m.), compared with HK$56.8 million (£3.9m.) for 1970. The net profit after taxation was increased by 25% to HK$57.7 million (£3.96m.). Dividends total HK$1.20 per stock unit (8.2p). After adjustment for the capitalisation issue of two million new shares in 1971, this compares with the equivalent of HK$0.95 per stock unit for 1970 (6.5p). The Board are also recommending a scrip issue on the basis of one for five and expect to maintain the same rate of dividend on the increased capital.

Loan Finance
In 1971, the Company for the first time in its history sought long term finance and raised US$15 million on the Euro-dollar market on satisfactory terms.

Hong Kong
1971 was another year of steady progress for the Hong Kong economy. Exports, including re-exports, were up by 12.6% – while imports improved by 15%. Tourist figures remained at much the same level. Real estate prices and stock market levels reached new peaks. Financial activity was high. Hong Kong is becoming an increasingly important regional financial centre.
The Company's activities produced substantially better results. Trading and services departments generally achieved satisfactory growth and several new acquisitions usefully contributed to earnings. During the year the Lombard Insurance Co., Ltd. became a subsidiary. The shipowning subsidiary, The Indo-China Steam Navigation Co., Ltd., showed better profits.
Good progress and growth was achieved in the financial services activities. Empire Finance Co., Ltd., and Jardine Fleming & Co., Ltd, both recorded very satisfactory earnings in the fields of finance, investment management and corporate finance.
The policy of planning to maximise the return on the Company's valuable Hong Kong real estate was continued. The Excelsior Hotel owned by an associated company, East Point Hotels Ltd., will open by the end of 1972, and a new joint real estate enterprise with The Hong Kong Land Co., Ltd., was completed. Other projects are in the construction or planning stages.

Singapore, Malaysia, Thailand and Indonesia
Following a reorganisation programme and senior management changes, Jardine Waugh Ltd., produced considerably improved results. The 50% interest in Guthrie Waugh Berhad was sold which will release funds for diversification into other fields. A representative office has been opened in Indonesia.

Japan
The Japanese economy had a difficult year in 1971 caused by uncertainty over the parity of the Yen. Against this background our subsidiary, Jardine, Matheson & Co., (Japan) Ltd., had an average year. Whilst raw material imports were cut back consumer goods marketing activities recorded substantial increases in turnover.

United Kingdom
Matheson & Co., Ltd.'s important shipowning activities were inevitably affected by the major recession in the world freight market. Insurance and financial services activities produced improved results.
The forwarding, air freight and transport subsidiaries progressed satisfactorily.

Australia
Jardine Matheson & Co. (Australia) Pty. Ltd. made further progress and net earnings showed a substantial increase. Real estate developments in North Sydney continued to be the principal activity of the Company with projects under construction valued at over A$50 million (£22.8m.).
Other interests in the trading, transport and industrial fields operated satisfactorily overall. The holding in the transport group, Fleetways (Holdings) Ltd., was increased. The Australian Flag vehicle deck container ship, "Matthew Flinders", produced satisfactory results in its first year of operations.

Pacific
Our South Pacific interests are expanding. Investments include a substantial minority stake (40%) in the leading Fiji tourist and travel group, Hunts Holdings Ltd., a small interest in a tourist resort development in Fiji and a holding in the Cook Islands Trading Corporation.

U.S.A.
Jardine Matheson Inc.'s development programme is under way. Four initial investments were made in real estate, building materials, tourist services and computer components.

Future Prospects
Your Company is strongly entrenched in Hong Kong and, under the unique business climate, it has been possible to achieve a well above average growth of earnings and a strong cash flow. As a result, expansion has been achieved without going to stockholders for new equity capital. This policy will continue in the immediate future. It is expected that new projects and investments both in the Eastern region and in the more industrialised and developed areas will increasingly contribute to earnings.
Our 1972 first quarter results are ahead of the same period last year and, subject to no unforeseen circumstances, the Company can look forward to another good year's trading.

£ Millions	1971	1970	1969	1968	1967
Net Profits after tax	4.0	3.2	2.6	1.9	1.4
Dividends	1.8	1.4	1.2	0.8	0.6
Stockholders' funds	21.2	17.8	14.1	12.5	11.4
Adjusted earnings per stock unit	18.0p	14.4p	12.0p	8.5p	6.3p
Adjusted dividend per stock unit	8.2p	6.5p	5.3p	3.4p	2.8p

Copies of the Report and Accounts are available from Matheson & Co., Ltd., 3 Lombard Street, London, EC3V 9AQ.

Jardine, Matheson & Co., Limited

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ing firms are prospecting. There is uranium in Orkney, not very good, and probably copper, zinc, lead and a host of other goodies deep in the mainland mountains. But whether the highlanders will want to allow massive mining development remains to be seen. Left to themselves they probably will.

Electricity

Job-saving orders

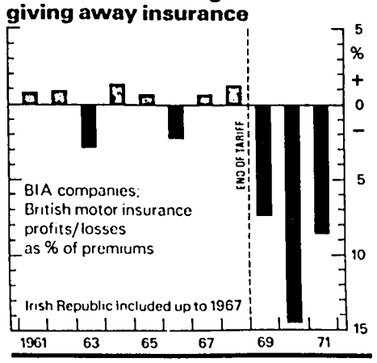
Under pressure from the Government, the electricity industry is to order the generators for the Ince B power station within the next two weeks. In order to protect up to 3,000-4,000 Tyneside jobs at Reyrolle Parsons and Clarke Chapman, plus the many subcontractors involved, the Government has agreed to pay the £10m-£12m interest charges the Central Electricity Generating Board will face if it brings orders for the station forward. It could now be completed by 1977 or so, even though CEGB's market forecast suggests it will not be needed until 1980.

Reyrolle Parsons is expected to get the £20m-£21m order for two 660MW turbo-generators and is negotiating for other work on the switchgear and transformers. Clarke Chapman should get the contract for the oil-fired boilers. Reyrolle Parsons has been hard-pressed since the CEGB delayed ordering the £250m Sizewell B nuclear power station 18 months ago. In April, the group announced an £8¼m loss for last year.

This is another case of jobs before the nationalised industries' finances. In 1970-71, the electricity industry as a whole announced a £56m loss. The loss for 1971-72 is expected to be £24-£26m. Yet the Government is believed to be urging that other projects be brought forward.

When the electricity industry holds its regular meeting with the heavy plant suppliers in the next few days there will be several projects on the agenda. Among them : an extension to the Drax coal fired power station ; two 500MW sets for Littlebrook ; two 660MW sets for Peterhead in Scotland and another of the same size at the Inverkip station, also in Scotland. Reyrolle Parsons is hoping that a considerable part of this business will be coming its way. The progress payments would be useful, to say the least, and so would the boost to confidence. On the buggins turn principle that has been used to divide CEGB work between it and GEC, Reyrolle Parsons feels it has a case.

Motor underwriting – giving away insurance



Insurance

Motors lose money

British motorists are still getting their motor insurance on the cheap, despite the thumping increases in premium rates virtually all of them had to pay when their policies last came up for renewal. Last year was not quite such a bad year for the insurance companies as 1970. But before allowing for their investment income, the companies lost £25.5m on their British motor underwriting, on a premium income of £296m. This total premium income ran 37 per cent above the 1970 level (although the number of vehicles on the road rose only 3 per cent), reflecting the heavy rate increases. There were 6½ per cent more claims, and each claim cost on average 14 per cent more, making 20 per cent in all. This ought to have allowed the companies to just about break even on their vastly increased premium income. They did not, so it is fair to guess that much or even most of the £25.5m loss actually represented the run-off from 1970. Because inflation speeded up so sharply in 1969-70 the provisions in companies' balance sheets at December, 1970, were nothing like enough to meet the claims then outstanding but not settled.

So the 1971 figures are certainly distorted by special factors (another of them being the sums the companies have had to cough up for their share of the Vehicle and General's claims). But even if these are ignored, and it is assumed that claims will leap another 20 per cent this year, then in order to break even the companies would need to boost their premium income in 1972 by no more than 25 per cent—which is roughly the size of the rate increases that have recently been asked. There will still be some of the benefit of last year's increases to come, too.

It is, therefore, not entirely clear why the companies are forecasting yet another loss on motor insurance this year, though of nearer 4 per cent of premiums this time. Does one assume that the provisions last December were inadequate once again ? Whatever the answer, motor insurance continues cheap by international standards. Latest estimates show that a premium of £90 in London (before no-claims discount) compares with £120 (Hamburg), or £202 (New York).

Chemicals

We're number one

The chemical industry may look a bit sick just now, but the plant builders have not had it so good for a long time. According to the annual survey compiled by the magazine, Chemical Age, the value of export contracts for chemical plant is 12½ per cent up on a year ago. In real terms, after allowing for inflation, it is probably about 7 per cent. The number of contracts is down slightly but the value up from £4.8 billion to £5.4 billion.

More significantly, western Europe has increased its share of investment in new plant, despite its existing excess of capacity. It will now take a third of the world export total. The Far Eastern market has come up from fourth to second place but will still only account for 16 per cent. North America is the toughest market to penetrate and accounts for less than 6 per cent of the export market.

American companies continue to dominate in western Europe as they do in the rest of the world ; their European orders are valued at £921m. But British firms have shown the biggest gains, increasing their value of orders from £84m to £287m to move ahead of west Germany.

Over the world as a whole British companies are also doing rather better than most. Among the top 20 contractors, Power-Gas has now got the largest export order book, with a value of £284m, compared with £201m a year ago. Humphreys & Glasgow slips in at the end of the top 20 by pushing its order book up from £27m to £95m. The biggest jump of all was recorded by the American Foster Wheeler, up from £183m to £271m. The distribution of export orders shows some major changes. Latin America is in a slump. Eastern Europe, however, is moving into the market with orders for £746m worth of plant outstanding last year.

BUSINESS *International*

High summer for monetary non-reform

The next annual meeting of the International Monetary Fund is only a matter of two working months and one holiday month away—it starts on September 25th—and yet the much-discussed reform of the world monetary system is still as far away as ever. So a last-minute endeavour to shake something out of the bag started on Tuesday when the deputies of the Group of Ten met in Paris, under the chairmanship of the Bank of Italy's Dr Rinaldo Ossola.

France seems to have yielded, at least in spirit, to the American request to link monetary and trade issues, and the Group of Twenty negotiating forum will probably get its mandate towards the end of July. But still it is only procedure, and not the substance of reform, that has been debated. No agreement was reached in Paris on the desirable size of the new allocation of special drawing rights (SDRs) due on January 1st. Dr Ossola is on record as wanting only two-year, instead of three-year, allocations ; he thinks they should be small ones, perhaps amounting to no more than $750m a year, instead of this year's $3 billion.

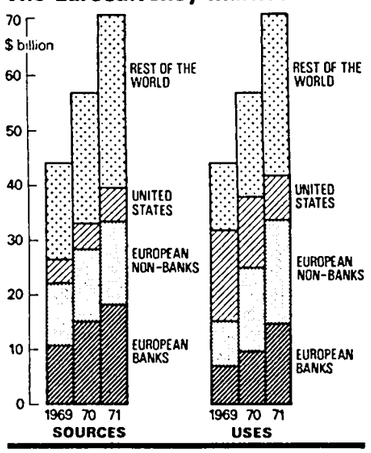
World money is a game in which the players seem always to be one move behind. Central bankers have just met in Basle to receive the annual report of the Bank for International Settlements. This takes to task the United States for not devaluing sooner and the Bretton Woods rules for not enforcing parity adjustments on the surplus countries. Piously, the report says it is to be hoped that :

> parity adjustments, even with the help of an interval of temporary floating, will be looked upon less as a sin and more as a contribution to achieving such basic objectives as sustainable full employment and the maintenance of freedom in trade and payments. Of course, some changes in parities in the past have given rise to acute internal political difficulties. But have these not been due in large measure to oft-reiterated assertions by the authorities themselves, in situations of transparent fundamental disequilibrium, that the currency would never be devalued or revalued, as the case might be ? Is it not possible instead for statesmen to guide public opinion to see the advantages of restoring the exchange parity to equilibrium, and in the process to make life less uncomfortable for themselves ?

These are fine, sensible sentiments. And it is a matter for flabbergasted admiration by anybody who has reported international monetary events over the past decade that the spokesmen of what is really the central bankers' own central bank can utter them without blushing. Central bankers may say that their hands and tongues have always been tied by their political masters. But which of them in private or public showed such enlightenment over exchange rates in the mid-1960s ? And which, to be really nasty, is now publicly pressing with sufficient strength for the obviously desirable upvaluation of the Japanese yen or for a bringing forward in good time of what is eventually going to have to be a devaluation of sterling back to $2.40 again ?

The real lesson of the BIS report is the importance of not being earnest about what central bankers or politicians say. This is why it was silly that the part of the BIS report that hit the headlines was the predictable reiteration of its request for the restoration of dollar convertibility, and its assertion that gold must remain the numeraire of the international monetary system ; the BIS has always been opposed to the British plan which would substitute SDRs. Strangely, the slide in the gold price in London in the early part of this week was reversed by this news.

The Eurocurrency market



It has kept over the $60 an ounce mark since. The dollar has solemnly weakened against most major currencies, including even against sterling, on what dealers call "nervousness" over the international monetary outlook. Yet really the BIS's reportage on this was lucidly non-committal. "There are to be discussions of further changes in the system," it said, "but it is as yet not clear what they may be."

Euromarkets ride on

On surer ground, the Bank for International Settlements reviews developments in the Eurodollar market. Despite the dramatic disappearance of demand for Eurodollars from American banks, the Eurocurrency market continued to expand strongly throughout 1971, by $14 billion to $71 billion. Within this total the dollar component rose by only $8 billion to $54 billion.

Many people feared that a dollar crisis, such as occurred last year, might lead to a run on the Eurodollar market, but nothing of the sort happened. Naturally, shaken confidence in the dollar did lead at times to a demand for Eurodollar funds for conversion

into other currencies—notably, of course, into D-marks—but the BIS found less evidence of this kind of activity than it had expected.

There were large increases in lending last year to Latin America, eastern Europe and Japan. Borrowers there were attracted by low Eurocurrency interest rates. The Bahamas and Bermuda were also among the new borrowers. London is still by far the largest single dealing centre, but its total share in the Eurocurrency market dropped to 45 per cent from 50 per cent two years before. This was largely because London's real predominance is in Eurodollars, and dealings in non-dollar currencies have been becoming more important.

Concorde

Cold feet

The British and French governments will have to make what they can of messages reaching them that Pan American is increasingly reluctant to take up its options on Concorde—and would in any case not want delivery until the aircraft had been in service with other airlines for at least two years. On the present timetable that could mean 1976-77. Pan American is one of at least three American airlines now convinced that, even with every seat filled, and at fares substantially above today's first class levels, Concorde cannot be flown without a subsidy. Mr Nixon's Administration is certainly not going to provide them with one. The British Government, which has promised the British Overseas Airways Corporation all kinds of capital reconstruction and tax-free loans in lieu of subsidy, has not so far offered one. So where does this leave the Americans ?

Even before Pan American suffered its financial collapse and several more or less violent changes of management, American airlines had been aware that both BOAC and Air France could demand subsidies in return for flying Concorde. They had expected to be offered some concessions, probably in the form of price cuts or special credit terms, which would mean that they were not flying against subsidised competition. But it would be wrong to interpret the warning rumblings coming out of Pan American only as kite flying. In the days when it was making profits, Pan American had, like Trans World Airlines, privately made up its mind that first class traffic was too important to be left to the Europeans. It had decided that, if the worst happened and Concorde went into service, it would buy a few. Their operating losses would be subsidised by profits from ordinary jet services. This is still the TWA view, because TWA, although it lost more money in a single year than Pan American has ever done, has now been out of the red for more than a year. There are some profits out of which a limited number of TWA Concordes—and the emphasis is on limited—could be subsidised.

Pan American, however, will still lose money this year and probably next. Its bankers are unusually patient, but will not continue indefinitely so. Requests for huge additional sums to finance Concorde purchases, with no prospect of profit at the end of them, will not be kindly received. If the British and French governments therefore push Pan American to take up its Concorde options, the management could refuse. It would need eight aircraft to provide a supersonic service in the Atlantic and on the Pacific, where it might be up against Qantas and the Japanese. This is a lot of money.

Correction : The circulation of the Sydney Morning Herald, cited in *The Economist* last week, should have been 280,000.

Japan

Blown off course?

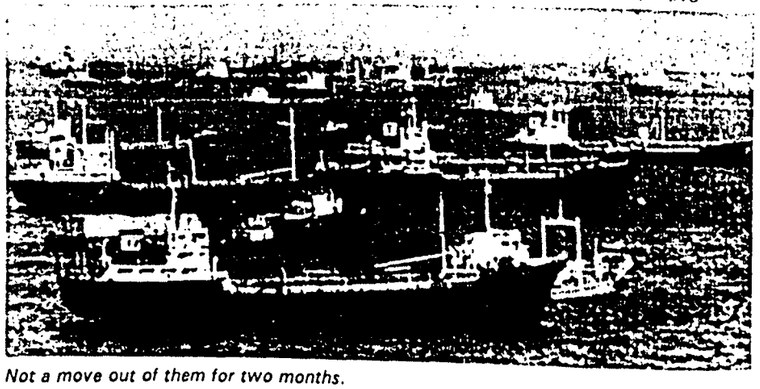
Tokyo

For two months 160,000 Japanese seamen have been on strike, tying up 1,150 ships (half of the country's entire merchant fleet) in the worst industrial dispute Japan has faced for a decade. Although the strike is supposed to have cost Japanese shipowners £19m, the damage to the country's trade has so far been unexpectedly slight. During the next month, however, it must begin to hurt.

Worst hit is the oil industry. A hundred tankers are lying offshore with nearly 10m tons of crude aboard. So far the national reserves of oil, which are enough to keep the economy running at full pace for 20 days, have been kept well up to scratch by deliveries from foreign tankers. In the last seamen's strike in 1965 shortage of petroleum threatened to cripple industry. The seamen had thought this could be their strongest bargaining card. But most of industry remains oblivious of the strike, and is merely running down stocks that had previously grown to excessive levels. Even exports have been little affected. About 15,000 cars are waiting for shipment at Yokohama, but this has coincided neatly with a temporary set back in new export orders.

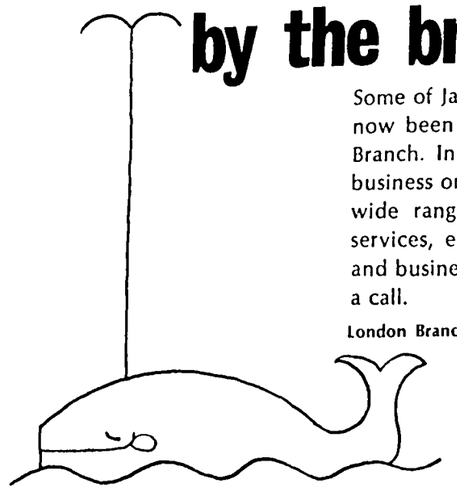
The seamen are asking for an extra £6.60 a week, even though their current pay of £34.80 a week is pitched a massive 44 per cent ahead of the average wage in manufacturing industry. But they would probably accept far less. They are not really bickering about wages ; their main demands are for better access to their families and more compensation for accidents at sea. On these issues the shipowners have refused to budge.

One hope for the outside world is that the strike may impede the government's protectionist plan to increase the share of Japanese trade carried in nationally registered ships. It is therefore a setback for Japan's already troubled shipbuilding industry. At present, 44 per cent of Japan's imports and 38 per cent of exports are carried in Japanese ships. Before the strike the government planned to raise these figures to 54 per cent and 50 per cent respectively by 1975. The



Not a move out of them for two months.

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seamen's union says that this programme is meaningless unless wages are raised sufficiently to attract more sailors.

Normally, Japan has a domestic coastal traffic of about 1,000 small ships. Most of these are now halted. The seamen are also counting on the fact that imports of raw materials account for 80 per cent of the nation's needs. As stocks continue to fall, they expect the government to force a compromise.

EEC competition

Under the counter

Brussels

The European commission in Brussels has long brooded over the problem of how to bring subsidised industries under the common rules of competition without offending member governments. This week it decided to rein in two of Europe's biggest state-controlled financial institutions: the French Institut de Développement Industriel and the Belgian Société Nationale d'Investissement. These two now join the two Italian giants, Istituto Mobiliare Italiano and Gestione e Partecipazione Industriale in having to submit periodic reports to the commission which will then judge whether they are within the rules.

The EEC rules on subsidies make a clear distinction between aids for regional development and assistance to particular flagging sectors of industry. Both are regularly monitored. But there have never been any clear cut rules on how government-backed financial institutions (like the old British Industrial Reorganisation Corporation) should be allowed to operate. The commission rightly suspects that many of these are fronts behind which unfair assistance is given to industries. Interest-free government funds and government financed mergers are, the commission argues, as much a form of aid to the private sector as those capital grants or tax privileges not necessarily permitted under the EEC rules.

But the commission realises that it is on difficult political ground. The sovereignty of state enterprise is specifically safeguarded in the Treaty of Rome. So with an eye on the British Government's intervention at Upper Clyde Shipbuilders and Rolls-Royce, the commission is at last daring to be critical of the kind of support where the state guarantees a company's credit by a massive injection of funds disguised as equity participation. As the commission's rules on competition gather courage, public enterprises like the British Steel Corporation or the French Elf-Erap oil group will probably be brought under closer community scrutiny.

The fight against this, however, will be strong and led principally by Italy. The commission has still not dared tackle the three Italian state holding companies, ENI, IRI and EFIM which between them control nearly 40 per cent of the 220 largest companies quoted on the Italian stock exchange. All three get tax privileges plus interest-free government loans which are not always repaid.

Wool

Fashion and profit

Only last year wool prices were bumping along at the lowest levels for 30 years; the clip off the sheep's back had been finally beaten by synthetic fibres and there was not a glimmer of optimism in the industry. Today, with the Australian wool season finishing at the end of June, prices are soaring, stocks are cleared and consumption is rising again. Wool has returned to fashion.

The effect on the Australian economy has been startling. The wool clip still earns about 12 per cent of

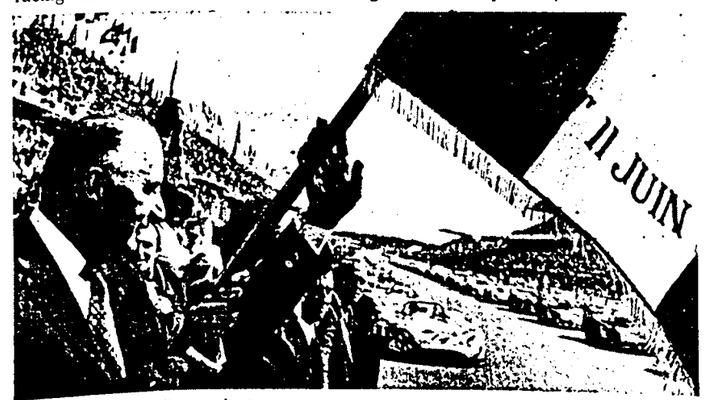
If you want to win, change the rules

The French were determined to win the Le Mans 24-hour endurance race this year. When the flag fell at 4 pm last Sunday, they had done so for the first time in 22 years. The Matra team achieved all it set out to do. French patriotism was boosted by carefully arranging that a French driver was in the hot seat when it came to the finish.

A change in racing rules, after heavy French lobbying, had cut the maximum engine size to 3 litres. This gave Matra its chance by ruling out the more reliable, larger-engined, German Porsches and Italian Ferraris which had ruled the circuit before. Matra poured a massive amount of money into making its smaller, high speed engines reliable, so that they could keep up 10,000 revolutions a minute throughout the whole 24 hours. The team ran three private 24-hour races to make sure. Matra can afford this sort of effort. When M. Georges Pompidou was prime minister the French government put up a fund of £500,000 to develop a competitive car-racing team. Last weekend he was at the circuit to wave his favourites on their way.

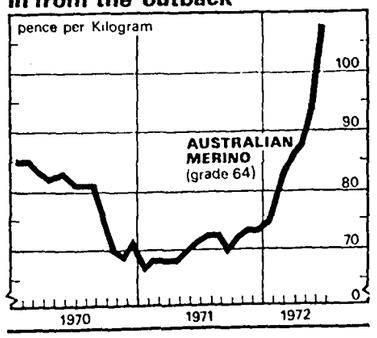
The importance of Le Mans is the publicity it gets right across Europe. The ballyhoo, the speed and the tragedies (this year, the death of that long-time favourite Jo Bonnier) ensure that most people will at least hear the result. Le Mans generates the same public interest as the Monte Carlo and East African Safari rallies, although in theory it is merely one more event in the world sports car championship. Whether the publicity sticks is more doubtful. Who, outside the experts, remembers that Ferrari has won all the eight previous championship races?

The French have set great store on the prestige of winning their national sporting events, but not just to satisfy national pride. The French motor industry has increased the number of cars exported by 87 per cent since 1969; exports now account for a third of its production. Although Matra makes only a specialist sports car (sold through a deal with Chrysler's Simca subsidiary) the whole industry should gain from the publicity.



Heads we won, tails you lost

In from the outback



economy has been startling. The wool clip still earns about 12 per cent of Australia's exports and this year sales should reach £240m, only 15 per cent short of all Australia's sales of metal ore. The outback farmer, little seen recently, is now coming to town with money to spend on new equipment and to make investments on the stock exchange.

The dramatic 61 per cent price rise in wool over the past year has been largely caused by a big drop in Australia's sheep population. Many farmers have packed in during the past few years of low prices, and droughts have killed off whole flocks of sheep that were being raised in areas of marginal fertility. With 11m fewer sheep, Australian wool production is 7 per cent down on the huge surpluses of 1971. At the same time the Latin American wool clip has fallen back and consumer demand, particularly from Japan, has climbed an unexpected 6 per cent.

During the past year the Australian Wool Commission has reduced its stocks from 950,000 bales to 50,000. Since it was founded in the bleak days of 1970 to buy up wool at auctions and steady the market price, the commission has been the object of unending political attack. But it has now managed to emerge not only with a profit but with most of the credit for saving Australia's wool industry. The commission, however, is as surprised as its critics that it has been able to offload its massive stocks. By these sales it has been able to stop the wool price from rising unrealistically and checked what could otherwise have been a swing back to synthetics. Its reward came this week in the form of a recommendation to amalgamate it with the highly respectable Australian Wool Board, into a single authority responsible for the whole wool clip. New Zealand is now setting up a marketing corporation too.

German cars

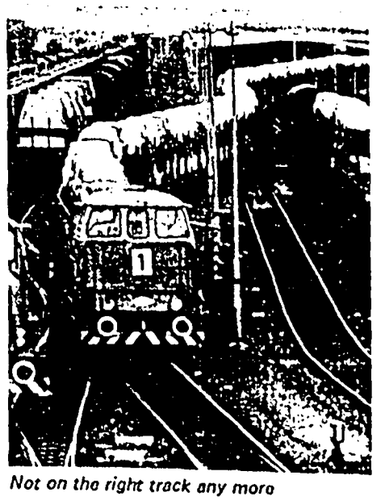
That sinking feeling

Hamburg

For the first time in its postwar history Volkswagen has found itself ousted from the number one position among Germany's car makers. In the first quarter of this year its domestic sales dropped to 110,000 cars, while Opel, the German subsidiary of General Motors, sold 116,000. VW's total domestic sales this year are now expected to drop 10-15 per cent compared with 1971. Exports could do even worse.

In a normal year VW sells more cars in the United States than in Germany. But 1972 is not a normal year. In the first five months, American sales have plummeted 22 per cent from last year. Detroit seems to have hit on the right formula for its own mini cars at last, and Japanese imports are reaching the east coast in increasing numbers. At Wolfsburg, the company's principal plant, it is now reckoned that VW sales in the United States may be down by 100,000 this year. Together with the domestic setbacks, last year's total sales of 2.35m cars could be cut by as much as 200,000 in 1972.

The outlook for profits is even less promising. In this, VW is not alone among German car manufacturers: Daimler-Benz this week reported a 16 per cent drop in profits in 1971, although on an increased turnover. But VW saw its 1971 profits dwindle to next to nothing, and may go into the red this year. By this autumn it will have cut its labour force by 15,000 in the space of a year, to 120,000. The latest of these cuts, 6,000 men, was announced last week. Up to now, nobody has actually been sacked, but men near retirement age are being persuaded to go early.



Not on the right track any more

At the heart of VW's troubles is the public's growing disenchantment with its main product, the Beetle. The only possible parallel is with Ford's trauma when nobody wanted any more Model Ts. In Wolfsburg, the writing has been on the wall since 1965. But the scramble for new models which followed the death of VW's first managing director, Professor Heinrich Nordhoff, in 1968, produced only an uneconomic proliferation of indifferent cars. Now that VW owns Audi-NSU, the company makes no fewer than eight different ranges.

Herr Rudolf Leiding, who last year took over from Professor Nordhoff's successor, Herr Kurt Lotz, plans to cut this number down. The talk in Wolfsburg now is of "standardised units." Of the models in production, only the Beetle and the Transporter will survive. The single future model range, to be developed from the Audi, will reach from mini car to 2-litre limousine. But Herr Leiding will be keeping an eye on costs. While Herr Lotz had planned to spend over £1 billion on capital investment to 1975, the new purse strings allow only £800m.

Key indicators: world commodity prices

A lemon
A world glut of citrus fruit is rapidly developing, according to the Food and Agricultural Organisation. With large national plans to expand orange and grapefruit orchards coming to fruit, surpluses are piling up. Import prices have hardly moved for 20 years and are now likely to go lower, while consumers are already eating as much fruit as can be expected.

	Index 1963=100 June 7	June 14	Percentage change on one month	one year
All items	131.2	130.4*	+ 0.2	+ 7.4
Food	144.4	143.4*	+ 0.9	+ 7.7
Fibres	104.8	104.4*	+ 2.3	+24.3
Metals	177.6	176.2	− 4.0	− 7.9
Misc	118.9	116.6*	− 0.3	+ 8.7

*provisional

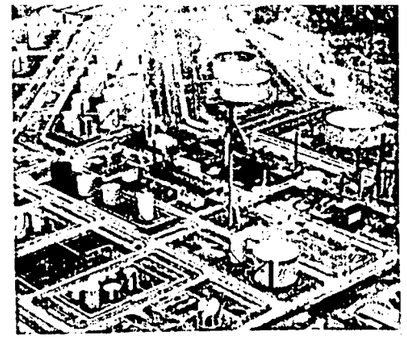
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Pictured (right) is a $25-million addition completed in 1970 for Thai Oil Refinery Company, Ltd., at Sriracha, Thailand. Procon also engineered and constructed the original refinery, which came on stream in 1964. Both projects were masterpieces of international cooperation, assembling people, equipment and materials from many parts of the globe.

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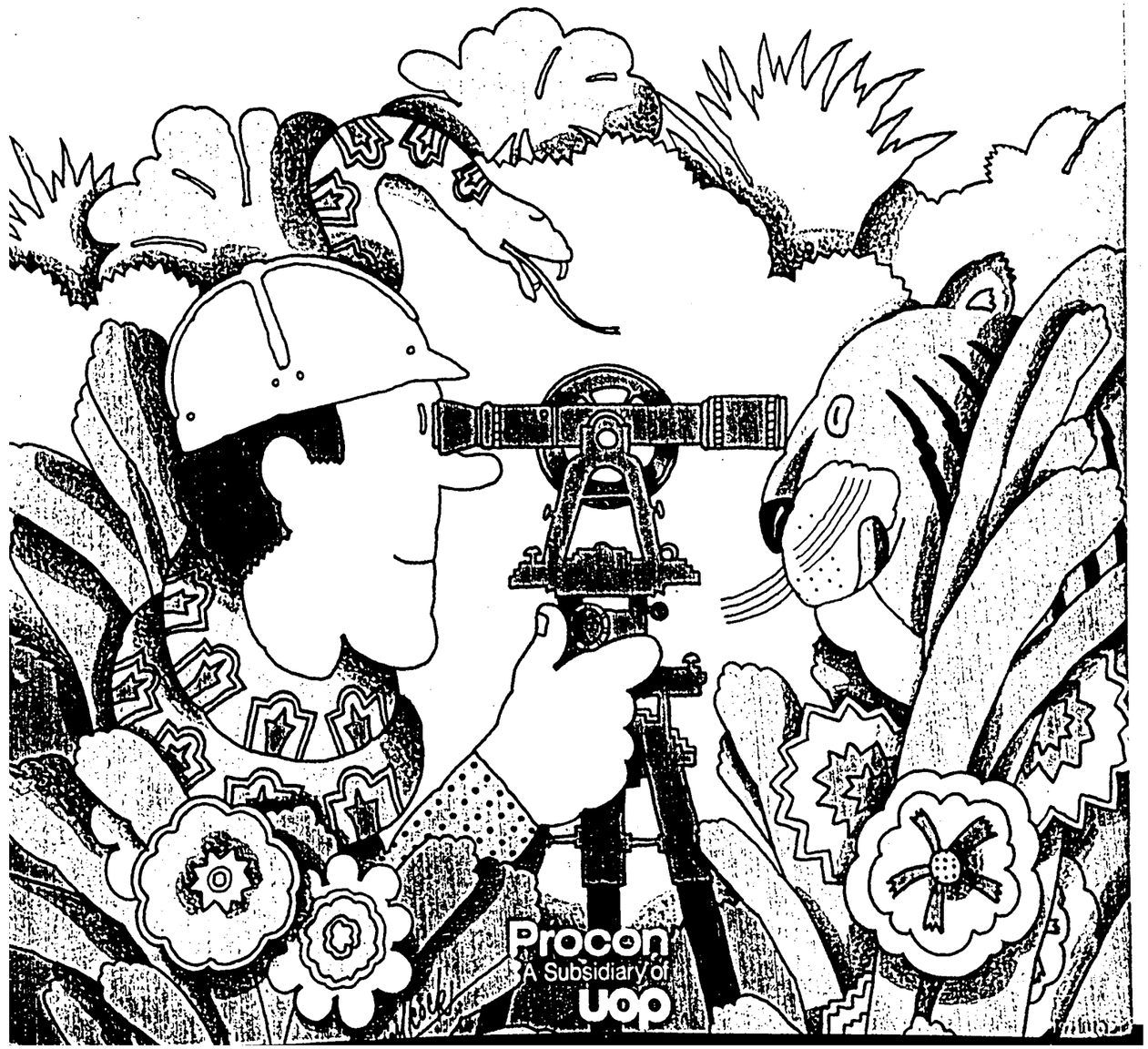
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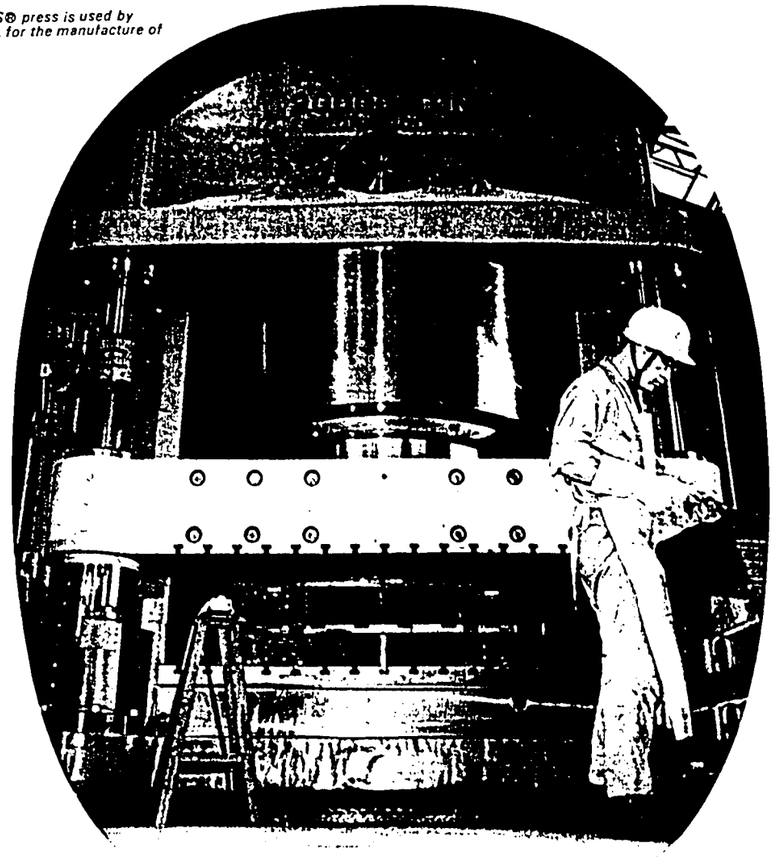
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Bourses in blossom

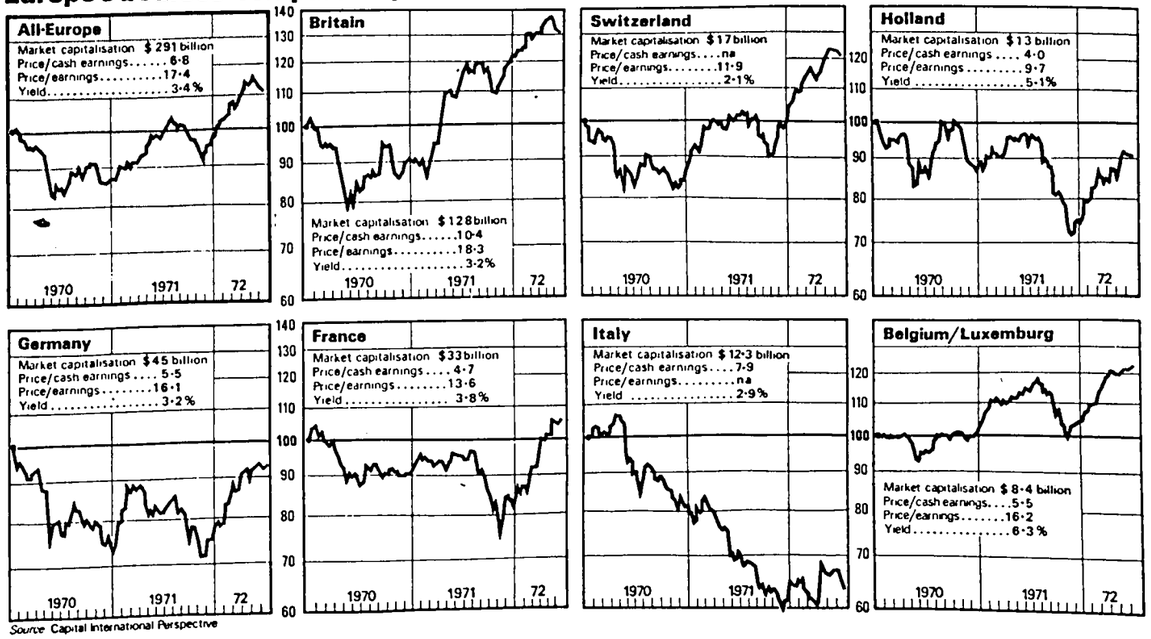
Paris

In the whole of 1971, British investment trusts spent only £22m buying foreign shares. In just the first three months of 1972, they have spent 2½ times as much—and a big slice of that has gone to the stock markets of continental Europe. Even unit trusts, traditionally much more home-bound, forked out £5m compared with £6m throughout 1971. The figures for insurance companies and pension funds, when available, are sure to show the same outgoing trend. The advertisements for European trusts—and for analysts speaking European languages—confirm the impression that investors, encouraged by brokers, are plumping for the European common stock markets. The banks and brokers on the receiving end, in Paris or Zurich or Amsterdam or wherever, are unanimous that British interest has helped spark the revival in their markets, and has fuelled the rises since.

The major continental markets, with the exception of Italy, are in an unaccustomed bull phase. Though the rises since the bear bottoms of November, of around 20-30%, are not much greater than the 25% notched up in Britain, there are good technical reasons why the bull markets in Europe should continue for longer than here.

Over the next few years, the price/earnings ratio will become internationalised. The average p/e for the continent is 15; that for Britain 20. Britain's price/cash earnings ratio is twice as high as the EEC's. They will have to move closer into line—and will be pressed into doing so by a greater institutional involvement in stock markets, and the greater professionalisation of investment that should go with it. The EEC is under-pension funded, and under-insured, and under-unit trusted. In France, the fonds communs de placement, created under General de Gaulle's policy of participation, are growing at the rate of something like £100m a year; the money is invested in the stock market directly, or indirectly through SICAVs (unit trusts). In the medium-term, the economic outlook for France and Germany is good, fair for the Netherlands, somewhat uncertain for Belgium, and very uncertain for Italy. In the short-term, there is every prospect that the flow of funds from Britain will carry on, as more and more institutions hedge their bets on the toppiness of

Europe's bourses compared log scale, Jan 1, 1970 = 100



Source Capital International Perspective

the London market ; and this flow should in turn, encourage the others.

The right approach for the investor is probably to go for industries rather than countries, and companies rather than industries. Investors in France tend to be parochial, and in Italy they have to be ; but the others now move their funds fairly actively within Europe and outside it, so that the markets are subjected to influences other than purely domestic ones. The rise in the Netherlands owes less to the prospects for the economy, which is suffering badly from the English disease of high inflation and unemployment, than to the attractions of the international companies there to British and German investors.

But as far as markets are concerned, France and Germany are likely to share the honours for the rest of the year. The shake-out in Germany caused by the over-pessimistic fears of recession still leaves plenty of room for sharp increases, and France offers the attraction of a fast-growing economy. An added bull point is that the French finance ministry has taken the challenge of the London market seriously, and is determined to push through the reforms announced in May. The individually responsible agents de change will be encouraged to merge, and form companies, and raise fresh capital. They will then be able to become specialists (act like jobbers) and this will put greater depth into the market. They will also be allowed to trade outside the ridiculously limited official opening hours.

Three sectors look interesting in Paris. Consumer shares, notably **Carrefour,** have risen dramatically. But, in view of an astonishing growth rate, some are still on reasonable prospective p/es: **Casino** on a p/e of 26 at Fr 1800, and **Prénatal** on a p/e of 15 at Fr 279. France and Belgium already have the imputation system that Britain will be moving on to next year, and the p/es are calculated on earnings which underestimate the dividend paying capacity compared with other countries (ie the p/es are higher for a given level of profits). Building and construction have been given a boost by special credits, and the Sixth Plan calls for a big building programme. Companies like **Dumez** will benefit from the expansion in road-building, and **Poclain,** the finely managed excavator-makers, will benefit generally. Telecommunications is an industry which needs a massive infrastructure investment and **Téléphone Ericsson** (a quoted subsidiary of the Swedish company) is on a cheap p/e of 24, at Fr 1092—at least compared with **Le Matériel Téléphonique,** on one of 42 at Fr 2480. As a good spec there is an investment trust affiliate of the Crédit Lyonnais called **Sofinex,** one of whose investments, in **Application des Gaz** which makes those calor gas comforts for campers, is worth as much as Sofinex's entire market capitalisation. Paris—and the other bourses of the EEC—still have plenty of bargains for shoppers.

Capital very international

Geneva

The Chase Manhattan Bank has all but signed its deal to buy half of Capital International, the Geneva-based fund management and research group ; approval by the Federal Reserve Board is awaited. The Chase, like many other banks and financial advisers, is faced with a growing demand for fund management on an international scale.

Capital International was started by the United States fund management organisation, the Capital Group, in 1964 to provide basic research on companies and markets outside the United States. It now manages Capital Italia, which has to have half its assets in Italy, and Capital International, an offshore fund. Though dragged down by the Italian market, Capital Italia outperformed most other comparable funds, and provides the Italians with at least half a chance of escaping the domestic market. The offshore fund, which is sold through White, Weld, has gone up 34% between its inception in January, 1970, and March, 1972, which is a fair performance. But it is perhaps most remarkable for the quality of the information disclosed in the statements sent to fundholders : comparison of the fund's performance with the markets in 16 countries ; cost and value of all holdings ; and a full account of transactions in the quarter.

The philosophy guiding the company's research effort and fund management is to regard the world as its oyster. Markets are monitored by country indices which have been specially constructed to provide a uniform basis of comparison (we have used them for our chart on page 91), and there are indices for industries which ignore national boundaries. These indices, and the performance of their constituent companies, are published in Capital International Perspective*.

Institutional fund management is a growth industry on the continent of Europe. More and more companies are having to start funded pension funds, and the existing funds and insurance companies are becoming increasingly equity conscious. And, as the memory of IOS recedes, the small investor might be tempted back into offshore funds. However, it is more likely that he will buy a domestically-registered and controlled mutual fund that has international management. It is quite on the cards that the Chase, in combination with local banks, will market funds whose portfolios were managed by Capital International.

*Available from 15, rue du Cendrier, CH-1201 Geneva, Switzerland. Swiss Francs 1,080 per year.

London market

Down, up, side

There was every reason to expect the market to fall : gloomy prognostications for the balance of payments ; bad news about industrial investment ; the big hole drilled by the appeal court into the bucket of the Government's industrial relations policy ; and the growing realisation that if a prices and incomes policy is ruled out as a method of curbing inflation, devaluation becomes a near-certainty. Perhaps, remembering the bullish market that followed the last devaluation, this, last is, after all, a bull point. In any case, having started the week at 503.7, the Financial Times index of industrial ordinary shares then went through a gentle peregrination : up a little on Monday, down on Tuesday, up on Wednesday, and then plummeted on Thursday to 490.0 at the close.

The market has decided that a little sitting and waiting and profit-taking is now in order, but that there is more to come from this bull. After all, the companies are still turning in good results. **Grand Metropolitan Hotels** managed a convincing rise of 34% at the half-way stage, while the last offer document in its bid for **Watney Mann** was expecting 28% for the year. So the share price, at 245p, has a firm base to withstand the higher offer that GMH will soon be announcing. It may be the clincher—and the result has to be known by the takeover panel's set date of July 4th. But Watney has a thirst for independence, and has done a good job in putting its case across. Since there is no strong case for a merger, shareholders should vote against—unless the offer is sufficiently ridiculously high to make a refusal illogical.

The Watney bid has played its

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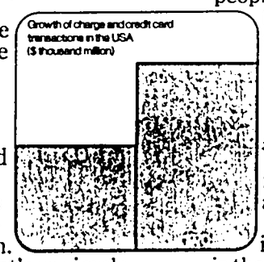
Access has been jointly developed by three of the biggest banks in the country: Lloyds, Midland and the National Westminster.



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American experience shows that charge and credit cards have had a remarkable growth record in recent years.



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Initially Access will aim to have around 3,000,000 cardholders. We know that because they bank with the big three banks.

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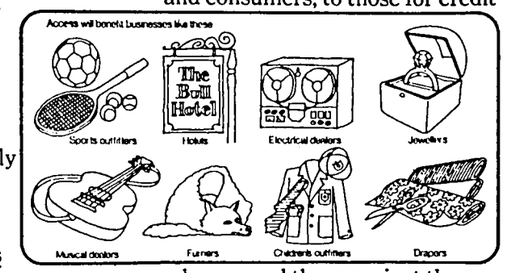
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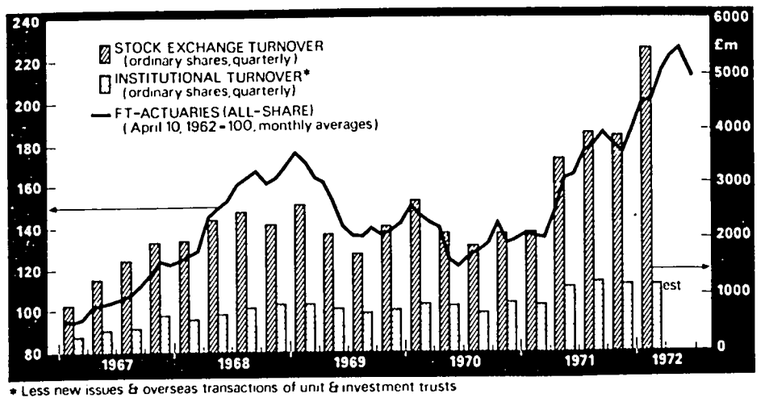
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part in keeping a certain excitement in the market, and the excitement is important to the small investor. The chart, based partly on a study by brokers Fielding, Newson-Smith, shows that the volume of trading has been outpacing the rise in the broad-based Financial Times-Actuaries all-share index, but that a declining proportion of this turnover is from the institutions. One obvious danger in having an institution-dominated market is that there may be too few view-takers around; and greater unanimity creates sharper falls and a more volatile market. But there is another danger in having the small investor dominating the trading—that there is too much mindless speculation and the prices of shares move drastically without any change in the fundamentals. A close look at the chart suggests that there is a connection, although a mild one, between the drop in the proportion of trading done by the institutions and peaks in the market. Perhaps there is some connection between the failure of the market to go anywhere much except sideways and its success in attracting back the small investors. If they went home, then the market would take a tumble.

Wall Street

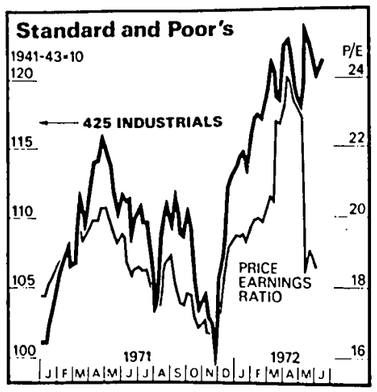
Sums are so bracing

New York

Wall Street has been busy with sums lately, seeking to recapture via sharpened numerical correlations its earlier, but now somewhat tempered, optimism over how much longer and further the market's rise can be expected to go in step with the expanding economy. As if on cue in recent days, a rash of analyses in brokers' letters to clients and in fly-sheets from independent investment services has been pounding out one main argument: after-tax corporate profits are almost certain to grow by about 15% this year and to continue to do well in 1973. So the market at present levels may still be noticeably underpriced.

Some analysts, for example, expect the shares in Standard and Poor's index of 425 industrial stocks to post weighted composite earnings of $7 per share in 1973, up from $6.50 anticipated for this year. The S and P index stood at 121.32 at midweek, and was therefore capitalising 1973's expected earnings at 17 times, while running at a multiple of 21 times its actual earnings of $5.71 for 1971. To bring the S and P multiple for 1973 back up towards 21, say the optimists, the index should rise by 20% or more.

A similar analysis of the 30 blue chips making up the Dow Jones industrial average shows the Dow, at its midweek level of 946.79, priced at only 14 times next year's estimated earnings. If the Dow simply returns to the average 17 times of recent years, it would soar up through the thus far elusive



1,000 barrier, and get close to 1,100.

Admittedly, all of this is counting next year's anticipated improvement in earnings before it is hatched. Even if the economy continues to surge ahead as vigorously as expected, corporate profits in 1973 could still have their wings clipped by further stiffening of price controls or an increase in taxes. A "phase three" in price controls and a hoist in taxes are regarded as quite possible even if President Nixon returns to the White House, and Wall Street is much more terrified of McGovernment. It is these worries that have made themselves felt in the market decline of recent weeks, but Wednesday's sharp rally owed something to the newly fashionable sunny arithmetic.

SECTOR ANALYSIS

Food for thought

Food retailing shares have rocketed up by 74% over the past year while the Financial Times-Actuaries all-share index has risen 30%. A year ago the sector was under-rated. Then the market gradually realised that retailers benefited from the Confederation of British Industry's price limitation—but were not subject to it; and that food retailing should be the first sector to emerge with cream over its face after the budget's (supposed) banquet for consumers. **Tesco's** 20% profits rise, to £16.5m, demonstrates the continued profitability in selling groceries with some diversification into non-foods—and the p/e of 22 at 78p is by no means dear.

The brutal fact for the housewife is that the ruthless grocers of Britain have managed to protect and even improve their margins on fairly static trading. Except for beef, price increases are accepted in the name of decimalisation, or Set, or the common market, or just plain inflation. So the retailers have added on a few pence here and there; now they are hoping for a boost in volume, too.

Longer-term, the outlook is more dodgy. The independents and the co-ops are fighting hard to hang on to their half of the grocery business—which is not growing. And the multiples will have to face the challenge of the discount stores: the hypermarkets, using massive out-of-town, or even in-town, stores of 50,000 square feet or more where prices are cut across a wide board; and the knock-down discounter offering a limited range of dry goods very cheaply, and working off gross margins of 11%-12%. The famous British example is **Kwik Save Discount.** When, and only when, this trend is established here, along the pattern of the United States and much of the continent, there will be a resurgence of the convenience stores. Before then a lot of High Street shops will be very unprofitable.

The groups to watch are those which are taking these trends into account. And they are being watched. **Associated Dairies,** whose ASDA operation is well ahead of the hypermarket game, is on a p/e of 44 at 400p—but on the prospective forecast profits of £3.5m, that comes down to 33. Kwik Save, on a multiple of 32 at 380p, is more vulnerable to competition, but has found a good formula.

Tesco remains a solid bet. It is clear where it is going next: out of town and bigger. Some 15 hypermarket sites are being negotiated; three 40,000 square foot in-town giants have just received planning permission. The Home 'N' Wear departments—household goods and clothes—are making a useful contribution to turnover, but the company is shy about disclosing the progress made. Apart from the Sainsbury chain, Tesco is still not facing much extra competition as an operator of conventional supermarkets on a nationwide scale.

Though it is impossible to disentangle the Fine Fare chain from the rest of **Associated British Foods,** it would not appear to be posing any more of a threat than it used to. Where Allied Suppliers will go under the **Cavenham Foods** banner is anybody's guess; almost certainly out of all those High Street shops into larger ones, and it is a long way behind the game. **International Stores,** though it had an impressive rise of 67% in profits for the first half of the year, is less inspiring in the longer run.

Among the regional groups **F. J. Wallis** continues to stand out as a neat and well-run organisation. Based solidly in the fleshpots of the south-east and with a big stake in fresh foods (less threat from the discounters when and if they penetrate its stronghold) it is on a fully-valued p/e of 27 at 126p. Up in the north **Lennons Supermarket** has a prospective rating more like 15 than its historic 29. But investors should not ignore its vulnerable position in the heartland of the discounters.

RUBBER TRENDS

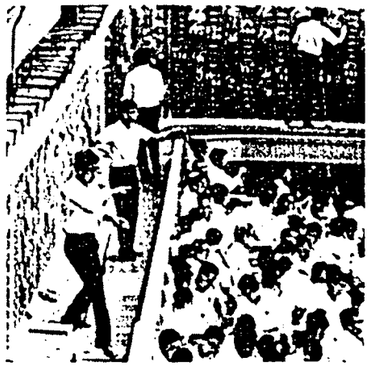
Issue No. 54, April 1972

As Britain is now moving into the EEC, Rubber Trends issue No. 54 surveys the UK Tyre Industry and considers likely developments in the light of the inevitable increase in competition.

Country articles include
USA, UK, W. GERMANY, BELGIUM/LUXEMBURG, CANADA, BRAZIL and MALAYSIA.

Year's subscription £50 (US$130). Single copies £15 (US$40), payment with order please

THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St. James's Place London SW1A 1NT
137 Avenue Louise 1050 Brussels
MSA Building 77 Robinson Road Singapore 1



They like it their way

issues of shares they are offered. Foreigners are finding themselves far down the list of priorities. Representations have been made to the ministry of finance about dilution of earnings, dilution of share stakes and the sheer unfairness of it all. Most of the complaints have been met with polite disinterest. One company, Yamaha Motor, has recently made a rights issue at a price midway between market price and par. So they can do it if they try, but most Japanese think their system is a cheap and convenient way of raising cash.

They say they do not want foreign investment anyway, because they have too much foreign exchange; they certainly do not want to encourage foreign takeover bids. In the Japanese business ethic, shareholders' rights do not loom large. Ties of friendship and obligation between companies and banks count for much more. There will come a time when, with a show of good neighbourliness, foreign institutional investors are offered an early bite at new issues again. Cynics say this will probably be at the beginning of the next bear market.

Japanese investment

Honourable placing

Some of the growing band of London institutions investing in Japan are now complaining like bulls with sore heads about Japan's system for new share issues. Rights issues are unknown in Japan; Tokyo does not have a mechanism for trading in rights anyway. Instead, blocks of shares at no particular proportion to existing capital are placed in friendly institutional hands—at discounts that are usually 10%-15%, but can legally range up to 20%.

Until recently big overseas shareholders counted as friends. But now that bull fever is raising the market ever higher, Japanese domestic institutions will take all the considerable new

Key indicators: world bourses

	Stock price indices			Percentage change on			
	June 14	1972 high	1972 low	one week	one month	one year	record high
London	505.8	543.6	470.4	+ 0.4	− 6.0	+35.8	− 7.0
New York	946.8	971.3	889.2	+ 0.3	+ 0.6	+ 4.2	− 4.9
Canada	218.5	219.6	187.5	+ 1.3	+ 6.0	+19.4	− 0.5
Australia	623.1	623.1	490.1	+ 1.3	+ 8.4	+28.4	− 6.1
Japan	270.5	272.3	199.9	− 0.2	+ 6.0	+40.0	− 0.7
H'kong	423.8	450.3	324.0	− 4.7	+ 6.3	+62.3	− 5.9
Belgium	110.9	110.9	96.9	+ 0.5	+ 1.6	+ 8.1	—
Franca	83.6	85.7	67.6	− 2.5	+ 2.8	+ 8.0	− 2.9
Germany	114.2	119.3	97.1	− 3.4	− 4.3	+ 8.2	−18.6
Holland	145.6	146.8	105.4	+ 3.7	+ 6.0	+15.4	− 0.8
Italy	46.1	49.7	43.9	− 2.1	− 4.4	− 5.3	−60.5
Sweden	335.1	350.9	308.7	− 1.6	− 1.9	+18.7	−10.8

Mostly mixed. London unsettled by none-too-cheerful economic news. But Wall Street in better shape mid-week.

Stock prices and yields are on pages 105 and 106

CHAIRMEN'S STATEMENTS

British Isles & General Investment Trust Ltd.

INCREASED DIVIDEND

Sir Denys Lowson, Bt., the Chairman presided at the Thirty-fifth Annual General Meeting of the British Isles and General Investment Trust Ltd., which was held in London on June 7th. In the course of his remarks he said:

The Gross Revenue for the year to January 31st, 1972, amounted to £272,977 compared with £261,537 the previous year. An interim dividend of 8 per cent and a second interim dividend of 15 per cent (in lieu of a final) has been paid making 23 per cent for the year against 22 per cent last year and represents the fifth successive increase. This will leave £237,737 to be carried forward, against £220,518 brought in.

The market value of the investments at January 31 last amounted to £7,364,381 which exceeds the book cost by 259.7 per cent. The net asset value of the 25p ordinary shares amounted to 194p which is a rise of 40.5 per cent on the previous year.

Based on the valuation as at January 31st last the geographical distribution of the investments was as follows: The United Kingdom 77.99 per cent; the Commonwealth (excluding Canada) 6.05 per cent; U.S.A. and Canada 13.81 per cent; and South Africa and elsewhere 2.15 per cent; while as regards categories 1.74 per cent is in Debentures and Unsecured Notes; 1.37 per cent in Preference Stocks; and 96.89 per cent in Ordinary and Deferred Ordinary Stocks and Shares.

General Conditions

The year 1971 was a record one for this country's Balance of Payments. The visible balance or the difference between exports and imports amounted to £297 million in this country's favour, which was the highest ever recorded and only the fourth year of surplus since the last war. Invisible exports which in the past have also been of great help to our Balance of Payments continued to perform well with a total surplus for 1971 of £655 million. As a result the Current Account balance at £952 million was also a record for the United Kingdom and an improvement of £341 million over the previous year. Indications are that the current year will be less favourable and a deficit on current trade account of as much as £150 million is possible, but this will be offset by invisibles of approximately £650 million. The increase in disposable incomes will tend to increase imports and, due to the higher rate of inflation in this country than elsewhere, our exports may not remain as competitive as in the past. World trade is expected to increase by approximately 7 per cent in 1972 as compared with 3 per cent to 4 per cent for this country. Inflation remains the main problem and until this is solved our exports will continue to suffer from the loss of price competitiveness.

As regards our own company the year has started satisfactorily and our revenue to date shows some increase. We hope that when we meet again in twelve months' time we will be able to produce a satisfactory report.

The Report and Accounts were unanimously adopted and the proceedings terminated with a warm vote of thanks to the Chairman, Sir Denys Lowson, Directors and Staff.

BUNZL PULP & PAPER LTD

The 32nd Annual General Meeting of Bunzl Pulp & Paper Ltd was held on 13th June at the Great Eastern Hotel, London, EC2. The following is a summary from the Statement by Mr G. G. Bunzl, the Chairman, circulated with the Report and Accounts for the year ended 31st December 1971.

Turnover in 1971 increased by £5,008,000 to £62,878,000 but trading profit decreased from £5,416,000 to £5,169,000 largely as a result of adverse trading conditions in Austria. There was a 79% increase in the profit from associates. In line with last October's forecast group profit before taxation declined from £5,535,000 to £5,423,000. Profit after taxation decreased from £2,574,000 to £2,407,000.

A final dividend of 2.24p per share is proposed making a total for the year of 4.48p, the same as 1970.

Sales by the **Filter Division** showed a welcome increase and profits as a whole increased in line; demand is increasing for novel filters developed by the Filtrona Group and for multiple filters which are our speciality.

The **Paper Sales Division** had a difficult year and the results were adversely affected by the dollar devaluation. Turnover and profitability improved in the second half and it is expected that the 1972 results will be the same as 1971.

Despite worldwide over-production of paper and converted goods the **Fay Division** had a good year increasing the distribution of its branded disposables in its many markets, special efforts being made in Europe; it is expected that progress will be maintained in 1972.

In a year of difficult trading conditions and rising costs the **Industrial Division** as a whole produced improved results, some companies faring better than others. The outlook for this Division is promising.

Last year's unfavourable forecast for the **Bunzl & Biach Division, Austria** has unfortunately proved correct, and the substantial losses made by the paper-making and converting departments were not offset by the good results from the Non-Woven department. There are now signs of improvement but recovery is likely to be slow.

In spite of the difficulties in Austria and the adverse effects of the February power cuts in the UK, results for 1972 to date show an improvement over the corresponding period for 1971. It is expected that this trend will continue and, unless unpredictable factors intervene, the results for 1972 will be better than those for 1971.

SUMMARY OF RESULTS

	1971	1970
	£000	£000
Net Assets employed	30,727	28,373
Turnover	62,878	57,870
Profit before taxation	5,423	5,535
Earnings for Shareholders	2,407	2,574
Ordinary dividends – gross ..	1,172	1,140
– per share ..	4.48p	4.48p
Earnings per share	9.2p	10.4p

APPOINTMENTS

Oxford Management Centre

Research Fellow to work with Rosemary Stewart on S S R C. supported project "Behavioural Classification of Managers' Jobs." Desirable qualifications: Good Degree, experience of social research and knowledge of industry. Two years from October 1st. Salary £3,000-£3,200. Details from The Administrator, The Oxford Centre for Management Studies, Kennington, Oxford, OX1 5NY.

Ulster: The New University

Chair in West European Studies

Applications are invited for appointment to a Chair in West European Studies within the School of Humanities of the University. This is a new appointment and it will be made from a date to be arranged with the chosen candidate.

Salary will be within the professorial range (minimum £4,850) with F.S.S.U.

Further particulars may be obtained from The Registrar, The New University of Ulster, Coleraine, Northern Ireland, to whom applications, including the names and addresses of three referees should be sent not later than Friday, 14th July, 1972 (quoting Ref: 72/78).

COMPANY STATEMENT

Thyssen-Bornemisza Group doubles profit

According to the Annual Report, the 1971 financial year was very important for the development of the Group.

1. The profit was doubled.
2. The own liquidity was improved by Dfl. 40 million.
3. Steps were taken to secure further expansion.

This gives the Thyssen-Bornemisza Group the opportunity to continue its expansion according to plan in 1972 and in subsequent years.

The Group aims at a spread of capital and risk. New fields of business are to be entered, in addition to the current activities: shipbuilding, shipping, harbour activities, transport and sale of natural gas, and light engineering. The Group is interested, in particular, in consumer-oriented and international activities.

Some salient figures of the Thyssen-Bornemisza Group.
Amounts in millions of guilders

	1971	1970	1971	1970	1971	1970
	turnover				*number of employees*	
shipbuilding						
Combined companies	518.9	404.3			8,163	8,161
Joint ventures	40.2	31.9			363	338
shipping						
Combined companies	46.0	54.6			666	699
Joint ventures	8.1	6.3			56	45
german industries						
Combined companies	32.4	27.5			392	355
Joint ventures	552.0	516.5			6,325	6,817
trade and transport						
Combined companies	268.3	272.3			2,605	2,660
Joint ventures	202.2	185.6			884	810
Total	1,668.1	1,499.0			19,454	19,885
Group's share in total sales	1,095.3	991.4				
net equity of the Group			352.7	333.2		
net profit			29.2	14.8		
cash flow			66.0	50.7		
capital expenditure			100.8	69.4		

A copy of the Annual Report 1971 will be sent to you on request.

Please apply for your copy to: Thyssen-Bornemisza Group N.V. Prof. E. M. Meijerslaan 1, Amstelveen, The Netherlands. Phone 020-456151 Telex 16720

The University of Manchester

FACULTY OF ECONOMIC AND SOCIAL STUDIES

Research Section

Applications are invited from good honours graduates or students expecting to graduate this year for posts of Research Associate or Research Assistant in Economics. One post will be attached to the SSRC Inflation Research Programme and the other to the Department of Economics. Salary range p.a. Research Associate—£1,641-£2,092; Research Assistant, £1,269-£1,329. Appointment initially for one year, but renewable. Duties commence October 1st, 1972. Particulars and application forms (returnable by July 1st) from the Registrar, The University, Manchester, M13 9PL. Quote ref: 101/72/E. Please state for which post you are applying.

Staffordshire County Council

County Planning and Development Department

Senior Group Leader
Reference No. 36.
(S.O.1/P.O.1A—£2,283 to £3,180 per annum)

Applications are invited for the above post in the Research and Industry Section of the Department. The Section is responsible for research on a wide range of economic and social topics. It has a major role in the preparation of the County Structure Plan in the field of population, Employment, Industry and Shopping.

The post will carry special responsibility for Population and Employment studies and forecasts and related needs, (e.g. Shopping). Applicants should have considerable experience in conducting research projects, evaluating statistical data, and in the preparation of reports.

The commencing salary for the successful applicant will be at any point on any of the grades commensurate with age, qualifications and experience.

Applications (no forms) giving details of age, education, qualifications, present and previous appointments, experience, present salary, and the names and addresses of two persons to whom reference may be made, should be sent to J. H. Barratt, County Planning and Development Officer, Martin Street, Stafford, by not later than 26th June, 1972.

Relationship to any member or senior officer of the County Council must be disclosed

APPOINTMENTS

Leicestershire County Planning Department

Senior Planning Officer (Research and Data)

Leicestershire is a progressive planning authority and is currently preparing its Structure Plan. The Research and Data Section is being expanded to cater more fully with the process of monitoring and evaluation associated with the Structure Plan, and to extend the Department's information system. The person appointed to this new post will be next to the Section Head and will have an opportunity to develop, test and introduce new techniques within a practical context.

Applicants should be appropriately qualified and have some good research experience and possess sound statistical knowledge.

Salary within the group grade A.P.5/S.O.1/S.O.2 £2,199 to £2,457/£2,913-£3,075, depending upon qualifications and experience.

Application forms, obtainable from the County Planning Officer, County Hall, Glenfield, Leicester LE3 8RH, to be submitted before 26th June 1972.

University of Manchester

Temporary Lecturer in Economics

Applications invited for these posts, tenable during session 1972-3. Salary range p.a. £1,641-£3,852. Particulars and application forms, returnable by July 3rd, from the Registrar, The University, Manchester M13 9PL. Quote ref : 106/72/E.

University College Cardiff

ECONOMICS DEPARTMENT, MANPOWER RESEARCH UNIT

Research Fellow and Research Assistants

Applications are invited for a Research Fellow and two Research Assistants to work in a research team on cost-benefit studies of industrial training (mainly craft apprentice and supervisor/management). Salaries : Fellow : in the range £1841 to £2982 with F.S.S.U. benefits ; Research Assistant : £1220 p.a. The appointments are for one or two years in the first instance. Closing date, Friday, June 30th, 1972. Further particulars obtainable from Professor Brinley Thomas, P.O. Box 78, University College, Cardiff, CF1 1XL, to whom applications, with names of two referees, should be sent.

CHAIRMAN'S STATEMENT



Mr. Chobei Takeda VI, President, Takeda Chemical Industries, Ltd.

Takeda Chemical Industries, Ltd.

Takeda 武田薬品工業株式会社

Report by Mr. Chobei Takeda VI, President, for the six months ended 31st March, 1972.

The depressed Japanese economy showed signs of recovery as a result of the successive reductions of the official discount rate enforced since last year and the easier conditions in the money market. However, the re-appearance of international currency problems culminating in multilateral currency adjustments last December again lowered the economic barometer and business fell into a more severe recession.

This adverse economic situation had its effects on our business and we experienced general difficulties throughout all our operations. In the pharmaceutical field, increasing attention has been paid to the use of drugs by the medical profession and plans are under way for a substantial revision of the health insurance system and for a complete re-examination of drug efficacy. Competition in the pharmaceutical industry continued to be intense.

Although the Company has continued all possible efforts, sales, partly for seasonal reasons, totalled only ¥85,400 million, or roughly the same as that of the previous term. We regret that the Company's profit for this period dropped to ¥3,521 million, or about ¥1,182 million less than that of the previous term, due in part to increased competition and consequent softening of prices of drugs for medical treatment, and also to the increase in labour and depreciation costs as well as the unfavourable influence of the revaluation of the yen upon our exports.

Of our pharmaceutical lines, our cold remedy "Hi-Benza" sold well through seasonal factors and sales of the anti-inflammatory and anti-tumefacient enzyme "Dazen" also increased. However, as a result of the price reduction under the health insurance system and seasonal decreases of vitamin preparations, total pharmaceutical sales represented only a marginal improvement over the previous term. As for food products, sales of our vitamin C enriched beverage "Plussy" decreased for seasonal reasons, but sales of flavouring agent "Ee-Chee-Ban" and "Takeda's Dashi", beef-flavoured and bonito-flavoured seasonings, showed steady increases.

Production and sales of industrial chemicals, such as activated carbon, plastics and resins, were generally satisfactory. Sales of agricultural chemicals largely surpassed our original estimates even though it was not the peak period. Sales of animal health products were also expanding steadily.

Although our export sales decreased, partly because of the effect of the yen revaluation, we are exerting further efforts to develop the overseas market for products other than pharmaceuticals. Our overseas subsidiaries are making smooth progress.

By utilizing part of the proceeds raised by the last new share issue, we have extended the facilities of our Central Research Laboratories in order to expand and consolidate our research activities. A notable achievement is that we developed a new manufacturing process for citric acid and exported this technology abroad.

With regard to our plant facilities, construction of TDI (tolylene di-isocyanate) production facilities in the Kashima plant was completed in December last year as scheduled, and the facilities for study of the safety of pharmaceuticals in the biological research laboratory of the Takatsuki branch were also completed during this term. The expansion of the production capacity for the active substance "Padan", a new agricultural insecticide against rice stem borers, is proceeding on target and the construction of manufacturing facilities for the active substance "Balidamycin", a new fungicide against rice sheath blight, also started during this period.

Conversion of our U.S. dollar convertible debentures into common stock continued and by the end of the term debentures totalling over ¥3,683 million ($10,232,000), about 68% of the original issue amount of ¥5,400 million ($15,000,000), had been converted into common stock. Thus our capital stock at the end of the term was just over ¥24,415 million.

The above is a summary of our business. The economic environment both in the domestic and international markets is expected to be more severe in the future, but we are determined to further intensify our efforts to develop new technology, reinforce sales networks, rationalise production and increase the efficiency in all aspects of our operation by means of a policy of sound management.

We wish to express our hearty thanks for your co-operation and ask sincerely for the continuance of your support and patronage.

APPOINTMENTS

University of Stirling

M.Sc. in Economics

The Department of Economics offers a 1 year taught M.Sc. course, including economic theory and quantitative methods as compulsory courses and a range of optional courses in the economics of organisational behaviour, business behaviour and public policy, monetary economics, public finance, topics in quantitative techniques and methods and accounting. The course aims to provide training for economists intending to enter industry, commerce and the public service or who wish to proceed to a Ph.D. degree.

Some S.S.R.C. and other Research Studentships are available for eligible candidates.

Details of the course and application forms may be obtained from :

Professor B. J. Loasby, Department of Economics, University of Stirling, STIRLING.

Coláiste na hOllscoile, Gaillimh (UNIVERSITY COLLEGE, GALWAY)

Lectureship in Business Studies

Applications are invited for the above Post. The latest date for receiving applications will be :

20th July, 1972

Prior to application, further information should be obtained from the Secretary of the College.

University College Cork

Statutory Lectureship in Social Administration

The Governing Body invites applications for the above vacant office.

The salary scale is : £2,760 x £105—£3,810 p.a. plus a child allowance of £81 p.a. in respect of each qualified child. Increments for special professional experience. Non-contributory pension.

Before submitting applications candidates should first obtain from the undersigned, particulars as to the requirements for the filing of the post. Latest date for receipt of applications is 3 p.m. on *Friday, 14 July, 1972.*

JOHN P. TEEEGAN
Acting Secretary

Monash University

MELBOURNE, AUSTRALIA

DEPARTMENT OF ECONOMICS

Lecturers and Senior Lecturers

Applications are invited for appointment in the Department of Economics. Courses are offered to undergraduate students taking a first degree at the pass and honours level and to graduate students taking the Master's degree by course work. In addition, candidates writing theses are supervised for the degree of Master of Economics and Doctor of Philosophy.

Applicants may be interested in any aspect of economics including macro- and micro-economics, monetary and industrial economics, urban economics, public finance, comparative economic systems and welfare economics.

Salary : Senior Lecturer—$A9,540-$A11,130 p.a., Lecturer $A6,697-$A9,286 p.a. with superannuation based on an endowment assurance scheme, the employee and employer contributing 5% and 10% respectively.

Benefits : Travelling expenses for appointee and family ; removal allowance, repatriation after three years' appointment if desired ; temporary housing for an initial period. Study leave entitlement accumulates at the rate of one month's leave for each six months' service up to six years, with provision for financial assistance.

Further general information and details of application procedure are available from the Acting Academic Registrar, Monash University, Wellington Road, Clayton, Victoria 3168, Australia, or the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572) Enquiries about the Department to Professor D. Cochrane, Chairman, Department of Economics, Monash University.

Closing date : *10th July 1972.*

The University reserves the right to make no appointment or to appoint by invitation.

CHAIRMAN'S STATEMENT



Highlights from Mr. H. I. Matthey's speech at the Annual General Meeting held on 8th June 1972

- ✳ Trading margins now reviving sharply.
- ✳ Trade with Comecon countries and South-East Asia grows rapidly and profitably.
- ✳ Morgan Autonomics reach profit targets a year early.
- ✳ Attributable consolidated earnings of Le Carbone-Lorraine and other associated companies lift Earnings Per Share by 0·4p. to 7·9p.
- ✳ Sale of Morganite Resistors Limited releases £1½m. in cash.

Copies of the Chairman's Speech and of the Annual Report 1971 obtainable from the Secretary of the Company.

Morgan

The Morgan Crucible Company Limited

98 Petty France, London S.W.1

APPOINTMENTS

Slough College of Technology

DEPARTMENT OF PROFESSIONAL & BUSINESS STUDIES

Lecturer II
Business Studies

Applications are invited from graduates in Economics or a related area with recent experience in industry, commerce or the public services, to lecture principally in Business Organisation on advanced business studies and professional courses.

The salary will be on the Burnham Technical scale, viz: Lecturer Grade II £2,355-£3,083.

Further details and application forms from the Vice-Principal (Room 21), Slough College of Technology, Wellington Street, Slough, Bucks., SL1 1YG, or telephone Slough 34585 (we have a 24 hour answering service).

Kingston Polytechnic

SCHOOL OF BUSINESS STUDIES

Senior Lecturer/ Lecturer II

in accountancy/costing (2 posts)

Candidates must be members of the Institute of Chartered Accountants of England and Wales, Scotland or Ireland or of the Institute of Cost and Management Accountants, or the Association of Certified Accountants and preferably by graduates.
Salary Scales: Senior Lecturer £3249-3613 (bar) £3886; Lecturer II £2473-£3201.
Further details and application forms (to be returned by 3 July) from Appointments Officer, Kingston Polytechnic, Penrhyn Road, Kingston upon Thames, KT1 2EE. Tel: 01-549 1366.

University of Glasgow

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Temporary Lecturer in Economic Demography

Applications are invited for the above post from persons with a good Honours degree in Economics. The successful applicant will participate in a three year study, financed by SSRC on Scottish migration. The post will be tenable for three years from 1st October, 1972, and the starting salary will be in the range £1641 to £1935 per annum of the Lecturers' scale of £1641 to £3852 per annum. Placement will be dependent on qualifications and experience. F.S.S.U.

Applications (eight copies) should be lodged not later than 23rd June, 1972, with the undersigned, from whom further particulars may be obtained.

In reply please quote Ref. No. 3200/U.

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Senior Assistant: Accounting Research and Development Team

Salary £2472 to £2871 per annum.

Graduate required to supplement established team developing modern accounting management and statistical techniques. Significant progress already achieved in short/medium term forecasting and in capital project appraisal.

Further developments are in progress including accounting procedures with advanced on-line computer data bank and corporate and structure planning.

Sound knowledge of statistics required together with accounting or economics background.

Work is presently substantially computerised and utilisation of data terminals is imminent. Opportunity will be given for further study.

Application forms from Comptroller & Treasurer, Paymaster Division, Civic Centre, P.O. Box 264, Wood Green, N.22. Tel: 01-888 1282, ext. 304, returnable by 1 July, 1972 (quoting ref M).

The University of Manchester Institute of Science and Technology

DEPARTMENT OF MANAGEMENT SCIENCES

The U.M.I.S.T. Department of Management Sciences is one of the oldest and largest centres of Management education in the United Kingdom, embracing a substantial research school engaged upon a variety of industry sponsored research projects.

Special Research Assistant
(Ref: MS/87/AD)

Applications are invited from suitably qualified mature graduates in Marketing Science, Economics, Statistics and Operational Research, preferably with some research experience, for appointment as the Research Assistant to Professor Roland Smith, Carrington Viyella Professor of Marketing and Chairman of the Management Sciences Department.

The successful candidate will be required to work closely with Professor Smith on a variety of projects and will also be expected to pursue his own research interests for submission to a higher degree.

The appointment will be for three years at a salary of £1,326 per annum rising to £1,392 after one year. F.S.S.U.

Requests for application forms quoting Reference number, should be made to the Registrar, The University of Manchester, Institute of Science and Technology, Sackville Street, Manchester, M60 1QD, to whom completed forms should be returned by 7th July, 1972.

CHAIRMAN'S STATEMENT

Steel Brothers Holdings Limited

Earnings and 18½% Dividend Maintained

The abridged statement of the Chairman, Mr. J. H. Gaunt reads:

The group net profits after tax, applicable to Ordinary Shareholders, total £382,518. There was an increase of profitability in most areas, particularly in Canada and the Middle East, but a substantial reduction in income from Pakistan and Western Australia.

During the years 1967/71 we have invested some £3,500,000 in new ventures at home and overseas largely in light engineering and service industries.

OVERSEAS INVESTMENTS:

In Australia; steeply rising costs meant a difficult year. Premwire Metal Industries Pty. Ltd. made a satisfactory contribution to Group profits. Steel Brothers (Perth) Pty. Ltd. in Western Australia suffered badly from depressed activities but hopes to break even in 1972.

In Canada; our subsidiary at the end of 1971 acquired control of Black Bros. Ltd., wholesalers of industrial equipment, electrical supplies and hardware.

In 1972 our Canadian company has purchased the North West Industrial Products Division and the Production Division of The Winnipeg Supply & Fuel Co. Ltd. which adds Canadian £4,292,000 (1,676,532) to its operating assets, and it also acquired the 50% of Forden Concrete, now named Steel Brothers Concrete Ltd., which it did not previously own. The outlook for Canada is for a turnover of some £10 million and further improved results from all operations.

In East Africa; the overall results showed substantial improvement from nearly all divisions, but particularly from Uganda. Prospects continue favourable.

In Malaysia; we have acquired an interest in the management of a small Company manufacturing brake and clutch linings.

In the Middle East; Spinney's (1948) Ltd., made a much increased contribution towards Group profits. The Company is benefiting from the higher level of consumer demand due to the increase in oil revenue in the producing countries.

In Pakistan; the political and military events in the former territory of East Pakistan hampered the final closure of our Chittagong office. It is hoped to close activities completely in what is now Bangladesh by the middle of 1972. In West Pakistan our trading operations from Karachi continue to be profitable although now on a much reduced scale. The effect of the May 1972 devaluation has been fully provided for in 1971 Accounts. We hope to have a reasonable although reduced continuing income from Pakistan.

In West Germany; our operations continue to prosper. A new rice mill has been built for the production of Uncle Ben's Rice for the Common Market area.

UNITED KINGDOM INVESTMENTS:

Becorit (G.B.) Ltd., had a useful profit in 1971. Export sales in particular were up, which trend is expected to continue.

H. G. Sanders & Son Ltd., made a satisfactory contribution. There should be another satisfactory result from this efficient unit in 1972.

Leonard Smith (Engineers) Ltd., now has two operating Companies Leonard Smith (Engineers) Limited and Asme Vessels Limited. A major reorganisation is in progress.

Spire Homes Ltd., made a useful contribution, although not as much as we had hoped. 1972 prospects look good.

Insurance Group; Cayzer, Steel Brothers Holdings Ltd., our joint venture in Insurance Broking with The British & Commonwealth Shipping Company Ltd., completed its first full trading year with a reasonable profit. We expect significant growth in both brokerage and profit in 1972. A small broking firm has recently been acquired near Manchester. We have also completed a substantial investment in an Insurance Agency Group which operates in Singapore, Malaysia and Hong Kong.

For tax reasons it could be of significant benefit to increase our income arising in this country, particularly in the engineering field. We are therefore keeping our eyes open for further growth opportunities in the United Kingdom.

FUTURE:

We are optimistic about our overall prospects for 1972.

The Annual General Meeting will be held on 6th July.

A copy of the Report and Accounts for 1971 can be obtained from the Secretary, Steel Brothers Holdings Limited, Sondes Place, Dorking, Surrey, RH4 3EF.

APPOINTMENTS

ASHRIDGE
Management Research Unit

Applications are invited for a

POST OFFICE RESEARCH FELLOWSHIP

tenable at Ashridge for a two or three year period commencing in September 1972.

The Post Office Research Fellow, who should preferably have a degree in one of the behavioural sciences or a related subject and/or practical experience in industrial relations or personnel management, will conduct an industrial relations project within the Postal Business.

The Ashridge Management Research Unit currently consists of thirteen professional staff, with technical and secretarial support, and conducts studies in a number of industrial and organisational issues. Encouragement is given to read for higher degrees. Full data-processing facilities are available.

Career opportunities may be available both in the Post Office and the Ashridge Research Unit. The starting salary will be in the region of £3,650 p.a. Further details and application forms are available from:

Bernard Barry,
Director of Research,
Ashridge Management College,
Berkhamsted, Hertfordshire.
Telephone: Little Gaddesden 3491 (STD Code 044 284).

Post Office employees who are interested in this vacancy should contact:

Mr. A. E. J. Arno,
Postal Headquarters, PPD/PPI.1,
St. Alphage House,
Fore Street,
London EC2Y 5XA.

For further appointments see pages 96 to 103

CHAIRMAN'S STATEMENT

1912-1972

THE PROPERTY AND REVERSIONARY INVESTMENT CORPORATION LTD.

Extracts from the Report for the year to 31 March, 1972, and from the Statement of the Chairman Mr Alfred Rubens, F.R.I.C.S.

The Company's sixtieth anniversary coincides with a **RECORD PROFIT** of £420,550 after tax.

THE DIVIDEND of 19% proposed compares with 15% for the previous year.

FUTURE PROSPECTS are excellent.

The **PROPERTY REVALUATION** to be made during the current year should show a large surplus.

Copies of the report and accounts may obtained from the Secretary of the Company at Albany House, Petty France, London, SW1H 9EE.

DERBY COUNTY BOROUGH

DEPARTMENT OF PLANNING

There are immediate vacancies for the following two posts in my Department:

Central Area Planner

A qualified Planner and/or Architect to be responsible for the co-ordination of development proposals, traffic and environmental management schemes and conservation area policies in the Town Centre. I am looking for someone who can make a positive contribution to the improvement of the built environment in Derby.

Statistician/Economist

A Statistician, Economist or Town Planner with experience of quantitative forecasting and analysis techniques preferably in a planning context.

Both are Senior Assistant Planning Officers posts on SO Grade 2 (£2,766-£3,075). Applications, giving full details of qualifications and experience, by letter please, to the: Director of Planning, Department of Planning, The Council House, Corporation Street, Derby DE1 2FP.
Closing date: 26th June 1972.

BUSINESS NOTICE

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If you would like more information contact Edouard Iselin, our Executive Vice President in Geneva. He will be glad to discuss services, fees and answer any questions you may have.

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APPOINTMENTS

Worcester
Technical College

Applications are invited for the post of LECTURER II in ECONOMICS to lecture to a wide ranke of courses up to and including Final professional levels. Applicants should preferably possess a degree in Economics including Statistics and either experience in Further Education, Industry or Commerce.

Salary in accordance with the Burnham Further Education Scales 1972.

Lecturer II : £2,355-£3,083

Application form and further details may be obtained from the Chief Administrative Officer, Worcester Technical College, Deansway, Worcester WR1 2JF.

North East London Polytechnic

The Polytechnic seeks to appoint :

Lecturer II in Economic Forecasting

to take up post by 1st January 1973.

The duties of the post will be to work with the Centre for Institutional Studies in developing an Institutional Model, including market forecasting. Good ability in computer programming is essential.

Salary scale : Lecturer II £2473-£3201 p.a. inclusive

Please request application form of :
North East London Polytechnic, Forest Road, London, E17 4JB.
The Academic Staffing Officer, Ref. S/DJ102.
Tel : 01-527 2372. For return within 10 days.

economist-

Ministry of Trade and Industry

A post in ZAMBIA offers these benefits: lovely climate; great sights; wider professional scope; good salaries; guaranteed accommodation; fares paid and generous baggage allowance – and an opportunity to help in the building of a rapidly developing nation.

Qualifications: Candidates must be in possession of a degree in Economics or its equivalent with some practical experience in trade imports and exports promotion.

Duties: To advise the Ministry on matters relating to sources of supply for imports and to study export possibilities for Zambia's trade with other countries particularly the East African community. He will be required to advise the Ministry in the formulation of trade, industrial and export promotion policy.

If the successful candidates are British, they may be eligible for an inducement allowance payable by the British Government.

Please apply by sending full personal and professional details to: Appointments Officer (K), Zambia High Commission, 7/11 Cavendish Place, London W1.

ZAMBIA

Economist

The Automobile Association is seeking an Economist to join a team in the Operations Planning Department dealing with long range planning and forecasting for the Road and Technical Services. Initially the position is at Leicester Square but relocation to Basingstoke, Hampshire, will take place in 1973. Candidates must be graduates with experience in economic planning or related fields. Starting salary will not be less than £1824 per annum plus £135 per annum London Weighting Allowance. Conditions of service include four weeks annual holiday and a contributory pension fund.
To apply please write for a Personnel Selection Form quoting reference number A40 to :
Mr. G. H. Richards,
Personnel Officer,
Administration, HO,
Automobile Association,
Fanum House,
Leicester Square,
London WC 2H 7LY.

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The Federation's international activities are expanding rapidly (1972 Budget £10 million) and these appointments offer considerable scope to men able to work with energy and tact on their own initiative.

Applicants should preferably have overseas experience and the ability to project their personalities and communicate advice to various levels of management. There is no age limit and these appointments could interest mature men qualified by experience. They should be prepared for considerable and continuing overseas travelling with up to 60% of each year spent on visits and trips of up to 6 weeks' duration.

Salaries are internationally competitive and other benefits include contributory pension scheme, free life assurance, medical plan, good travel allowances, etc.

Comprehensive career history and salary details should be sent to the Controller, IPPF Central Office, 18/20 Lower Regent Street, London, SW1. Applications welcome from the UK and Overseas

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The University of Sussex

Lecturer in Economics

Applications are invited for a post of Lecturer in Economics in the School of Social Sciences with effect from 1st October 1972. Applicants should have an interest in one or more of the following fields : econometrics, statistics, industrial economics, international trade, social policy. There is also the possibility of a temporary lectureship becoming available. Salary in the scale £1,641-£3,852 per annum.

Further particulars and application forms, returnable by 10th July 1972, are available from the Establishment Section, Arts Building, University of Sussex, Falmer, Brighton BN1 9QN (telephone Brighton 66755, ext 663) quoting ref 892/3.

APPOINTMENT

Strategic Planning

We have a vacancy for an ECONOMIST in our Central London Headquarters.

The work covers a wide range of economic and planning studies, including helping to identify the main issues likely to face the Board and contributing to the preparation and integration of the Board's individual plans. The scope and pace of the work are demanding, calling for a high degree of both creative and analytical ability, as well as the capacity to communicate clearly and sensitively across disciplines.

Candidates should possess a degree, preferably in Economics or some related subject, and have recent appropriate industrial or postgraduate experience.

Salary range: £2430–£3312 p.a. inc., according to qualifications and experience.

Applications stating full relevant details and present salary to the Personnel Officer (Headquarters), Central Electricity Generating Board, Sudbury House, 15 Newgate Street, London EC1A 7AU, **by 30 June 1972.**
Quote Ref. E/131.

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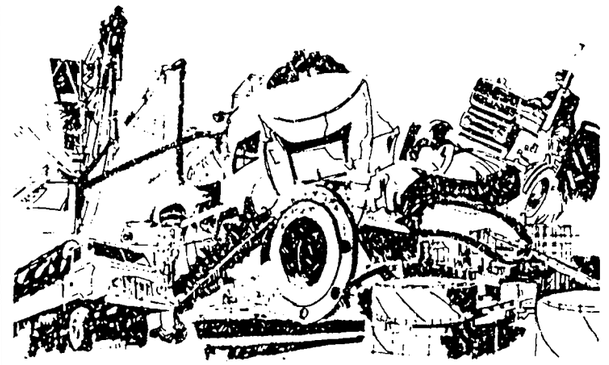
(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.)
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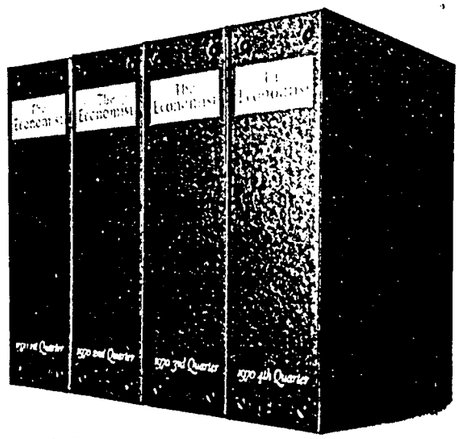
Contact Mr. Gordon Sapstead, Deputy General Manager, The First National Bank of Chicago, 1 Royal Exchange Buildings, Cornhill, London E.C.3. Or phone 01-283 2010.

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The Economist

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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds		Price, June 7 1972	Price, June 14 1972	Net red. yield, June 14 1972§ £p	Gross red. yield, June 14 1972 £p
98¹⁄₁₆	98	British Electric 3%	1968–73	98²²⁄₃₂	98⅛	3·060	5·105 *I*
89¹⁄₁₆	78¹⁄₁₆	British Electric 3¹⁄₂%	1976–79	79	78⅛	5·750	7·390 *I*
109	98¹⁄₂	Treasury 8¹⁄₂%	1980–82	102¹⁄₁₆	99¹⁄₁₆	5·180	8·550 *I*
108¹⁄₁₆	96¹³⁄₁₆	Treasury 8¹⁄₂%	1984–86	96¹⁄₂	97¹⁄₁₆	5·345	8·775 *I*
96¹⁄₂	84	Funding 6¹⁄₂%	1985–87	84¹⁄₁₆	84⅛	5·500	8·460 *I*
66¹⁄₂	55¹⁄₂	British Transport 3%	1978–88	55¹⁄₂	56¹⁄₁₆	6·040	7·740 *I*
86⅛	73¹⁄₂	Funding 6%	1993	73¹⁄₂	74¹⁄₂	5·770	8·835
111¹⁄₁₆	96¹⁄₂	Treasury 9%	1994	96⅛	97⅛	5·620	9·325
58	48¹⁄₂	British Gas 3%	1990–95	48¹⁄₂	48¹⁄₂	5·945	7·920 *I*
89¹⁄₂	76¹⁄₁₆	Treasury 6¾%	1995–98	76¹⁄₁₆	77⅛	5·775	9·110 *I*
73⅛	62⅛	Treasury 5¹⁄₂%	2008–12	62⅛	63¹⁄₁₆	5·690	9·060 *I*
43¹⁄₂	36⅛	War Loan 3¹⁄₂%	after 1952	36⅛	37	5·690	9·495 *f*
30¹⁄₂	26⅛	Consols 2¹⁄₂%		26¹⁄₂*	26⅞*	5·565	9·255 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Anglo-American 7¹⁄₂%	1987	94¹⁄₂–5¹⁄₂	94¹⁄₂–5¹⁄₂	7·90
Amoco (£) 8%	1987	96–7	95–6	8·33
General American Trans. 8¼%	1987	99¹⁄₂–100¹⁄₂	99–100	8·10
General Cable 8¼%	1987	99¾–100¾	99¾–100¾	8·00
International Utilities 8¼%	1982	99–100	98¹⁄₂–99¹⁄₂	8·16
Kleinwort Benson 8¼%	1987	100¼–1¼	100–1	7·99
Motorola 8%	1987	100¼–1¼	100–1	7·74
N. American Rockwell 8¼%	1987	99–100	98¾–99¾	8·12
Pennwalt 8%	1987	99–100	98¼–99¼	7·95
Queensland Alumina 8¼%	1987	98–9	97⅝–98⅝	8·23
Welcome 8¼%	1987	99¼–100¼	99–100	8·10
Williams and Glyns 8¼%	1987	100¼–1¼	99¾–100⅝	8·00
Inter-American Devel. Bank (DM) 6¾%	1987	99–100	99–100	6·75
Malaysia (DM) 7%	1987	96¼–7¼	96¼–7¼	7·28
Slater Walker (£/DM) 7¼%	1987	98¼–9¼	98¼–9¼	7·31

Prices, 1972 High	Low	Ordinary stocks	Price, June 14, 1972	Change on week	Yield June 14
		Banks, other financial			
359⅛	268	Algemene Bank	Fl 359	+3¼	4·7
78	57·8	Amsterdam-Rot	Fl 75¼	+0·6	4·5
367	257	Aust & NZ Bank	320p*	...	3·1
45	37⅛	Bank of America	$45⅝	+1¼	2·5
500	370	B of Ireland	455p*	+20	3·4
113¼	886	B of Montreal	994p	+10	3·2
116⅝	84	B Nac de Mexico	P 84¼	...	8·9
465	298	B of NS Wales	458p	+18	2·0
740	525	B of Scotland	645p	+15	3·2
2680	2310	B Bruxelles	Fr B 2650	...	4·6
279·1	221	B de Paris Pays Bas	Fr 265	−9	5·1
64⅞	54⅛	Bankers Trust	$57⅛	+1⅛	5·0
480	298	Barclays	435p	+10	2·2
15⅞	11¹³⁄₁₆	Can Imp Com	£12⅞	−⅛	2·2
121⅛	78	Charterhouse Group	100p*	−5⅛	4·1
60⅝	52	Chase Manhattan	$56⅛	−1¼	3·5
59⅛	51⅛	Chemical Bank NY	$51⅛	−1¼	5·6
257	229	Commerzbank	DM 229·8	−9·2	3·7
182	148⅛	Credit Commercial	Fr 177	−5	4·7
450	370	Credit Foncier	Fr 434	−6	4·9
4380	3695	Credit Suisse	Fr S 4380	+120	1·8
350	313⅛	Deutsche Bank	DM 336¼	−9	2·7
289	262	Dresdner Bank	DM 264·8	+13·2	3·4
58⅝	43¼	First Nat City	$58⅛	−⅜	2·3
560	355	Fuji	Y 556	−4	1·1
490	335	Hambros	420p	+5	1·8
208	142	Hill, Samuel	163p*	−3	2·7
1⅜	1¼	IOS Mgnt	$1¼	...	...
19⅝	13⅜	Hongkong & Sh	£18	−1⅜	2·0
209	130	Kleinwort Benson	168p	−4	2·3
7100	5830	Kredietbank	Fr B 7090	+40	2·6
395	330	Kundenkredit	DM 370	−4	2·7
2370	1840	Lambert L'Ind	Fr B 2335	+40	3·4
457	320	LBI	365p*	−3	2·8
850	601	Lloyds	755p	...	2·1
36⅛	30	Manuf's Hanover T'st	$33⅛	...	4·7
82300	62670	Mediobanca	L 78910	−990	1·4
293	216	Mercantile Credit	224p	−16	3·3
256	176	Mercury Secs	206p	+4	1·4
530⅛	348	Midland	458p	+6	2·5
350	202	Mitsui	Y 345	−4	1·4
327	205	Montagu Trust	270p	...	1·3
92⅛	71⅛	Morgan J P	$91⅞	+1¼	3·1
146	89	Nat & Grindlays	131p	−9	3·1
4·30	2·80	Nat Australasia	$A4·19	−0·02	2·1
250	176	Nat Com Grp	220p	+13	2·3
462	300⅛	Nat West	427p	+7	2·1
144	120	Norsk Creditbk	%126	+1	7·1
17	13⅛	Royal Canada	£15⅛	−⅜	2·4
915	608	Schroders	760p	−20	1·4
412	324	Slater Walker Secs	360p	+4	3·1
3135	2910	Soc Gen de Banque	Fr B3005	+5	4·7
2800	2640	Soc Gen de Belgique	Fr B2685	−25	5·2
487	328	Standard & Chart	475p	+5	3·0
384	280	Suez	Fr 361	−14	5·2
570	365	Sumitomo	Y 565	−5	1·1
4440	3710	Swiss Bank Corp	Fr S 4130	+100	1·9
4805	3885	Union Bank Switz	Fr S 4805	+145	2·1
637	490	Union Discount	510p	−30	4·7
297	237	United Dom Tst	238p	−2	2·6
		Insurance			
69⅜	58	Aetna Life & Cas	$61⅜	−⅜	2·6
517	388	Allianz Versich	DM 497	−20	1·2
260	223	Comm Union	236p	−2	3·5
618	496	Eagle Star	546p*	...	2·8
234	164	Gen Accident	210p	+4	3·1
57250	48350	Generali	L 54500	−770	0·8
312	248	Gdn Royal Exch	253p	+3	3·5
210	163	Legal & General	180p‖	+4	2·9
90	65·8	Nat Nedrlandn	Fl 74·3	+4·5	2·7
400	308	Pearl	388p	+20	2·9
310	250	Phoenix	250p	−8	3·8
224	171	Prudential	196p	+4	3·0
452	394	Royal	402p	−6	3·7
640	502	Sun Alliance	570p	...	3·3
362	285	Taisho Mar & F	Y 323	−7	1·7
569	476	Tokio Marine	Y 535	−6	1·0
6725	4775	Zurich Ins	Fr S 6725	+475	2·7

Prices, 1972 High	Low	Ordinary stocks	Price, June 14, 1972	Change on week	Yield June 14
		Breweries, etc.			
118	89	Allied Breweries	107¹⁄₂p	1	3·2
69	55	Anheuser-Busch	$ 64	−⅛	0·9
194	148	Bass, Charrington	169p*	−4	2·9
155	132·8	Bols NV	Fl 154·7	+4·7	2·3
184	117	Courage	164p	...	2·8
202	153	Distillers	186p	+7	3·5
41⅜	33⅛	Distill Seagrams	$41⅜	+3⅛	1·7
470	420	Dortmund Union	DM 440	+4	2·3
244	184	Guinness	226p	−2	3·2
343⅛	238⅛	Heineken	Fl 343⅛	+22	1·0
300	234	Kirin Brewery	Y 286	−6	2·6
18⅛	15⅜	Nat Distillers	$16⅜	−⅜	5·4
114	88⅛	Scottish & Newc	100p	−1⅛	2·8
97	70	Sth African Br	78p*	−10	4·3
272⅛	163	Watney, Mann	251p	+17	3·6
114⅛	84⅛	Whitbread 'A'	99½p	2½	3·2
		Building, building materials			
520	419	Assoc Portland	452p	−20	3·1
246	178	BPB Industries	208p	−8	3·1
20⅝	13	Boise Cascade	$13	⅛	1·9
364	252	Bovis Ltd	319p	−20	1·8
265	195	Ciments Lafarge	Fr 259·8	−5	5·4
2760	2100	Cimenteries Briq	Fr B 2490	+45	5·2
410	233	Costain	410p*	+8	2·7
143	105	Eng China Clays	115¼p	−2½	2·3
24620	19050	Italcementi	L 23000	800	2·1
230	179	Laing 'A'	204p*	·6	1·5
121⅛	76⅛	London Brick	101¼pd	−2½	3·3
232	158	Marley	197p	·6	3·9
375	303	Pilkington Bros	307p	·3	3 3
170	124	Redland	147p	·2	2·1
182	138	Rugby Portland	144p	+6	2·6
174	149	Steetley	149p	−9	3·6
310	250	Tarmac	279p	·6	3·2
360	308	Taylor Woodrow	308p	−17	1·9
275	212	Wimpey	252p	3	1·0
		Catering, hotels, entertainment			
173	43	ATV 'A'	165p	+11	4·3
57⅛	45⅛	CBS	55²⁄₂p	+1⅛	2·7
280	202⅛	Granada 'A'	248p	+1	2·2
275	200	Grand Metropolitan	252p	·1	1·4
55⅞	43⅛	Holiday Inns	$53⅜	−⅜	0·5
714	600	Lyons 'A'	647p	+7	2·1
243	167	Trust Houses-Forte	223p	...	4·5
		Chemicals			
77·1	62·8	AKZO	Fl 71·6	+1·1	5·0
815	575	ANIC	L 585⅛	−9½	...
40⅛	33⅛	Amer Cyanamid	$35¼	+⅛	3·6
183·3	137	BASF	DM 170·2	−8·8	4·4
152	129·2	Bayer	DM 146½	−4	4·4
2990	2580	CIBA-GEIGY	Fr S 2790	−50	0·8
93⅛	78	Dow	$92⅛	+1⅝	1·9
175⅛	144⅛	Dupont	$170⅜	+1¼	2·9
410	327	Fisons	384p	−7	3·0
30⅜	25⅜	W R Grace	$25⅛	...	5·9
176·9	146	Hoechst	DM 154	−14½	4·9
305	238	ICI	269p	+7	5·1
101	83	Laporte	86p	−2	2·3
56⅛	46	Monsanto	$52⅞	−⅜	3·4
751	480¼	Montecatini-Edison	L480¼	−46¼	...
1030	875	Norsk Hydro	Kr 975	+45	1·1
199	156	Rhone Poulenc	Fr 177	−12	6·8
2750	2370	Solvay 'A'	Fr B 2700	−50	5·7
193	136	St Gobain	Fr 194⅛	+1½	4·8
230	198	Takeda Chemical	Y 209	−10	4·1
50⅝	41⅞	Union Carbide	$49⅜	+⅜	4·1
		Coal & steel			
4645	3875	Arbed	Fr B 4460	+80	5·6
34⅛	28¼	Bethlehem	$30	−⅛	4·0
13·95	11·65	Broken Hill Pty	$A 13·95	+0·35	...
179·1	136 6	Denain Longwy	Fr 178	−1	7·6
321	260⅛	Finsider	L 261	+⅛	14·3
148	134	Fried Krupp	DM 146⅛	−½	6·9
168	148	Granges A B	Kr 148	−2	8·0

Prices, 1972 High	Low	Ordinary stocks	Price, June 14, 1972	Change on week	Yield June 14
74·9	58·7	Hoesch	DM 64	−4	4·7
79·7	60·9	Hoogoven	Fl 78·3	+1⅛	5·1
220·3	145⅛	Mannesmann	DM 208·8	−10·7	4·8
60	52	Nippon Steel	Y 58	+1	8 6
104·8	65·2	Rheinstahl	DM 88	−10½	...
85·8	68	Thyssen Huette	DM 72·7	−5·8	4·8
34⅛	29⅞	US Steel	$29⅞	−⅜	5·4
117·1	85·9	Usinor	Fr 111·3	−5·8	8·1
52·2	40	Wendel-Sidelor	Fr 46·2	·0·6	10·5
		Electrical, electronics			
185⅛	132½	AEG Telefunken	DM 178·1	−3·9	2·8
295	245	ASEA	Kr 245	−11	4·1
218	169	BICC	199p	−2	3·9
558	402	CGE	Fr 546	−12	4·3
193	162	Chloride Electric	183p	...	3·5
75⅜	56⅜	Comsat	$69¼	+1⅜	0·7
403	260	Decca	347p	+2	2·6
232	169	EMI	181p	+7	3·5
270	181	Electrolux 'B'	Kr 260	...	3·8
295	257	LM Ericsson 'B'	Kr 272	−1	2·0
70⅛	46⅞	General Electric	$66⅛	−1⅝	2·1
195	164	GEC	179p	+14	2·1
33	27⅜	Gen Tel & Elec	$27¼	−1⅜	5·5
145	106	Hitachi	Y 134	−5	4·5
160	127⅜	Honeywell	$154	+5¼	0·9
41⅛	16	Hoover	$41⅛	+3⅛	1·4
402	331⅜	IBM	$399¼	+4½	1·3
155	116	Int Computers	117p	...	9·6
91	76·2	Machines Bull	Fr 82½	−2·9	...
769	509	Matsushita	Y 727	−8	1·4
815	537	Philips	793p	+17	2·4
162	133	Plessey	149p	...	3·4
45	34⅞	RCA	$37¼	+1⅝	2·7
129	104	Rediffusion	115p	−4	3·6
122	73	Reyrolle Parsons	86p	−2	1·2
284½	204·3	Siemens	DM 276	−8½	2·5
5420	3240	Sony	Y 5310	+80	0·3
40⅜	29¼	Sperry Rand	$39⅛	+⅛	1·8
169	117¼	Texas Instruments	$169	+10	0·5
166½	95	Thomson-Houston	Fr 156	−7·1	4·4
552	458	Thorn Electrical	513p	+6	1·1
85	68	Toshiba	Y 81	...	6·2
68¼	41⅞	Western Union	$66	+⅜	2·1
54	43	Westinghouse	$49⅛	−⅛	1·8
		Engineering, shipbuilding			
237	192	Acrow 'A'	188p	−9	2·5
245	214	Atlas Copco	Kr 231	...	2·2
45	30½	BSA	33p	+1	...
94⅜	67½	Babcock & Wilcox	83p‖	+7	2 8
187	154	John Brown	156p	...	7·4
1460	1150	Brown Boveri 'A'	Fr S 1410	+35	3·5
100½	76	Cohen 600	76p	−6	4·9
71	49½	Davy Ashmore	59p	−5	2·1
236½	167	Demag	DM 228	−7	3·5
60	36	B Elliott	50p	−½	1·2
166½	109	Firth Cleveland	122p	−6	5·8
425	349	GKN	377p	−3	3·4
186	148½	Gutehoffnungs	DM 170½	−6½	4·1
72	21½	Harland & Wolff	48p	+3	...
82	65	Head Wrightson	69p	−8	4·3
71	40	Alfred Herbert	55p	−1	...
93	76	IHI	Y 89	+1	6·7
252½	171⅜	Inter Combstn	171½p	−2	...
152	114	Inter Comp Air	117p	−8	3·0
99¼	42½	Laird Group	67½p	+2½	2 8
214	169	MANI	DM 195	−6	4 6
111	76⅛	Mather & Platt	99p	−7	3·1
415	355	Metal Box	363p	+8	3·5
92	75	Mitsubishi Heavy	Y 91	+1	6·6
156	107	Morgan Crucible	127p	−1	4·1
425	369	SKF 'B'	Kr 385	...	3 1
77	59	Serck	63p	+3	3·2
136	108	Simon Enging	111p	−1	6·8
93	71⅛	Stone-Platt	71½p	−3	4·5
169	49	Swan Hunter	132p	+3	7·6
3700	3200	Sulzer	Fr S 3475	+25	4 0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‖ Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*I*) To latest date (*n*) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

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Prices, 1972 High	Low	Ordinary stocks	Price, June 14, 1972	Change on week	Yield June 14
500	418	Tube Investments	440p	+6	4·3
28¹₈	22⅜	US Industries	$22¼	−1⅛	2·7
121	82	Vickers	97p	+1	4·1
142	93	Weir Group	135p	−4	4·1
123	103⅛	Thos W Ward	110p	-4⅛	3·9
		Food, pharmaceuticals			
88⅛	69⅛	Assoc British Foods	74p	+⅛	2·4
83	68	Assoc Fisheries	73p	−1⅛	5·1
126	94	Avon Products	$116	+⅛	1·1
340	281	Beecham Group	332p*	+11	1·9
213 7	139·1	Beghin	Fr 213	+2	4·9
108	73	Brooke Bond 'B'	89½p	-3½	3·0
132	87½	Cadbury Schweppes	111p	+7½	3·6
333	187	Cavenham	287p	−4	1·2
75½	57½	Colgate-Palmolive	$75⅛	+6¼	1·9
5·78	4·80	Col Sugar Ref	$A5·78	+0·14	...
162	115⅛	Fitch Lovell	138p	+10	2·1
36¼	24⅞	General Foods	$24⅜	-⅞	5·7
51¾	38⅜	General Mills	$49⅛	+⅛	1·9
528	437	Glaxo	476p	-28	2·1
47½	40⅝	Heinz	$45	+1⅛	2·2
214000	176500	Hoffman La Roche	Fr S 209000	+7000	0·5
47⅝	41¾	Kraftco	$42⅛	-⅛	4·0
2285	1605	L'Oreal	Fr 2225	-60	1·1
3095	2595	Motta	L 2675	−115	...
4150	3000	Nestlé	Fr S 3800	−20	1·9
47⅞	36⅛	Pfizer	$42	1⅛	1·4
100	76⅛	Procter Gamble	$96⅞	-3⅛	1·5
251	155	Ranks-Hovis	189p*	+7	4·2
373	270	Reckitt & Colman	336p	+6	2·8
3950	3700	Sandoz	Fr S 3750	+50	1·7
91	60½	Spillers	76½F	-⅛	4·1
38¾	30¼	Swift	$32⅛	...	2·2
209	179	Tate & Lyle	179p	4	5·6
185	138¼	Unigate	165p	...	2·4
406	319	Unilever	363p	1	3·1
143 6	79 4	Unilever NV	Fl 137	+2·3	4·5
124	81	United Biscuits	111p	2	2·4
		Motors, aerospace			
56	37⅜	BLMC	40p	+⅛	5·1
26½	19	Boeing	$21⅛	+⅛	1·9
58¼	46⅜	Caterpillar Tract	$57⅜	+2⅜	2·4
36	28	Chrysler	$31	+⅜	1·9
104	79·1	Citroen	Fr 98½	+5¼	...
456	323	Daimler-Benz	DM 442	-14	1·9
199	167	Dunlop	153p	-1	5·4
2440	2068	Fiat	L 2230	-76	5·4
27	22⅛	Firestone Tire	$22⅛	...	3·5
76⅜	65⅛	Ford	$65⅜	+⅜	4·0
32	22⅞	General Dynamics	$28⅛	+⅛	...
84⅜	74⅜	General Motors	$77¼	+1⅞	4·4
33⅛	29	Goodyear	$29	...	2·7
402	317	Hawker Siddeley	354p	-10	4·2
379	254	Honda	Y 340	-5	2·6
225	155	Komatsu	Y 218	-7	3·9
15⅜	10	Lockheed	$11⅛	-⅛	...
438½	383½	Lucas	380p	-1	2·6
15⅜	11⅜	Massey Ferguson	$C 14⅞	...	...
45⅜	34¼	McDonnell Douglas	$40¼	+2¼	1·0
1568	1229	Michelin 'B'	Fr 1496	-72	1·3
500	246	Nissan Motor	Y 448	-4	1·8
36⅜	30¾	N Am Rockwell	$32	+1⅛	4·4
412	242	Peugeot	Fr 387½	−18½	2·7
1870	1540	Pirelli-Spa	L 1604	-95	2·3
231	200	Smiths Indust	180p	-9	3·5
235	186	Steyr-Daimler-Puch	⅝233	−1	4·3
650	405	Toyota Motor	Y 599	−26	1·3
42⅞	28⅛	United Aircraft	$37⅛	−1⅛	4·8
163 8	133¼	Volkswagen	DM 134½	-5½	3·4
273	226	Volvo	Kr 227	−6	1·7
73⅛	57	Westland	65p	-⅛	4·6
120	92	Wilmot-Breeden	111½p	−1½	3·1
		Office equipment, photographic			
243	180	Canon	Y 215	−3	3·5
126⅝	93¼	Eastman Kodak	$126⅝	+4⅝	1·0
427	358	Fuji Photo	Y386	−9	1·9
1750	1580	Gevaert Agfa	Fr B 1630	+35	3·7
183	150	Gestetner 'A'	157p*	−11	1·9
382	349	Nippon Optical	Y 355	−23	2·1
2065	1439	Olivetti	L 1773	−47	3·9
263	228	Ozalid	263p*	+6	2·5
147⅛	86⅜	Polaroid	$132	−1⅛	0·2
£11⅛	825	Rank 'A'	950p	+10	1·4
153	120⅛	Xerox	$153⅛	+1⅞	0·5
		Paper, publishing			
121	99	Borregaard	Kr121	+1	...
197	151	Bowater Paper	168p	...	2·9
124	110	Bunzl Pulp	104p	...	4·3
34½	27¼	Crown Zellerbach	$29¼	-⅜	4·1
179	149	DRG	161p	−9	4·4
28	23¼	MacMillan Bloedel	$C 25	+1	...
20⅝	15⅛	McGraw Hill	$18⅝	-⅛	3·3
315	207	News International	298p	+13	3·1
244	174	Pearson Longman	214p	−4	2·6
332	274	Reed Int	311p*	−3	4·0
157	78	Thomson Org	141p	−3	5·0
		Property			
135	96	Capital & Counties	110p	−6½	2·4
615	530	Hammersons 'A'	540p	+5	1·2
230	181	Land Securities	195p	+6½	2·2
147	107½	LMS	125p	−2	1·8
274	225	MEPC	237p*	−4	2·2
234	180	St Martins	185p	...	1·6
348¾	293	SG Immobiliare	L345¼	+8½	2·9
398	259	Star (Gt Britain)	311p	+1	2·9
845	665	Stock Conversion	665p	−25	0·9
220	150⅛	Trafalgar House	178p*	−1½	2·3

Prices, 1972 High	Low	Ordinary stocks	Price, June 14 1972	Change on week	Yield June 14
		Transportation			
49½	39⅜	American Airlines	$39⅛	−2⅛	...
298	229	Brit & Comm	282p	−7	3·0
16	14⅛	Canadian Pacific	$C16⅛	+⅜	...
382	315	Furness Withy	315p*	−4	4·8
23¼	18	Greyhound	$19⅛	+1⅛	5·2
2200	1580	Japan Air Lines	Y 1990	+20	2·0
131½	112·3	KLM	Fl 117½	+5·2	...
79	63·7	Lufthansa	DM 75	−1	3·3
173	136	Ocean Steam Ship	147p	+8	5·2
17⅞	13¼	Pan American	$15⅞	...	...
276	186	P & O Defd	247p	−12	4·9
740	575	Swissair (Bearer)	Fr S 716	+11	4·2
58⅜	39⅜	TWA	$50¼	−1⅛	...
54	39⅜	UAL	$42¼	−3¼	...
		Stores			
293	216	Boots	262p	+1	2·1
350	260	Brit Home	323p	+11	2·6
305	225	Burton Group	250p	+5	2·4
350	234	Debenhams	314p	−6	3·6
187	119·8	Galeries Lafayette	Fr 174	−9	...
390	341	Galerias Preccios	⅝350	−1	3·3
343	255	Grattan Ware	302p	+4	2·5
22	17⅞	Great Atlantic	$17⅞	-⅜	7·3
340	259	GUS 'A'	309p	+15	2·3
308	223	House of Fraser	298p	+2	3·0
2100	1460	Innovation	Fr B 1870	−70	4·8
123	82·3	KBB	Fl 117½	-2⅛	3·1
459	330	Karstadt	DM 451	8	2·2
342	243	Kaufhof	DM 330	-12	3·0
622	484	La Redoute	Fr 580	-1	2·3
277¼	227	La Rinascente	L 255½	-9¼	2·4
31⅜	26¼	Marcor	$26¼	-⅛	3·0
308	272	Marks & Spencer	284p	+8	2·8
500	410	Mitsukoshi	Y 487	-4	1·8
2·62	1·70	Myer Emporium	$A2·60	-0·02	...
146	107	Neckermann	DM 131	-10 3	2·3
172	114	Nouvelles Gals	Fr 164·9	-7·1	...
80⅞	67⅛	JC Penney	$78⅞	-⅜	1·3
191·8	130 7	Printemps	Fr 182·2	-9·6	...
398	281	Provid Clothing	365p	+5	2·3
242	162	Sears 'A'	213p	+10	2·9
117⅝	97⅛	Sears Roebuck	$115⅛	-1⅛	1·3
553	428½	WH Smith 'A'	515p‖	-15	1·9
87	73	Tesco Stores	79½p	+4½	2·1
177	138½	United Drapery	161p*	+6	3·5
47¼	34½	Woolworth	$34⅛	-1⅛	3·5
		Textiles			
40	30⅜	Burlington	$34⅛	+⅛	4·1
186	132	Carpets International	161p	−1	4·2
80	68	Coats Patons	72½p*	−1	4·9
164	129½	Courtaulds	156p*	+1	4·4
116⅛	80	Dollfus-Mieg	Fr 114	-2½	4·6
63⅛	48½	English Calico	56½p	−2	4·5
1813	1150	Snia Viscosa	L 1190	+38	...
31¼	23	Stevens, JP	$26	-⅜	5·8
96	71	Teijin	Y 96	+9	6·3
136	95	Toray Ind	Y 133	+2	6·4
71	43	Woolcombers	60p	...	...
		Tobacco			
348	286	Brit Amer Tobacco	324p	−2	3·9
219	172	Gallaher	194p	−8	5·4
123	94½	Imperial Tobacco	109½p	...	4·8
76⅞	58¼	RJ Reynolds	$72¼	+⅜	3·3
		Utilities			
47⅞	41⅜	AT & T	$41⅜	-⅛	6·2
900	790	Chubu	Y 900	+1	5·6
894	780	Chugoku	Y 894	+2	5·6
27½	24⅛	Cons Edison	$24⅝	+⅛	7·3
2875	2600	EBES	Fr B 2725	+5	5·7
2415	1995	Intercom	Fr B 2315	−25	5·4
894	780	Kansai Electric	Y 886	−8	5·6
191	167	RWE	DM 166 1	−1·1	4·8
900	795	Tokyo Electric	Y 899	+4	5·6
105	89	Tokyo Gas	Y 104	+1	5·8
		Investment trusts			
279	227	Alliance Trust	227p	−11	2·6
181	146½	Atlas Electric	160p	−5	2·5
180	137	BET Deferred	152p	−6	3·6
98⅛	83	British Assets	84½p	-2⅛	1·8
180	151	Cable Trust	155p	−2	2·7
192	157	Foreign & Col	166p	+1	1·8
189	153	Globe Investment	153p	−6	2·7
167	133	Industrial & Gen	140p*	+2	3·2
71	58¼	Mercantile Inv	60½p	+1⅛	3·5
263	225½	Robeco	Fl 258	−1	4·5
202·3	167	Rolinco	Fl 198½	-⅛	1·5
122	100⅛	Witan Investment	110p*	+1½	1·8
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 383·2	−6·8	3·7
1475	1009	BSN	Fr 1418	−36	2·2
203	142	Bookers	173p	+5	3·8
230	171	British Match	210p	+8	4·5
75½	62½	British Oxygen	63½p	...	4·7
132	111	British Ropes	113p	−5	4·0
77	53⅛	Cope Allman	55p	...	5·1
230	161½	Dalgety	213p	−3	3·9
244	188	De La Rue	228p	+2	5·0
30	21¼	Engelhard Minerals	$28⅛	−1⅛	1·4
44¼	28	Gulf & Western	$40	-⅜	1·5
100⅜	67¼	Halliburton	$95	-⅜	1·1
482	388	Hays Wharf	435p	−5	1·7
1062½	845	Hudson's Bay	860p	−5	2·5
64⅛	52⅜	IT & T	$56⅞	−1⅜	2·0
548	404	Inchcape	545p	−2	2·4
416	345	C Itoh	Y 403	+3	1·5
14⅜	9⅜	Ling-Temco-Vought	$12⅜	−1⅛	...
26⅛	16⅜	Litton Industries	$16⅜	-⅛	...
155½	129⅜	Minnesota Mining	$151¼	-1·⅛	1·2

Prices, 1972 High	Low	Ordinary stocks	Price, June 14 1972	Change on week	Yield June 14
266	202	Mitsubishi Shoji	Y 250	−8	2·8
305	219	Mitsui	Y 293	−2	2·4
285	240	S Pearson & Son	260p	+2	2·4
38¼	30	TRW	$32⅛	-2⅞	3·2
27	23⅜	Tenneco	$24⅛	+⅜	5·4
36⅛	30¼	Textron	$33⅜	−1⅝	2·7
151½	114	Thomas Tilling	133p	+4	2·6
245	204	Turner & Newall	211p	+1	5·2
		Oil			
614	545	Aquitaine	Fr 596	−18	3·0
610	488	BP	526p	+14	4·0
466	363	Burmah Oil	432p	+12	3·8
229⅛	203½	Cie Petroles	Fr 203½	−2	5·9
93½	77·1	Gelsenberg AG	DM 77·1	-5·1	...
30	23⅞	Gulf Oil	$24⅝	+⅜	6·1
56⅜	49⅛	Mobil Oil	$55	+1⅝	4·7
4690	3650	Petrofina	Fr B 4600	+120	2·4
30⅜	25¼	Phillips Petroleum	$27⅛	+⅛	4·7
126	111½	Royal Dutch	Fl 118·6	+0·8	6·1
359	298	Shell Transport	316p	+2	4·6
60⅜	54⅛	Standard Oil (Calif.)	$60⅛	+2⅛	4·6
70½	61	Standard Oil (Indiana)	$67⅛	+1⅛	3·4
77⅜	69⅛	Standard Oil (NJ)	$74⅛	+3⅛	5·2
87¼	78⅜	Standard Oil (Ohio)	$78⅛	-⅛	3·4
36	29¾	Texaco	$32⅛	+1	5·0
		Gold mines – finance			
406	255	Anglo-American	383p	−13	2·3
940	900	Anglo Am. Gold	940p	...	3·8
295	220	Charter Cons	260p*	−23	3·1
289	206	Cons Gold Fields	255p	−27	2·9
£12⅞	790	General Mining	£11¼	-1	3·9
£19⅜	1100	J'burg Cons	£17¼	−1¼	2·5
780	505	Rand Selection	730p*	-50	3·0
287	150	Union Corp	275p	-8	2·5
		Mines, metals			
22⅛	17⅜	Alcan	$C19¾	-⅜	...
70	37⅜	Alcoa	$52¼	+1⅜	3·4
2350	1875	Alusuisse	Fr S 2350	+120	2·6
32⅞	27⅛	Amer Met Clim	$28⅛	-⅛	5·0
21⅛	15⅜	Anaconda	$19⅜	+⅜	...
220	152	CAST	211p	−1	2·1
331	223	De Beers Defd	305p	−11	2·5
150	120	Delta Metal	127p	+2	3·9
99½	66⅛	Falconbridge	$C70⅝	+4⅛	...
35¼	29¾	Inter Nickel	$33⅜	...	3·0
378	288	Johnson Matthey	373p	−2	3·4
29⅝	21¼	Kennecott	$21⅛	+⅜	8·0
106	70	Lonrho	106p	+2	(n)
3·90	2·35	MIM Holdings	$A 3·58	+0·04	2·4
353	275	Metallgesollschaft	DM 324	−11	1·9
169 6	135	Pechiney	Fr 169·2	+0·2	7·1
75	52⅛	Penarroya	Fr 63	−3	4·8
198	79	Potgietersrust Plat	186p	+2	(n)
22⅞	17⅛	Reynolds Metals	$18	...	3·3
272	196	RTZ	256p	−10	2·3
242	175	Roan Cons	212p*	−6	(n)
730	540	Selection Trust	680p	−20	2·7
1715	1426	Union Miniere	Fr B 1565	−125	4·8
5·24	2 10	Western Mining	$A4·10	+0·02	0·5
220	182	Zamanglo	198p	−4	(n)
		Plantations, etc			
340	195	Consolidated Tea	195p	−10	...
320	267	Guthrie	305p*	+3	5·7
48⅛	40	Highlands & Low	48½p*	+4⅛	7·2
70	43	Jokai	64p	−2	3·9
164	118	Longbourne	126p	−2	(n)
38⅛	30	Plantation Hldgs	37½p	-⅛	5·3

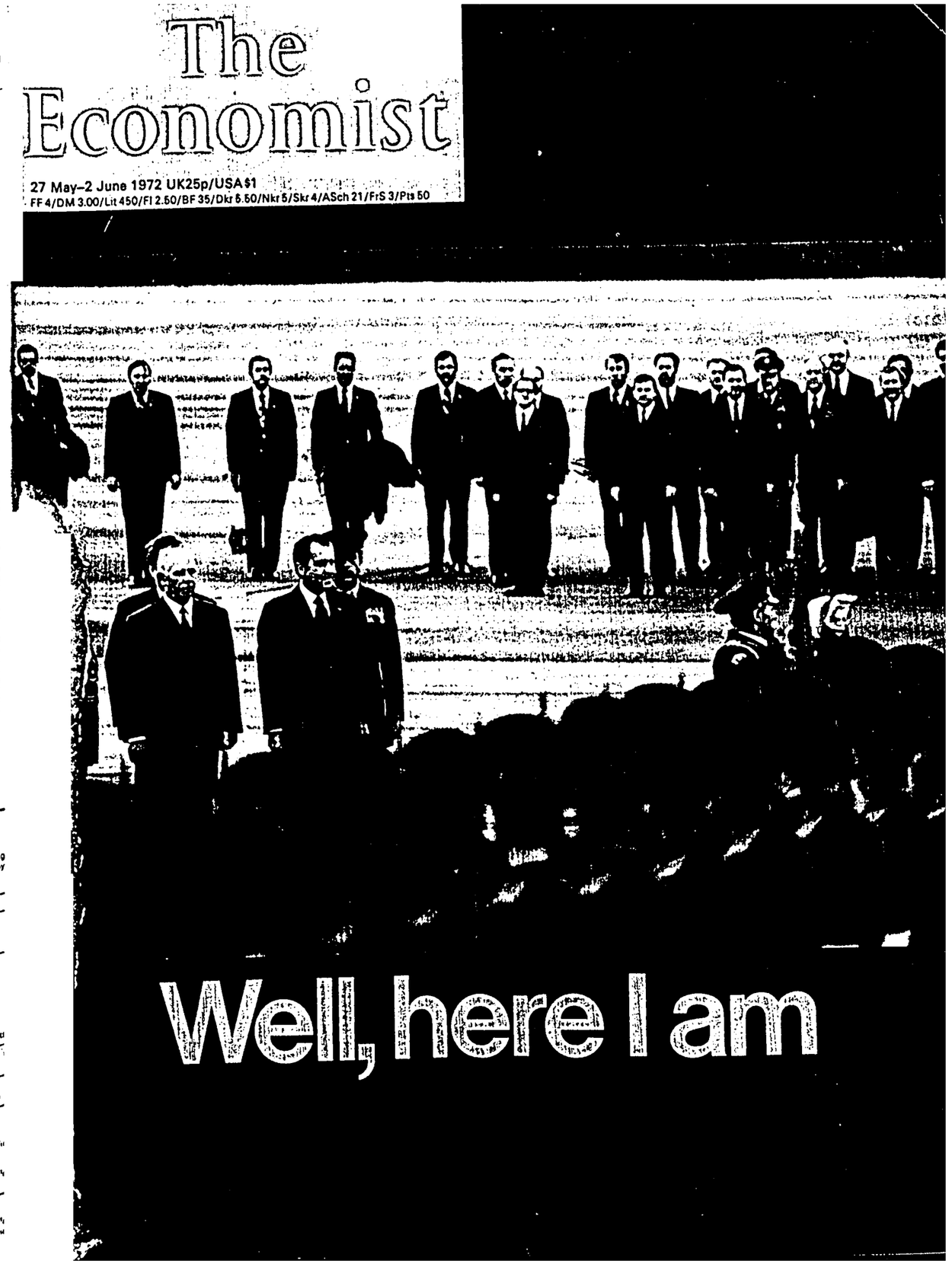
Money Market Indicators

British Treasury bill rate reached a nine-month peak following the ½ per cent rise in deposit and lending rates announced by the clearing banks.

Bank Rate 5% (from 6%, 2/9/71) **Base Rate 5%**

Deposit rates		**Eurosterling deposits** (*in Paris*)	
7 days' notice:		2 days' notice	4⅛
Clearing banks	3	3 months'	5⅛
Local authorities	4½	**New York**	
3 months' fixed:		**Treasury bills**	3·80
Local authorities	5⅛	**Certs. of deposit**	4·65
Finance houses	5¼	**Sterling:** Spot rate $2·6080	
Interbank rate		Forward discount	
7 days'	4¹¹₁₆	(*3 months'*)	0·32 cents
Treasury bills		**Forward cover** (*3 months'*):	
3 months'	4·85	Annual int. cost	0·49%
Eurodollar deposits			
7 days' notice	4¼	**Investment currency:**	
3 months'	4⅜	Investment $	26¼% prem

	In favour of			
Covered arbitrage margins (*3 months'*)	Last week %		This week %	
Treasury bills	London ⅜₈	⅝₈	London	⅜₁₆
Eurodollar/UK local authority loans	N. York	⅛	N. York	⅛
Eurodollar/Eurosterling	London	⅛	Neutral	
Uncovered arbitrage margins (*7 days'*)				
Eurodollar/UK local authority loans	London	⅜₂	London	⅜₁₆
Eurodollar/Interbank	London	⅛	London	⅛



The fall of the Pterodactyl, the rise of a Phoenix.

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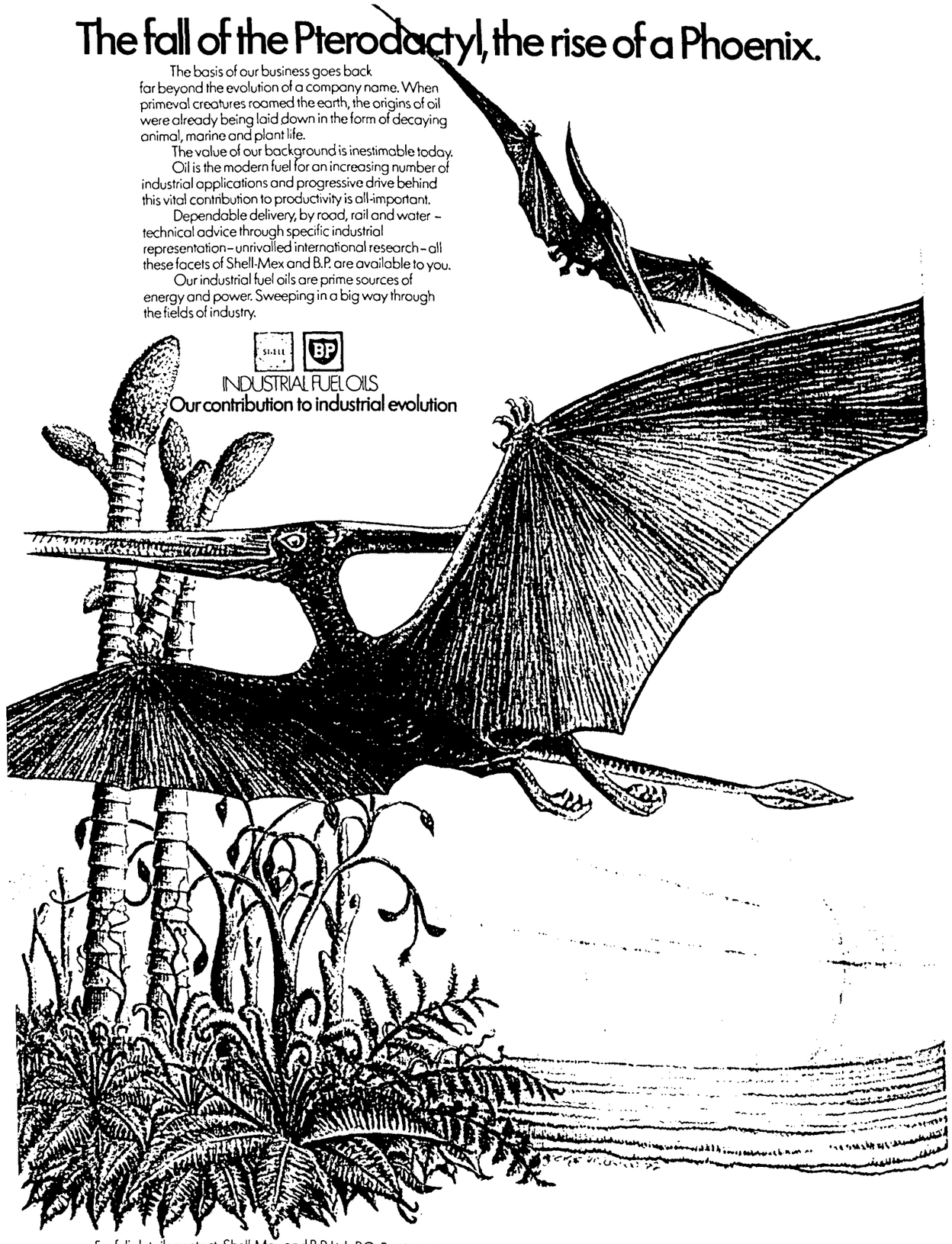
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It's still a battlefield

The agreements Mr Nixon has reached with Mr Brezhnev in Moscow show how the cold war is changing its shape. But the underlying conflict will continue as long as the Soviet Union's beliefs require it to, page 11. The Lithuanians know that Russian policy hasn't changed enough for them, pages 12 and 38. The shape of a Russian-American missile deal, page 33, and space link-up, page 34. Why the Russians want American cash, page 37.



Just keeping on

It may just be worth while for Sir Alec to keep sanctions on Rhodesia, but not because they'll do much to help Rhodesia's blacks, page 14.

Have cash, will travel

The railways are in the red and don't know how to get out of it, page 92. The Channel tunnel's coming in from the cold, page 88. And, oh yes, BOAC's ordered £115m worth of Concordes, page 115.

Inflation's worse

Even in the unlikely event that manufacturers do renew their price freeze, it won't stop inflation going on getting worse, page 91. Wage rises for steelworkers and teachers, page 111. What the Government should have told the railwaymen, page 112.



Willie's reward?

Mr Whitelaw's policy looks in better shape now, but it still needs reinforcing by more of Ulster's Catholics—and Protestants, too, page 15. The happening in the Bogside, page 25. And Mr Lynch in Dublin has taken a step forward himself, page 47.



Planet earth

Barbara Ward reports on the world environmental conference at Stockholm where some believe in eco-doom but rich and poor disagree on what to do about it, pages 66-76. They didn't agree much at Unctad either, page 18. Britain will be at Stockholm, page 30, having shattered some of the experts by already nearly reaching zero population growth, page 93.

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Letters

Computer industry

SIR—Under a recently-announced Department of Trade and Industry contract award of £2m to ICL, it was stated that the large majority of this money will go to the ICL software subsidiary Dataskil. There have been reports in the national and technical press that the independent software organisations are seriously concerned about what they call unfair subsidised competition.

If we consider the publicised Government hardware (machines) procurement policy—which is, buy ICL—the contract award apparently makes sense; indeed one alleged ICL statement reported in the national press says that most of the funds will be directed into producing "systems" (that is, combinations of machinery and programmes) rather than just software. The difficulty of separating the machines from the programmes, using crude terminology, is evidenced from the fact that the DTI will tax the future sales of machines arising from the developments, with a levy designed to recoup their investment.

Now there are two significant points which flow from these considerations. The first concerns the development of "systems." I believe that it is wrong to say "we have these machines, now develop systems around them." What British industry, commerce and government should be saying is "develop the information systems that we need and provide the most suitable equipment to process them." These are wholly different approaches. It will be, of course, that many of the systems which industry and commerce require will be satisfied by ICL equipment. In the case of government procurement it has been stated that they must. Clearly, however, industry and commerce must seek cost-effective computing first. One fast-developing situation is where computer users are "mixing" equipment from several manufacturers, and this is to be expected since no manufacturer—including IBM—can produce the incredible range of peripheral equipment now available to users. Of course, the main manufacturers do not like it. There are problems of interface and maintenance responsibility—but they are by no means insurmountable and, indeed, mixed systems are often highly cost-effective.

My second point concerns government software procurement. The ICL development contract is more than all of the software contracts placed last year by government (£1.5m) and as such has considerable impact on the software market. Although this problem of software procurement is complicated, it is not insoluble. One solution is to announce a policy officially supporting Dataskil—on examination, however, there are serious faults present in terms of applications and equipment experience and capacity with such a policy. The nature of software is such that it needs to be technically efficient, widely applicable and cost-effective. These qualities require government to establish a procurement policy which is orientated towards open tendering and the spread of development opportunities. Furthermore, an open tender policy—perhaps with some pre-qualification criteria—seems to satisfy both the "sponsorship" interest of the DTI and the "commercial" interest of the new Central Computing Authority which seeks to procure the most cost-effective computing. The experience so gained can then be put to work for the economy as a whole, irrespective of its equipment supply, so that British business and government can gain in effectiveness.—Yours faithfully, ALAN BENJAMIN

Harrow on the Hill, Middlesex

Air traffic control

SIR—I am most anxious to correct some of the inaccuracies in the article on the current air traffic control situation (May 20th).

In 1966 a contract was awarded to Marconi as one element of the Mediator system against a vague specification for a flight plan processing system with limited facilities. It took nearly three years of discussion, involving some 80 formal meetings between Marconi and various government departments, to reach a definitive specification. This has not been an uncommon experience, on both sides of the Atlantic, for systems of this complexity.

The final specification called for more facilities than the available computer storage could provide, by some 20 per cent. Marconi then offered three options to fit the system within available storage, and the customer made a conscious decision to accept restriction of the system to middle air space. Marconi also prepared proposals to add more powerful Marconi computers to provide the full service called for in the final definitive specification and, in addition, to extend the facilities substantially.

The present situation is that the middle air space system is fully proven and working to specification and has a demonstrated reliability expressed as a "down time" of less than 30 seconds in five years—a unique achievement in the world. The Marconi proposals for improvement and extension have lain on the table without action since January, 1971. It is totally untrue to suggest that either the equipment or the system has failed to work, nor has anyone suggested at any time that the computers "will have to be thrown away." The cost figures mentioned are totally unrealistic.

At the same time, no one with knowledge of the problems involved could believe for a moment the suggestion that an American, or indeed any other, company could provide and commission an operational system of this capability tailored to the United Kingdom airspace in 18 months.—Yours faithfully,

J. W. SUTHERLAND
Managing director, Marconi
Chelmsford Radar Systems, Ltd.

Power policy

SIR—You have suggested that a hard look at British power policy is overdue. It is.

We have more natural gas available than we know what to do with. The supply was restricted originally because the Gas Council made use of its (unintended!) monopoly power to insist on a low price at which it was hardly economic for the oil companies to bring it ashore, and then proceeded to pump through its leaky mains to supply domestic consumers. This is not the best use for this excellent fuel, but was dictated by the Gas Council's antipathy to the electric supply industry. This phase is now over and gas is becoming freely available to industry to burn instead of imported oil or uneconomic coal.

Natural gas, largely methane, is of limited value as a chemical starting point, but is a splendid non-polluting fuel for power generation. To burn it under conventional power station boilers is a way of using it, but not the most efficient.

In some new installations, such as the Alba complex at Bahrain, power is generated by gas turbines running on natural gas. In earlier American power plants for aluminium reduction Nordberg radial gas engines have been used; these are cheap and efficient but the unit size is small for central power stations. The advantages of using natural gas in an internal combustion cycle are striking. There is little atmospheric pollution. There is no need for the large quantities of cooling water which make an external combustion station so unsightly or which cause river pollution through deoxygenation. There is no need for the economically ludicrous business of dragging coal in trains to power stations, grinding it up, and blowing a dirty exhaust through tall stacks.

Gas turbine stations require a minimum of manpower. The fuel comes in through a pipeline, entailing no labour. The exhaust, depending on the gas, is normally free of sulphur. Turbine stations can be built quickly and, within a wide margin, their efficiency is unaffected by size.

Doubt has been expressed as to the reliability of gas turbines under continuous operation. This is misplaced. We trust our lives to highly stressed turbines on planes. A moderately stressed turbine can be made as reliable as any other power station equipment. The giant steam power stations of the generating board (surely the last gasp of the steam engine) have not proved models of reliability.

It can be said that this is a stop-gap measure and that nuclear power will soon take a larger share of the energy field. The

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sad fact is that in spite of (or perhaps because of) an enormous Government intrusion in this field, we have in the United Kingdom no nuclear power system which works well. Technical arrogance inhibits us from buying American plants which do work well and can be built reasonably quickly.—Yours faithfully,

Colchester, Essex W. H. DIMSDALE

Mail survey

SIR—May I add a point to your interesting note (May 13th) on our survey for the post office. It is not surprising that you found it "hard to see" why the method of measurement used should make any material difference: our techniques are often difficult for the layman to follow. But the difference is important and, for a better understanding of the criticism of the post office, perhaps your readers might find it worth an explanation.

The two possible methods are:

(1) Simulation: the injection into the mail of trial letters posted specially for this purpose.
(2) Monitoring: the recording and measurement of normal mail flows.

In theory, both methods are equally acceptable provided the mail concerned is a representative sample of all mail. It is this provision which causes the problem. There is a bewildering variety of types of mail, first and second class, posted at all hours of the day, at post offices and post boxes, stamped or franked to and from businesses and homes, travelling short, medium and long distances.

To simulate mail flows, it is necessary not only to devise a model sample, but also to arrange both posting and checking on arrival at a representative sample of posting places and addresses. None of the earlier and widely publicised surveys attempted to do this.

With the monitoring technique, once a representative sample of addresses has been selected, everything else falls automatically into place. By definition, the sample addresses will receive (within calculable margins) a representative sample of mail with the correct proportion of failures and successes. That is not to say that accurate simulation is impossible, only that it is much less cost-effective and, on the scale required, likely to be prohibitively expensive.—Yours faithfully,

HUMPHREY TAYLOR

London, W1 Opinion Research Centre

Shipyards

SIR—Your article on shipyards (May 13th) is very pertinent at a time when the British yards are agitating for restrictive grants to be paid to British owners who are prepared to build in the United Kingdom.

The argument goes roughly that all the millions pumped into the yards are thrown away unless further millions are injected as an inducement to persuade British owners to order. This seems a most ominous cycle to be caught up in, and it comes at a time when the very last thing the shipping industry needs is to add its already monstrous glut of new building on to the worst freight market since the war. This over-supply of ships appears likely to continue to be a serious problem for a number of years.

The policies of the French and American governments towards their maritime industries are being held out as logical for our own Government, even though in recent years these policies were denounced as protective and restrictive.

The stage seems to be about to be set for indefinite government involvement in the shipping industry, as well as in shipbuilding. The shipping industry needs to be encouraged in its independent efforts to maintain and develop its tenuous position in the bulk and other trades where it is doing its best to compete against extremely powerful and well-managed Greek and Norwegian flag fleets. In few other industries are freedom of manoeuvre and flexibility of response so important as in ship-owning. The competition is fierce and international, and any policy which blunts British owners' competitive edge by distorting their freedom is all too likely to stifle these new initiatives.—Yours faithfully, D. H. GAULT

London, EC2

Unit trusts

SIR—Public confidence in unit trusts, severely shaken in the 1969-71 Great Bear Market, appears now to be slowly returning.

One wonders, though, with what justification. For those, like myself, who hold that bad management, not the Great Bear himself, was responsible for the trusts' poor performance, there is food for thought in the recently announced results of White Drummond, parent company of the M & G unit trust group.

How is it, we are bound to ask, that this non-public company in which, alas, I am unable to invest, has been able to nearly treble its profits (£274,000 to £744,000) in the latest six-month period, in such striking contrast to the lack-lustre showing of so many of the funds themselves?

One of them, the M & G Fund of Investment Trusts, rose 14.6 per cent in the three-year period April, 1969-May, 1972. In the same period the (unmanaged) Financial Times industrial share index rose by 30.4 per cent. Many other unit trusts which I had the misfortune to hold (until recently) did no better.

May I, through the courtesy of your columns, invite a comment from Mr Palamountain, the managing director of M & G. He has argued (*The Economist*, Letters, January 29th), understandably though unconvincingly, that no fault whatever attaches to his, and other trusts', managements.

Would he not agree that M & G's much vaunted investment expertise stands in need of somewhat wider application?—Yours faithfully, KEITH CARTER

Sevenoaks, Kent

Dissent on Development

SIR—Your reviewer of my book "Dissent on Development" (May 13th) writes: "In some ways the most interesting part of this book is the balanced review by Professor Harry Johnson, which, after detailed analysis, endorses some (though not all) of Professor Bauer's own views."

There is no review by Professor Johnson in my book—how could there be? This might appear a slip of the pen were it not that there are twenty lines on what your reviewer thinks Professor Johnson has written in my book.

Other parts of the review suggest unfamiliarity with the book's contents, though not so obviously as this passage.—Yours faithfully, P. T. BAUER

London, WC2

Hijacking

SIR—I would suggest that you do not go far enough in your distinction between the kind of hijacking that is close to guerrilla warfare and the other recent spate of hijackings in which the object has been frank extortion (May 13th).

In the first place, I would maintain that guerrilla warfare represents military activity of irregular forces against the regular military forces of an occupying power, for example, and not the hijacking of a passenger aircraft full of innocent civilians in order to extort a political price, with very little danger to the hijackers unless they are foolish enough to land in Israel.

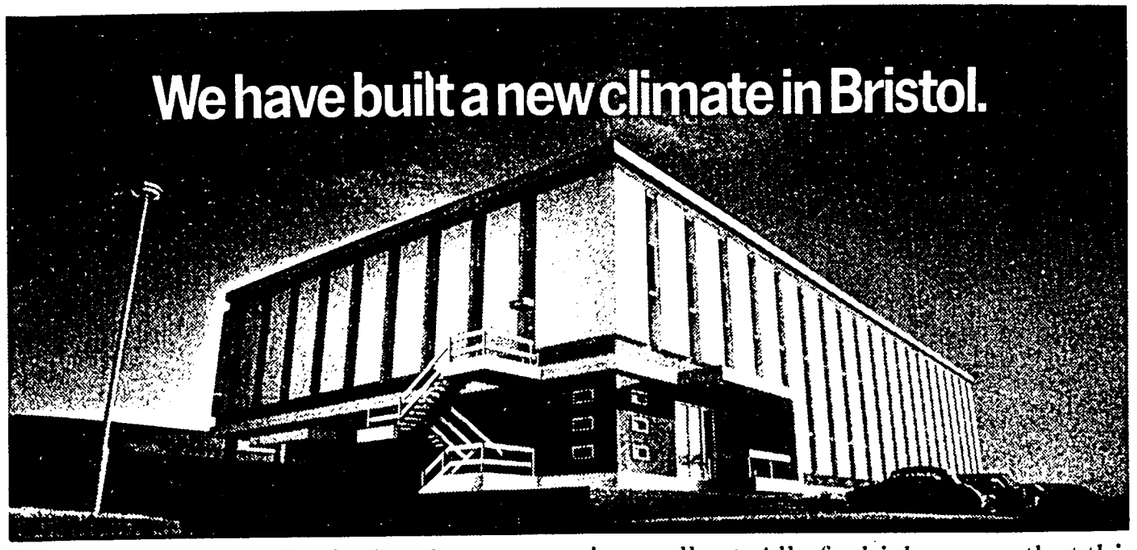
Secondly, you do not mention the political, financial and military support given to the Arab terrorist organisations by Arab governments, and the possibility of putting an end to such piratical activities by exercising pressure on such Arab governments. It is the failure of governments and international airlines to exercise any sort of pressure on Arab governments since the first hijacking of an El Al plane to Algiers in 1968, that has encouraged the terrorist organisations to continue with their crimes.—Yours faithfully, RALPH STERN

Holon, Israel

The Biharis

SIR—The general humanitarian sentiments contained in "The swept-aside people" (May 13th) are commendable except to those who were the victims of the combined bestiality of the Pakistani army and their Bihari allies. The memory of the nine-month "night of long knives" is too fresh in their minds for that to happen. How many Europeans in the countries occupied by Hitler were inclined to forgive the Germans at the end of the second world war? Surely it is not unusual that the Bengalis feel the same way?

You talk of appealing to the three



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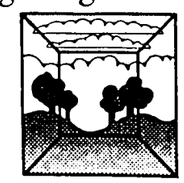
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leaders. While no one can disagree that President Bhutto owes something more than expressions of concern to the Biharis, the fact is that no one in history has had any use for collaborators once they have served their purpose.

Do you seriously believe that Sheikh Mujib can persuade his people to accept the Biharis as their brothers? This is about as realistic as expecting Israel to accept a large colony of former members of the Gestapo and the SS! And why should Mrs Gandhi add to the population of India a considerable number of aliens who are never likely to be assimilated into or be loyal to India? Besides, Mrs Gandhi did not bisect Pakistan: the sole credit for this belongs to General Yahya Khan.—Yours faithfully, F. S. NOORANI
Bombay

Law and order in Sri Lanka

SIR—Your Colombo correspondent (April 8th) does not think fit to inform your readers what the agitation against the Criminal Justice Commissions Bill (under whose procedures persons suspected of offences in connection with the April, 1971, insurrection will be tried) was really about.

Your correspondent refers to the fact that the commissions to be set up under the bill will have "extraordinary subpoena powers" (to which nobody objected), but he does not mention the fact that the ordinary rules of procedure and laws of evidence will be inoperative, that confessions will be admissible as evidence under whatever circumstances and to whomever they were made (that is, even if they were extorted by the police), and that an accomplice's confession can be used against an accused person even if the accomplice repudiates this confession in his evidence before the commission.

Your correspondent's account of the agitation against the bill ("communist-sponsored agitation . . . has also been joined by civil rights organisations and left-wing trade unions") is equally partial and distorted. The civil rights movement, which led the agitation, consists largely of politically-uncommitted professional men, intellectuals and religious leaders; and among the numerous statements condemning the bill was one issued jointly by the heads of the three Christian churches in Sri Lanka—the Roman Catholic cardinal, the Anglican bishop of Colombo and the chairman of the Methodist synod.—Yours faithfully, V. ANANDA KUMARA
Colombo, Sri Lanka

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Canada

SIR—Your Montreal correspondent is a trifle unseemly, and dangerously premature, in his rejoicing at the obscenely modest programme unveiled by the Liberal government to deal with the excessive foreign ownership of Canadian industry (May 6th). In sum, a takeover review board is to be established to determine whether proposed takeovers of Canadian industry are in the national interest, or opposed to it, and to approve or disallow them accordingly. This is the equivalent to a cancer surgeon determining whether individual cancers are beneficial or injurious to the health of his patients, and then ruling on whether to remove them or give them his blessing. There is no such thing as a foreign takeover with redeeming economic benefit.

Takeovers of all kinds should be banned, especially since capital inflows serve to push up the value of our currency, and a review board should be created to oversee the operations of foreign-owned firms, empowered to place them under trusteeship when their conduct is contrary to the provable national interest. Foreign-owned firms are under mandate from their parent firms as to which markets to enter, a fact which severely limits exports of manufactured goods, and import the vast bulk of their technology from their head offices, which has left Canada with a sizeable surplus of engineers and scientists with no prospects of productive employment in their chosen careers.

Sweden has a higher per capita income than Canada's precisely because it has shown the sound logic to bar foreign control of its industry, and Japan has achieved a gross national product $150 billion higher than Canada's, although a scant 15 years ago it was smaller than Canada's, precisely because the Japanese have been prudent enough to exclude foreign capital, and all the costs that it entails. The success of these and other nations, and the contrast with Canadian conditions, is not being lost on Canadians. The elimination of external control is the precondition of economic wellbeing, and without it all other plans come to nothing.

Your correspondent errs in his assumption that all Canadians cherish the ambition of being the Guatemala of North America, and lack the discernment to recognise that foreign ownership is a rose that is all thorns and no bloom. Canada will soon lose the distinction of being the only major western power which is an importer on balance of capital, and a debtor nation. The joke in execrable taste which the national government is trying to palm off as a foreign ownership policy has as little future as it has substance. The Canadian people are ready for rich, red meat rather than thin gruel.—Yours faithfully,
EDWARD CARRIGAN
Toronto

British hotels

SIR—If tourists are to be attracted away from the main centres (May 13th), the registration of British hotels must be accompanied by a feeling of responsibility to assist in finding accommodation.

If I arrive in a small American town late at night, the motels clearly indicate by an outside sign whether or not they have a vacancy. If full, the owner willingly calls neighbouring motels and towns in an effort to arrange accommodation. They would consider failure to assist a slur upon the hospitality of their town.

Compare this with the "It's not my job" look of blank amazement usually received from English hotel receptionists when similar assistance is requested.—Yours faithfully, P. T. MOORE
Los Angeles

South Africa

SIR—Are Chief Matanzima's demands for more land (April 22nd) the best thing for his people or is he motivated by political expediency?

A visit to the Transkei reveals bad gully erosion getting worse, overstocking, lack of machinery, lack of fencing, few farm dams, very little fodder conservation, poor crops. Would more land add to an already bad situation of soil mining? Your statement on the black Africans' land, "and this generally the poorest," is incorrect when applied to the Transkei. Its 16,500 square miles—as large as Denmark—have a kind climate. Three-quarters of the territory have more than 30 inches of rain per year, no part less than 20 inches, in an area of the world where 24 inches is the minimum required for successful dry-land cultivation. The Transkei carries about 1.3m head of cattle, 2.5m sheep and 1.25 goats. With better fodder conservation, the beasts carried could be doubled.

Modern farming is a disciplined scientific management exercise. The Transkei's need is capital for machinery, nitrogenous and other fertilisers, fencing to control erosion and enable fodder conservation, farm dams for water harvesting, sound advice on farming techniques and management, and an acceptance of the above by the Xhosa people. With your influence, can't something be got moving more quickly to help these people?—Yours faithfully, FRANK ROBINSON
Templestowe, Australia

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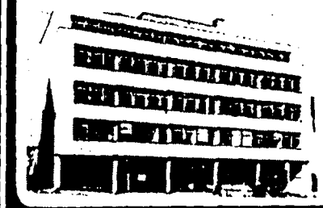
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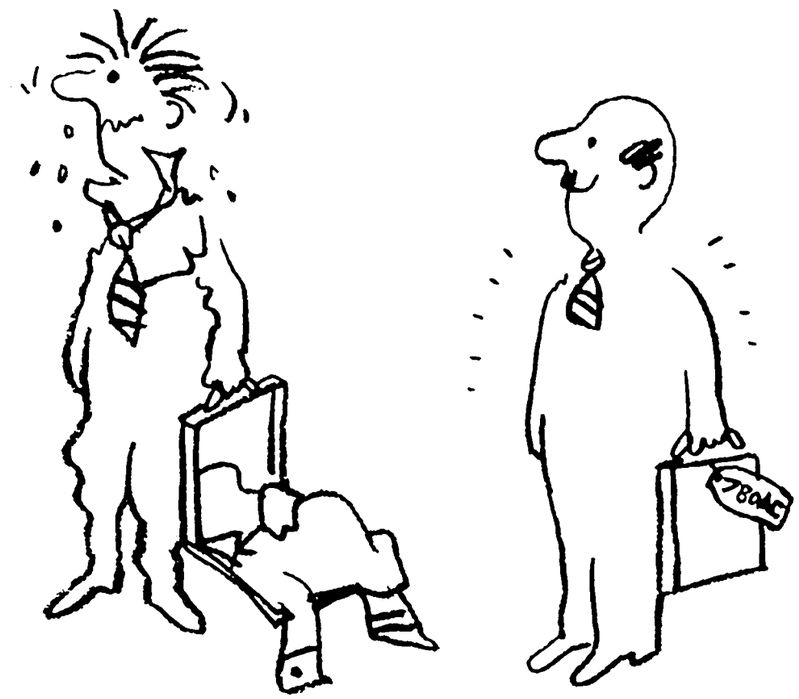
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The Economist

May 27, 1972



It's still a battlefield

There is a lesson to be learned from the fact that the first things the Americans and the Russians were able to put pen to paper about in Moscow this week were an agreement about research into pollution, and another about heart disease and cancer. They are equally opposed to the prospect of dying of a heart attack ; neither of them can make an alliance with cancer ; they are both prepared to admit that the world in which the forces of marxism and pluralism are in conflict with each other will be all the better, whoever wins, for being kept relatively free of industrial muck. They then followed this up with an agreement that will help their astronauts to rescue each other if they find themselves stuck in the emptiness of space, and they were expected to wind up with a mutually convenient deal to confirm their equality at the top of the nuclear ladder. Where their interests coincide, they can agree. This does not mean that their interests will go on coinciding for ever, or even for very far.

The Washington Post has pointed out that May 22nd, the day President Nixon arrived in Moscow this week, was exactly 25 years after the day President Truman signed the bill which provided aid to Greece and Turkey in 1947 in order to help them resist what Mr Truman called "the march of communism." To its credit, the Washington Post resisted the temptation to see this neat coincidence as the end of a cycle. There are other people who have not resisted the temptation. Mr Nixon's arrival in Moscow, like his arrival in Peking in February, has been seized upon as a reason for believing that the long confrontation between the two opposing systems of ideas is about to be wound up : for hoping that the past quarter of a century has been a curious mistake, and that that volume of history can now be closed.

It is worth remembering that people of the same hopeful temperament were saying much the same kind of thing before the summit meeting at Geneva in 1955, and before the one in Paris in 1960—the one Khrushchev walked out of after Gary Powers was shot down near Sverdlovsk —and before the meeting between Kennedy and Khrushchev in Vienna in 1961. The fallacy of the approaching last act has been endemic to a certain cast of mind in the west for two-thirds of the past 25 years. It is partly the result of a natural reluctance to go on living with the cold war, and paying taxes for armaments, and watching them being used on television, into an apparently endless future. It is partly the result of a misreading of the particular historical experience of the west in the eighteenth century, which was a period when limited disputes really were settled by limited wars and normal relations could be resumed between the contestants soon afterwards. It may even be partly because of a lingering belief that marxism might have something to offer if only it could get over the aberration of stalinism.

Whatever the causes, it is not a fallacy that is shared by the people who make policy in the communist countries. For them, with probably the single exception of President Tito, the confrontation between their system of ideas and the liberal system is something that will go on for a very long time. They do not agree that it can be ended either by the convergence of the two systems, or by a permanent division of the world between the systems. They may change their minds some day ; but until they do the only choice open to the rest of us is either to accept their view of history, or to shape our policy to meet it.

The three changes in the cold war

Of course, the confrontation changes its shape from time to time ; it has never been conducted entirely without tacitly accepted rules, and there come moments when it seems possible to make the rules a little more precise. That is why Mr Nixon is in Moscow this week. Three things have happened over the past few years which have changed the shape of the cold war, even though they have not abolished it ; two of them are probably permanent changes in the situation, and it is not yet clear whether the other is permanent or temporary.

The first is the fact that the Soviet Union has now devoted enough of its limited economic strength to nuclear

weapons to reach a position of nuclear equality with the United States. This has given the two great powers an equal interest in trying to prevent anybody else who does not have nuclear arms at the moment from getting hold of them in the future; and both of them have an interest in limiting the size of their own missile armouries, partly in order to persuade other countries to go on honouring the 1968 non-proliferation treaty (see page 33). The second is the growing realisation of the Soviet leaders that they probably cannot do anything that will make their economy work efficiently enough to catch up with the United States in the foreseeable future. They had very little success with the limited decentralisation scheme of the mid-1960s—the so-called Libermann reforms—and they are not likely to have much more with the computerised recentralisation they are trying now. Anybody inclined to take Soviet statistics at their face value should read the recent articles by Mr David Bonavia, the expelled Moscow correspondent of The Times. The probability is that in many fields of economic activity the gap between the Soviet Union and the advanced capitalist countries is getting wider, not narrower. Mr Brezhnev, unlike Khrushchev, seems to be willing to recognise this economic weakness as a fact of life. It is why he does not want to spend even more on defence, and why he would like to buy American technology and machinery on what amounts to a long-term credit arrangement (see page 37), and possibly even pay a political price for doing so.

These are the two new factors that are probably here to stay. The third, which may or may not be permanent, is the fact that the United States and Russia have both had reason lately to be distracted from the sort of relationship they had settled down into a few years ago. The Americans have got to recover from the psychological damage they have done to themselves in the Vietnam war. Mr Nixon believes that the recovery can be made, and that the United States may even be on the road back to its normal self-confidence by 1976. He may be over-optimistic, but the point is that his programme for persuading the Americans to stop picking at their scars requires at least a temporary period of calm in America's relations with both Russia and China. The Russians, for their part, have got their unsolved quarrel with China. Quite possibly they reckon that they can come to terms with the men who take over power in Peking after Chairman Mao dies. That may be over-optimistic, too; but it means that while they are waiting for Mao to die they do not want to be involved in a two-front confrontation against both the Americans and the Chinese. On both these counts, as well as the longer-term considerations, it was predictable that Mr Brezhnev and Mr Nixon would be looking for a spell of relative peace and quiet.

So long as the difference seems important

All these things have their effect on the way the two systems conduct their disagreement: they make possible an accommodation here, an alliance of convenience there, even a general suspension of hostilities when it is equally convenient to both sides. But this is a matter of means, not of the end itself. The quarrel of principle which lies at the root of the cold war will continue so long as the difference between the ideas which the two sides represent seems important enough to both of them to justify its continuation. That will not be for ever: after all, most Catholics and most Protestants no longer feel so much urgency about their particular disagreement. But it is worth saying, in the week of the first visit by an American president to the capital of the Soviet Union, that there is no evidence that the ideological war of the twentieth century is ready to follow the wars of religion into history just yet. Those who think it is might usefully read what the March issue of Kommunist, the main organ of Soviet ideology, has to say about "the imminent process of the replacement of capitalism by socialism," and the part the communist movement has to play in bringing about the completion of that process. So long as that remains the formal position of the leaders of the Soviet Union, the formal position of those who do not accept communism has to be that they will oppose it. Mr Nixon's trip to Moscow, although it will achieve several desirable things, is only one more chapter in the book.



Bad days in Kaunas

Mr Brezhnev may be looking pretty cheerful this week, but the growing unrest among his non-Russian subjects must be worrying him

All this week Mr Brezhnev has worn the look of a man with a song in his heart who might at any time break into a dance for the benefit of his American guests, if only he were not so laden with gravitas. The Soviet Union's leader has some good reasons for looking pleased. To begin with, he can count himself a luckier man than Mr Nixon, who faces an election this year and has a messy foreign war on his hands. Mr Brezhnev came to the negotiating table armed with a unanimous endorsement by his party's central committee of his foreign policy. There was, according to the record, not even a murmur of dissent at last week's meeting. True, Mr Shelest, one of the hardliners who might have made carping noises, had apparently needed to be chastened. He has been deprived of the power base that his position as party boss in the Ukraine gave him, and tucked away in one of the Soviet government's innumerable vice-premierships. And Mr Brezhnev has also accepted the

hard-as-nails Mr Ponomarev as an alternate politburo member, presumably in order to reassure the old guard. These adjustments, however, seem to have sufficed to reinforce the leader's primacy. If Mr Brezhnev had been worrying about his hold on power last month, as some people thought he was, he can probably tell himself, and Mr Nixon, that he has come through smiling.

The rest of the view is fine

Of course, looked at in broad daylight, Mr Brezhnev's policies have hardly been a series of unqualified triumphs. But the ratification of the treaties with Russia and Poland by the west German parliament may be counted as a bright feather in his cap. No Soviet leader since the end of the war, not even Stalin, had been able to get those Germans who can act independently to sign a piece of paper saying in effect that Russia's postwar conquests are here to stay. Mr Brezhnev was able to achieve this without unduly alarming the communist rulers of east Germany—unlike Khrushchev, whose reckless flirtation with Herr Erhard in 1964 was one of the things that brought about his overthrow later that year. And outside Europe, in the Middle East and Asia, Mr Brezhnev has been doing better than his colourful predecessor, who might have particularly envied his successor's ability to flex his naval muscles in the Mediterranean and the Indian Ocean. Admittedly China, under Mao Tse-tung, remains an implacable adversary, but at least it now seems possible to keep the quarrel at a fairly low temperature against the day when the Russians might make a deal with Mao's successors.

At home, too, Mr Brezhnev seems to have managed so far to avoid offending too many powerful people at the same time. He is proving a better moderator of conflicting interests than Khrushchev was. Many members of Russia's military-industrial complex probably have doubts about the present attempt to ease the lot of the Soviet consumer, even though heavy industry still gets the lion's share of all new investments. There must have been some shaking of heads in places where Soviet marshals gather when women's underwear was for the first time mentioned in a central committee resolution in October. But Mr Brezhnev has the instructive example of the Polish riots of December, 1970, as a powerful answer to these critics' objections to his concessions to the consumer, which are anyway still very modest concessions. Soviet agriculture, another of Khrushchev's botched jobs, is still not producing enough to feed the country, which is what makes an American grain deal so important to Mr Brezhnev. But at least he has done something to improve the condition of the average collective-farm worker, and he has thus staved off trouble from that direction.

There is, however, one decidedly ominous cloud on Mr Brezhnev's otherwise calm-looking horizon. It is the increasingly vocal dissent of his non-Russian subjects. Last week's riot in Kaunas (see page 38), the second largest town in the Baltic republic of Lithuania that Stalin annexed in 1940, may not have appeared very impressive by comparison with, say, the embittered violence of some of America's various protest movements. But it should not be forgotten that even the mildest expression of dissent is severely penalised in the Soviet Union, so that any outburst of real violence there reveals an acute intensity of desperation. And the Lithuanian riots were only the tip of a nationalist iceberg whose size nobody knows exactly.

The Lithuanian, Ukrainian and other non-Russian dissenters who are starting to raise their heads represent a special danger to Mr Brezhnev. They have long resented the fig-leaf of Soviet "federalism," which totally fails to conceal a tightly centralised state with a strong bias in favour of Russian interests. But they have been too frightened, and perhaps too resigned to permanent subjection, to act. Now the remarkable achievement of the Russian Jews in making their plight known, and giving their masters so much trouble that many thousands have been allowed to emigrate to Israel, has clearly had a profound impact on the non-Russian peoples of the Soviet Union. For a long time it had only been the Tartars and a few Ukrainians who were prepared to stick their necks out. Now more of the discontented nationalities are stirring.

All this has put Mr Brezhnev on the spot. He cannot concede any kind of genuine autonomy to the various non-Russian peoples, because this would introduce an element of pluralism in a political system that now rests on the monopoly of power in the hands of one group. Such a concession would, moreover, set his Russian subjects clamouring for similar political rights, with more vociferousness than the limited number of dissenters among them are already doing. Of course, there are still many Russians who would be willing to help Moscow stamp out unrest among other nationalities who might threaten the unity of the sprawling empire that was built up by the Russians over so many centuries. But the Russians now number less than a half of the Soviet Union's population, whose other components have been multiplying faster than they have. That is why Soviet propaganda daily denounces "bourgeois nationalism" as "one of the most dangerous enemies of socialism."

The dynamite could appeal to China

Moscow radio is wrong when it attacks the west for allegedly regarding this non-Russian nationalism as the "dynamite which will blow up socialism and marxist-leninist ideology from within." Many responsible people in the west would probably prefer to see peaceful evolution within an intact Soviet Union rather than face the fearful uncertainties that its disintegration into a host of mutually hostile states would unleash. But there may well be people in China (which happens to control parts of several peoples who are also represented in the Soviet national kaleidoscope) who think otherwise. No wonder Moscow is anxiously looking at what the Ukrainian nationalists and the Chinese are saying about one another. China's European mouthpiece, the Albanian press, was quick to hail the news of the trouble in Lithuania as evidence of a struggle against "Russian chauvinism." Mr Brezhnev's cheerful smile this week may conceal some very troubled thoughts about last week's message from Kaunas.



The husk of a policy

Sir Alec is left with the hope that something will turn up, someday, somehow, in Rhodesia

Lord Pearce says in his report on the acceptability of last November's Anglo-Rhodesian settlement proposals that he is satisfied that the terms were adequately understood by the great majority of those who gave him their opinions. It has been apparent for some months that the Pearce commission could only report a rejection of the proposals, and this has now been done unequivocally in a document of more than 200 pages. The settlement was unmistakably turned down by Rhodesia's blacks. They have probably made a mistake, in their own interests, in doing so. The settlement would at least have offered them the possibility of majority rule in the distant future, and meanwhile it would have made it harder for the whites to impose full South African-style apartheid on them. But the fifth of Sir Alec Douglas-Home's five principles said that any settlement should be acceptable to the people of Rhodesia as a whole. That cannot be disregarded.

The settlement agreed upon last November between Sir Alec and Mr Ian Smith cannot now be implemented. That course of action would be impossible for Sir Alec, the originator and most constant invoker of the five principles. But Sir Alec still had a number of different things he could do in the light of the collapse of his settlement. They fell into the two broad categories of publicly accepting Mr Smith's victory, or refusing to accept it.

Within the first category Sir Alec had a choice between lifting sanctions and recognising the Smith regime, renouncing British sovereignty over Rhodesia, and lifting sanctions but withholding recognition. Any of these three courses would have had the effect of giving Mr Smith within a relatively short time what he has always wanted—Britain's recognition of the continued white domination of Rhodesia. The unilateral declaration of independence in 1965 would have been justified ; and so would the six-and-a-half-year battle with a hostile world.

Within the second category fall the possibilities of maintaining sanctions, attempting to tighten them, and negotiating a new settlement. Sir Alec showed in his statement to the House of Commons on Tuesday that he has chosen to soldier on ; that sanctions, including the Beira patrol, will be maintained ; and that further negotiations are not ruled out. There was in fact nothing else that Sir Alec, being the man he is, was ever very likely to do in the circumstances. British policy towards Rhodesia since 1965, if not before, has been based on the assertion of Britain's responsibility for the future of Rhodesia's blacks. It was, as two British governments have now learned to their cost, responsibility without power. But it has motivated the actions of successive British governments. Had it been otherwise, had Britain had the interests of the whites exclusively at heart, independence would have been granted long since.

The main reason why the blacks rejected the settlement, according to Lord Pearce, was their distrust of Mr Smith's government. Even though they appreciated what they stood to gain under the settlement, they chose to reject it rather than give legitimacy to Mr Smith's regime. To the extent that this choice was consciously taken in the knowledge of its implications it showed that Rhodesia's blacks value the withholding of legitimacy from the regime more highly than the benefits they stood to gain. It is hard to argue that it is the business of anybody else to override their judgment. But an attempt will be made to do so—certainly in October at the Tory party conference, and probably also in November when the vote on the orders in council for the renewal of sanctions against Rhodesia comes before Parliament. Some of the arguments that will be heard then will carry considerable force.

The argument against sanctions

It will be pointed out that sanctions have failed to bring down the regime. As time goes by, they become more difficult to enforce because the willingness to do so increasingly evaporates. Their usefulness as a bargaining counter is valid only if there is to be another attempt at a settlement—which at the moment looks unlikely. So the only purpose served in maintaining them, it will be argued, is the punishment of Mr Smith and his white supporters. It is true that a sanctions policy whose only purpose is punishment is not worth pursuing. The only counter-argument lies in the hope that the continuation of sanctions might yet bring Mr Smith to offer something better. Sanctions have failed to bring down the regime, but they have not been without effect. They have distorted Rhodesia's development ; they have led to a grave shortage of foreign exchange ; and they have restrained the flow of white immigrants. If the removal of these penalties still seems important enough to Mr Smith, amid what is, by most standards, a continuing economic boom (see page 104), it is impossible to rule out entirely another attempt at a negotiated settlement with Britain. This week the Nixon Administration decided to throw its weight behind an attempt to persuade the Senate to reimpose the chrome embargo. Sanctions remain useful as a bargaining counter so long as more talks are not ruled out.

But the probability is that at best a future British government is going to find itself negotiating a new settlement with a white Rhodesian leader, and that on past form the next settlement will be even more unfavourable to the blacks than the last. It must also be accepted that all those governments which have been so reluctant to make their citizens comply with sanctions over the past few years are going to be even more unwilling to help now. It really is unlikely that anyone can flog life into that dying horse. The Government's decision to persist with sanctions, in spite of this, is presumably prompted by a mixture of faint hope and hard calculation. It must hope that things will somehow change in Rhodesia and that some new factor will emerge which will put pressure on Mr Smith to settle more favourably. But calculation probably plays the major part. Sanctions, at a direct cost to the Exchequer of £4m a year, are not a great expense to Britain. It is true that there is the cost to the balance of payments arising out of trade forgone. It is hard to guess what this amounts to—although British industrialists talk expansively about it. It might be about £35m a year. It is certainly less than what Britain might lose if some Commonwealth countries, and particularly the African ones, retaliated against a removal of sanctions.

Of these, Nigeria must loom largest in British calculations. Nigeria is black Africa's richest and most populous country ; Britain's investment there, particularly in the oil industry, is far greater than it is in Rhodesia. Nor are the Nigerians indifferent to what happens in Rhodesia. Their leader, General Gowon, harbours strong resentment over the Rhodesian government's part in fanning the flames of Nigeria's civil war. At the same time he is anxious that Nigeria should emerge as the unrivalled leader of black Africa, and he undoubtedly sees the Rhodesian issue as a suitable one on which to take a strong line, which might involve retaliation against British trade and investment. That is why Mr Richard Wood, the Minister for Overseas Development, went to Lagos last week.

The Government has also had to make calculations about its support in the United Nations and the House of Commons. The difficulty about the UN is that all the resolutions on mandatory sanctions over the years have been put forward by Britain ; the Government would be in an embarrassing position were it openly to disregard them. To some right-wing Tories the embarrassment would certainly seem worth incurring. Mr Heath has annoyed his right wing on a number of issues in recent months, from Ireland to lame ducks, and he cannot afford to antagonise it indefinitely. But his left wing would also take exception to a decision to drop sanctions. Come November, he will probably reflect that the right has in the last resort no other resting-place but the Tory party, whereas the left would certainly find itself in temporary coalition with the Liberal and Labour parties on Rhodesia.

The new factor

These may have been the main considerations entertained by Mr Heath and Sir Alec in deciding what to do about the Pearce report. But they should not be the only ones. There is now in Rhodesia a coherent and unified black opposition which cannot be ignored. Bishop Abel Muzorewa's African National Council is disciplined, moderate and non-violent. At the moment. But it could well become unmanageable, extreme and violent. That would be the worst possible development.

The ANC is now calling for a constitutional conference in which Mr Smith's government, the British Government and the blacks would take part. So, in a sense, was Sir Alec when he said on Tuesday that "the next stage must be discussions inside Rhodesia between the various racial groups." If this can be achieved there will be no problem in getting the British Government to join the discussions. The blacks have declared themselves in favour of a dialogue. If they are rejected by the whites they may or may not turn to violence: they have reason enough to do so, even if the history of other African guerrilla movements is unlikely to encourage them. But the overriding consideration of any government concerned with Rhodesia at this time should not be the hope that the Rhodesian problem can be solved at a stroke. It should be to encourage discussions between the races and so to minimise the likelihood of violence. The greatest danger of continuing the sanctions policy may be its tendency to foster the belief among blacks that Britain will one day deliver them from Mr Smith. It will not. But it may continue to exert just enough pressure on the white Rhodesians to make them realise that everyone stands to gain by talking to each other.



A reward for persistence?

Mr Whitelaw's policies look in better shape than they did, even if the happening in the Bogside needs reinforcing by more Catholics. And there is a job for the Protestants too

Free Derry's stirrings in disenchantment with the IRA may have come in the nick of time for Mr Willie Whitelaw ; and then, again, they may not. That people in the Bogside and Creggan have begun to say they have suffered enough, that their priest has declared they want to live in peace with their Protestant brothers, and that the division between the official and provisional wings of the IRA in Londonderry has widened, may all mean a new mood there. It may even be more lasting than the natural disgust at the IRA's murder of a Bogside boy who had gone home on leave from his British army unit in Germany. But there has been Catholic disgust at the IRA's work before, and it has only needed an army bullet to cut down a Catholic, gunman or not, for the IRA to recapture the communal loyalty. The Protestants in Northern Ireland who see no good at all in Mr Whitelaw's policy will want to hear of the early dismantling of the Derry barricades before they will believe that anything

much has changed. And that dismantling will be harder to get. It may require a political price that the Protestants will hate. And even if Mr Whitelaw were to pay it, it may not be in time to stop the Protestant armed bands from escalating their demonstrations into a new crisis.

If that escalation happens, Mr Whitelaw will be in an almost total dilemma. The Protestant majority is nervous and resentful ; so it is insisting on the army giving the IRA a beating, and argues that the right time is now, when the Catholics are getting war-weary. Despite what many of the Bogsiders are saying, the IRA is still likely to go on operating in Belfast, Londonderry and elsewhere with sufficient Catholic protection. If it does, many Protestants will be increasingly tolerant of the Ulster Defence Association's efforts to set up local no-go areas, and will be incensed whenever the army shoots any Protestant gunmen in clearing their barricades away ; they will be tolerant, too, of whatever Protestant bombers and gunmen and the Tartan gangs and the rest do to Catholics. That, naturally, is what the IRA wants to happen. It is telling the Catholics that it is worthwhile keeping up the violence because the strategy is now leading to the increasing separation of the British Government, British opinion and the British army from the Protestants. If the UDA would only take out some Catholic homes, either because it is inflamed by some IRA bomb attack that is even bloodier than usual, or because it prefers fighting Catholics to fighting the army, then the IRA will be restored once more as the only protector of the Catholic streets. It will be back, that is, to the morning after Bloody Sunday ; and the Protestants will not only have lost their Stormont, they will have lost much of their remaining British support.

The Whitelaw commission

Mr Whitelaw is doing all he can to capitalise on the Bogside happening. Just as it looked as if he was getting nowhere, he has had a reward for his persistence. Now even the announcement of his new advisory commission on Thursday, after a week's delay, looks a useful stroke. He has got a good list of Catholic worthies together, and the Protestant ones, although less impressive, are about as good as could be expected. The Unionists, of course, will have nothing to do with the commission but the Social Democratic and Labour party will be very sensible if it does (see page 26), and if it actually does that will help Mr Whitelaw too. If the SDLP ends the rent strike that it has encouraged it would be a major step in isolating the IRA and reassuring the more moderate Protestants, and it would make the Unionist prophets of doom look a trifle silly. But it is very doubtful if it would do much to reintegrate Free Derry with the rest of the province.

The people who run Free Derry would feel uncomfortably isolated if the rest of Northern Ireland seemed to be taking firm steps back to normality, but even if much of the province were prepared to give Mr Whitelaw a fair chance (and that is still a large assumption) most Catholics would make everything conditional on the ending of internment. That is what the women of the Bogside have asked for in their plan for a truce. Mr Whitelaw might be glad to release more of the interned in return for a three-month truce and the ending of the barricades, but the Protestant militants, and the Protestant politicians who encourage them, are very unlikely to accept an arrangement that put hardcore IRA men back on the streets. A deal is not impossible : but it depends on what, at any one moment, Catholic opinion would regard as a sufficient earnest of the ending of internment and what the Protestants would swallow for the prospect that the IRA could be steadily divorced from the Catholic community.

The Protestant interest

Such a test of political judgment, if it were ever a reality, would not be an easy one, although Mr Whitelaw might very readily prefer it to going on banging his head against the unyielding walls of tribal prejudice. What can stand being emphasised now is that Mr Whitelaw retains great trust at Westminster and throughout Britain as the right man to judge, as fairly as any man can, what would be the best arrangement for most of the people of Northern Ireland. There are politicians in Northern Ireland who suppose that Mr Whitelaw can be undermined. That is not so, or certainly is not so today. Indeed, Mr Whitelaw is probably better placed politically with the Conservative party in the country than he was even a week ago. There has been the happening in Derry, evanescent or not ; there has been a firmer statement of intent by Mr Lynch in Dublin than he has made before about the private armies in the republic ; and, perhaps most important of all, British television audiences have seen the men of the UDA on their screens for the first time, a sight not recommended to encourage them to go on thinking of Protestant Ulstermen as part of their own society.

The majority of Protestants in Northern Ireland will say that they have nothing to do with the UDA or the Tartans or anything like them, and that, if one day they had to go along with what the UDA is doing, they would not care what British opinion thought anyway. That may be so, or it may not. It may be that parts of the Protestant community are now so bemused by what the likes of Mr Craig have told them that they do believe they can go it alone, that it does not matter any longer what people in London think of them. But there are many others who know perfectly well that the economic future of their province, their standard of social welfare and even (although they may not say it) their best guarantee of being able to decide for themselves whether or not they will ever be part of a united Ireland depend on the continued sympathy of enough people in Britain to ensure that no future government feels able to wash its hands of them. Mr Faulkner, Northern Ireland's last prime minister, and many of his cabinet colleagues know this better than anyone. They are still the natural leaders of the Protestant majority, and they are men who, however much they may argue that they know best how to cope with Mr Craig now, lived through the past years politically and intellectually opposed to much of what Mr Craig is proposing. They may feel that they can make common cause with Mr Craig in demanding the return of the old Stormont. But even if they do not expect

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A L'HEURE DE L'EUROPE INTER G VOUS ATTEND

a British government to concede full integration, do they really expect Stormont to be returned to them ? They may scorn the British interest in what seems to be happening among the Catholics now. But is not any glimmer of common sense in Londonderry to be welcomed ? They may have little reason to love Mr Heath or Mr Whitelaw. But they are men who know the price that every day's encouragement of the Protestant militants can ultimately exact from the whole Protestant community. They are men who have been sorely tried, and who feel they have been sorely tried, but their responsibility did not end with direct rule. When other people are seen to be working for moderation they ought not to be caught despairing or malingering.



The undoing of Unctad

It should now be possible to help to spark development among about one-third of the world's very poor 2¼ billion people. But the Santiago conference muffed it

The third United Nations Conference on Trade and Development ended in Chile in the early hours of last Sunday morning : with a final thick dose of syrup poured over the diet of gall and wormwood, in a mood of resigned acceptance of meagre results. It was a disappointing conference: an example of how an assembly that could be of great good to the world is damaged by a lack of thought among rich countries before the event, a lack of commonsense by poor countries during it, a total concentration on emollient communiqué-drafting towards the end of it, and the absence of any real plan for a follow-through.

The great hope for Unctad, ever since its unexpectedly promising birth in 1964, has been that it might emerge as a forum for introducing intelligent "systems approaches" into the two great, but really rather separate, remaining world economic problems of aid and development. There has been no luck with the first, with introducing what one might call reasoned "international welfare policies." It is appalling that we still do not know how to use aid funds to relieve grinding poverty with even a fraction of the efficiency they could have. But we don't, partly because the world's aid lobby has become the home of the unscientific. Until we have prepared the ground to receive the seed, it had better be realised that although 2.3 billion of the world's 3.6 billion people are miserably poor, participants at giant world conferences are fooling their constituents if they pretend that the passage of paper resolutions can help at least 1½ billion of them.

Rules for the developable

However, there is now a corpus of knowledge on how to spark an economic take-off among perhaps 800m of them. This is where conferences like Unctad can help ; and where Unctads I and II in 1964 and 1968 did much better than all the cynics had expected, chiefly because those preparing for them had grasped the salient points. A big bottleneck is that, in the years just before its breakthrough point, while its inefficient infant industries are being built up, a developable country is likely to have a large current balance of payments deficit. If during that period a developable country is very short of foreign exchange, it will feel it has to impose all sorts of controls. These then divert internal manufacturing production to goods kept out by the controls (ie, to goods which the local country cannot really make) ; they encourage corruption and hyper-inflation and real estate speculation ; they put the country on to the vicious circle of raging stagflation instead of the virtuous circle of economic growth.

Under an unreformed world trading system a country can at present probably break through to the virtuous circle only if it has large current foreign exchange receipts from some fortunate geographical bonanza such as tourism (Mexico and Spain) or oil (Iran), or if it has a clever government which is nominally socialist but actually encourages a marvellously greedy business ethic (Singapore and Mexico again), or if it has an undemocratic right-wing government which nevertheless lasts long enough, while also strangely staying efficient enough, to give multinational companies a hope that it might provide a firm economic base (which is very difficult but now seems to have been achieved by Brazil —which last year zoomed into a real growth rate of 11 per cent, bigger than Japan's—Hongkong, Taiwan, possibly South Korea, Iran again, Spain again, maybe soon some French African countries and Mr Smith's Rhodesia if Sir Alec Douglas-Home is not careful).

The achievements of Unctads I and II in 1964 and 1968 were to put some mechanisms in place that should help this process along even in countries that do not have these geographic advantages or political warts. In particular, the idea was then accepted of some "generalised tariff preferences" on poor countries' exports of some manufactured goods to rich countries ; these were exactly the right sort of development economics to encourage. A major hope for Unctad III in the past six weeks had been that it would seize the opportunity offered by coming talks on world monetary reform to tie some concept of pump-priming for the developable to the special drawing rights at the International Monetary Fund. The IMF—which would be rather a good arbiter in this matter, unlikely to favour the merely spendthrift but also not the merely fascist —could then nurse developable countries through the deficit-ridden pre-take-off period. Thanks to SDRs, it could do so with funds that would not have to be voted



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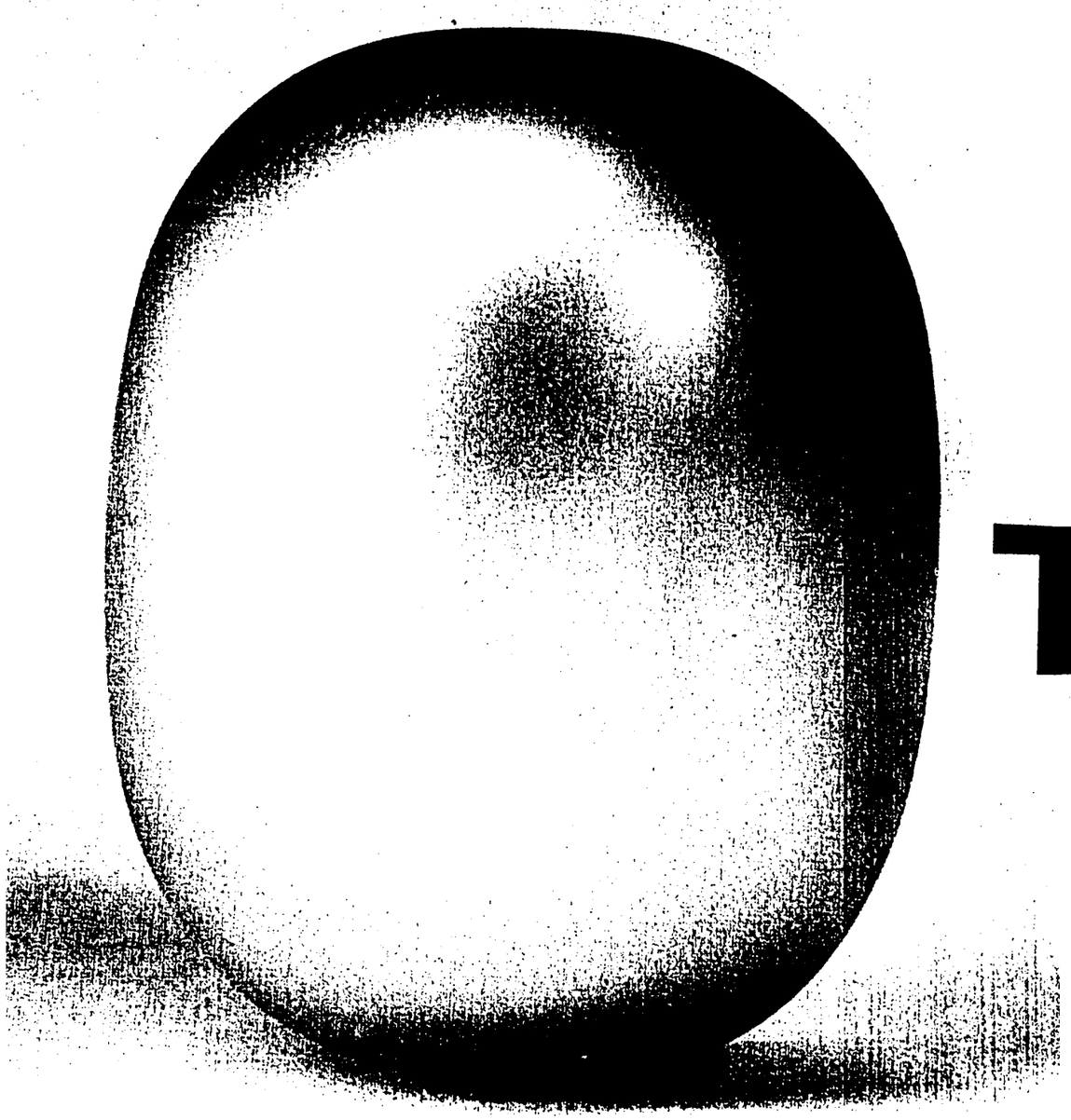
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At the moment, this is a solid block of gold.

In about a year's time, our craftsmen will have fashioned it into a Rolex Oyster Perpetual Chronometer.

Obviously, it takes quite a lot to turn a solid block of gold into a watch.

And as there's a fair chance you might eventually buy this watch, you may like to know how it was made.

Firstly, we'll take this block, and carve an indestructible Oyster case from it.

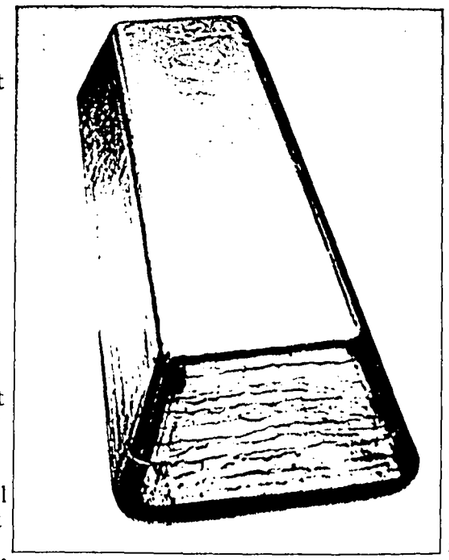
Then, into this case, we will fit a hand-tuned rotor self-winding movement which we call the Perpetual.

This Perpetual movement will be so precise that we'll pay for it to undergo tests lasting 15 days and nights at the hands of one of the Swiss Institutes for Official Chronometer Tests.

Having placed it in ovens and locked it in refrigerators, hung it in various wrist positions in iron racks, and tested its accuracy on every one of the 15 days and nights, they will award it their carefully guarded title of 'Chronometer.'

Screwed down onto the Oyster case (exactly like a submarine hatch) will be the Rolex-patented Twinlock Winding Crown.

This combination of indestructible Oyster case and Twinlock Crown will enable us to guarantee the Rolex Oyster waterproof to incredible depths.



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To demonstrate just what we mean: we clamped a special experimental Rolex Oyster to the outside of Prof. Jacques Piccard's bathyscaph 'Trieste'. It then submerged to a depth of nearly 7 miles beneath the Pacific, where the Rolex was subjected to a pressure of over 6 tons per square inch.

Both the Rolex and Prof. Piccard were working perfectly when the 'Trieste' surfaced again.

Next we'll take as much time and trouble with the matching 18ct gold bracelet.

Like most of the work that goes into the creation of our watches, the bracelet will also be fashioned almost entirely by hand.

And on the clasp of the bracelet, you'll recognise the Rolex Crown.

So will other people.

They will also recognise the distinctive Oyster case that used to be a block of gold.

Our craftsmen take a great deal of trouble to turn a block of gold into what Rolex owners call the best watch in the world.

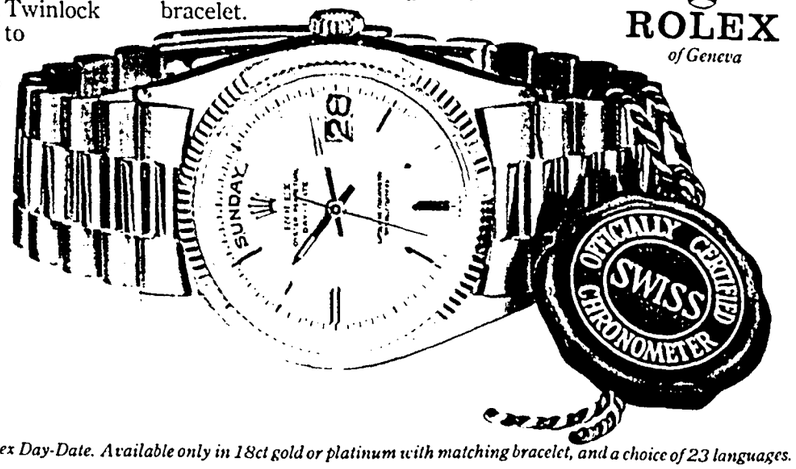
And Rolex owners include men like Lord Hunt (the conqueror of Everest), Sir Francis Chichester (who relied on his Rolex to help him navigate during his historic solo voyage around the world), and World Champion, Jackie Stewart.

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Pictured: the Rolex Day-Date. Available only in 18ct gold or platinum with matching bracelet, and a choice of 23 languages.

by rich countries' congresses, a thoroughly sensible type of international Keynesianism of the sort that *The Economist* has advocated for many years.

Other hopes for Unctad III were that it might tackle some problems about reception of multinational corporations and about fair and unfair protectionism in respect of shipping and insurance. Inevitably, Unctad's secretariat also wanted to encourage commodity schemes, which can temporarily and artificially keep up the prices of some of the raw materials and tropical foodstuffs that so many poorer countries export. There have to be doubts about these, because if the price of Ghana's cocoa is artificially inflated every country from the Congo to the Caribbean will start producing unsaleable mountains of the stuff; but Unctad might have been a forum for distinguishing sensible commodity schemes from silly ones.

Unfortunately, the first tragedy for Unctad III was that no rich countries did much constructive thinking before the event. The second was the decision to hold it in Dr Allende's Chile. It was hoped that this looked like an imaginative political gesture. But an early result was that a lot of the reasoning intellectuals in the poorer countries' economic establishments felt that they did not really want to go, while a lot of their colleagues who were excitable marxists eagerly accepted a free trip to see the failing new communist Utopia.

A mood of black comedy

The 3,000 delegates from 146 countries therefore assembled on April 13th in a plush new hall in Santiago, and soon found themselves in an atmosphere which did not accord with high-powered, efficiency-seeking, systematically-analytical discussion of development problems at all.

A lot of the simultaneous translating and microphoning did not work. Some of the Chilean and other marxist journalists said that the mining of Haiphong was so much the most important event in the world that Unctad must have a special debate on it; otherwise they would strike and stop the outward telex so that the world would not hear what was being said at Unctad (which most delegates from the rich countries thought, by this time, was an excellent idea). The Russians and their satellites walked out whenever delegates from governments like South Vietnam spoke; since one of the pleas from a South Vietnamese delegate was for immediate encouragement of tourism to his country, they missed a good sick laugh. The Group of 77 (the poor countries) and Group B (the rich countries) had drawn up opposing resolutions on practically everything, and it was supposed that one function of the conference would be to narrow the gaps between them. However, on the vital resolution on SDRs the Americans at one stage gave the impression of retreating even from the Group B resolution. This may have been quite largely the fault of the chairman on the day; but the Americans' views on world money reform bore some of the worst signs of the gutsy anti-intellectualism of the Connally era. By last week a mood of very black comedy had settled on Santiago. Some poor countries suggested that delegates should stay on for further discussions past the scheduled closing date; but the United Nations, which was footing the bill, said most certainly not.

In the last hours, as is usual at these conferences, a new bridging process began. A lot of the rich countries began to vote for compromise resolutions, while saying that they would not really accept them: eg, to vote for aid resolutions while indicating that they would not actually make the money available. The insufficiently perfidious British, who by this time were represented only by civil servants not authorised to breach previous instructions, therefore ended with the least liberal voting record of the conference, although during it they had been one of the more liberal rich voices.

Sticks and stones, but broken bones?

Oddly, there may be some grounds for hope from the final acts of general dishonesty. The ultimate resolution on SDRs does talk about considering the "possibility of a link between SDRs and aid" in the context of world monetary reform. A high priority should be to try to get some meat on to this bone, and to urge this insistently on the new American Secretary of the Treasury, Mr George Shultz. The French voted liberally throughout Unctad III, including on SDRs, usually even without adding the rider that they didn't mean it; the *inspecteurs de finance* may be back in command over the gaullists on international financial affairs. The group of poorer countries now includes a powerful, sophisticated and fast-developing country in Brazil; the influence of the sillier African countries in the group is impeded because so many of their governments are plotting coups d'etat against each other; the group of least-developed and least-known countries, to whom it is becoming fashionable to offer sizeable sums of what will be badly-used aid, may emerge as a conservative voting force.

The greatest damage to international development nowadays is done by those who infuriate the financial establishments (and egg on the deluded poor) by saying that even the maddest proposals made by the poor countries should be accepted by the rich countries just because the poor countries make them. The second greatest damage is done by the financial establishments who come to regard all proposals for international development as ipso facto irresponsible. The prayer one had uttered for Unctad III was that it would avoid exacerbating both groups of extremists, and progress with injecting reasoning power into the great crusade: especially on development by international Keynesianism, because the techniques for introducing international liquidity into the takeable-off Argentinas and Malaysias and possibly even Indonesias via SDRs should not be very hard.

Unfortunately, nobody is saying that Unctad III did this. Those who left Santiago in the middle of last week said that it plunged the whole debate disastrously into the destructive chasm between the silliest poor and the blindest rich. Those who stayed to the less bitter end last Sunday morning are saying merely, and more cheerfully, that this mis-staged farce at Santiago did not really matter.

1962 Philip Hardwick's famous Euston Arch, described as a "grand but simple portico," demolished.

1966 Union Jack flies again on tea trays, vests, mugs and bedspreads.

1967 Once proud holder of the Blue Riband, S.S. Queen Mary, taken to Long Beach, California; becomes a floating conference centre.

1968 London Bridge follows her, block by block, to the Arizona desert; now straddles the Colorado River (also specially moved for the occasion).

1969 Falsetto pop singer Tiny Tim trills his way through "There'll always be an England."

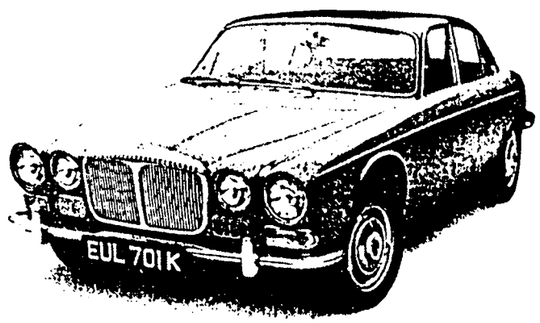
1970 "Catch My Soul," rock operatic version of Othello, is staged at Camden Town's Round House.

1972 At 00.10 a.m. on the first of May, Brighton Belle—an "anachronism"—pulls into Brighton for the last time. Her successor will be an ordinary train with a buffet car.

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If they know where they are, they don't all know where they're going

The way the two major parties have been contemplating their political navels recently has led some of the more excitable elements in both to hope or fear that there might be some substance in the talk that Mr Heath is planning an early general election after all. At the end of last week the Labour shadow cabinet and the party's national executive committee held a joint session lasting five hours to take a preliminary look at the first 40,000-word-long draft of a possible election manifesto. And on Monday Mr Heath summoned the real cabinet to Chequers for a day's think-in (complete with Lord Rothschild's think tank) on future policy. Of course, the timing of the next election must always play a part in any party's discussions on strategy; but the reason for both the Government and the Labour party to review their policies at this time is their pressing need to sort themselves out.

The Labour party has not held the monopoly in political somersaulting since the general election, but when a government amends, adapts or reverses policies it must, by the very nature of things, put other policies in their place. The Chequers gathering was, therefore, basically designed to assess where recent shifts in the Government's policies had left it in relation to the targets laid down by Mr Heath when he took office. The Labour party is conducting a very different sort of exercise. Having abandoned most of the major policies which were unpopular with the party's militants when pursued in office, the Labour leaders must now find something to put in their place. On the evidence so far, Mr Wilson and his colleagues are going to find it difficult to fill that vacuum with a policy statement which will satisfy the militants and seem reasonably credible to the rest of the country.

Inevitably, the Labour party in opposition is always going to sound far more left-wing than it acts in government. But the most depressing thing about the draft policy statement, "Priorities in Government: Labour's aims for Britain," on which the party is now working, is not that all its ideas are left-wing but that they are all old, tatty left-wing ideas. From a wealth tax to the abolition of private education, from a tight control of prices to a free and easy approach to wages, from the public ownership of banks and insurance to the creation of a state holding company to take over practically anything, they are all ideas which have been around and around when the party has been in opposition only to be abandoned when it is confronted with the realities of government.

It was hardly surprising that at last Friday's meeting Mr Wilson—notwithstanding his suggestion that the party should also consider the nationalisation of urban building land—should have led the parliamentarians' demand that the programme should be costed before it was offered to the public. And even Mr Wedgwood Benn, this year's party chairman, was moved to observe that "we must not make it look too easy"—which is about as near as he will ever get to condemning any policy popular with the party's rank and file.

The dilemma sensible Labour politicians face is that "Priorities in Government" is the sort of fundamentalist thinking which will go down well with the left-wing trade union leaders and most of the constituency delegates who will attend the annual conference. It just might, therefore, give them such a happy week at Blackpool adopting it that they will not get round to splitting the party disastrously with a demand that the next Labour government should withdraw from the common market. Thus the temptation is to embrace it as a document which will get the party safely through another difficult week, and hope that the country will be allowed to forget most of it before the next general election. If it does, the draft will have served some useful political purpose. But it will have done nothing to prepare or fit the Labour party to be the next government of this country.

Ulster

Catholic challenge to the IRA

Five women from the Bogside and Creggan went to Stormont Castle in Belfast on Wednesday night to meet Mr Willie Whitelaw, the secretary of state, for a discussion on ending the violence in the no-go areas. Earlier, encouraged by their priest, women in Free Derry had berated the IRA Officials for torturing and then murdering a young Bogsider on leave from his British army unit on the Rhine. Yet, as one IRA man said: "These people forget easily and by next week



Willie's welcome visitors

they won't be able to remember his name." He had a point. The outcry in March among Catholics in Belfast's Andersonstown district over the killing of a mother of 10 by the IRA in a gun battle with the army lasted little more than a weekend.

Nevertheless, there are signs that the responsible leaders of the Social Democratic and Labour party now want to test their strength as the elected spokesmen of Ulster's half-million Catholics. They have been discussing the possibility of issuing a kind of ultimatum to both wings of the IRA to call a halt within a fortnight to their urban terrorism. If the terrorists refused to agree to such a demand, as they most certainly would, then the SDLP would threaten to begin political talks with Mr Whitelaw's administration. This would mean that the party was no longer prepared to stick inflexibly to its demand for all internees to be either released or charged with specific offences as a precondition for co-operation with Mr Whitelaw, though they would probably still demand some preliminary assurances from him. Ever since last August, the SDLP leaders have withstood persistent attempts, particularly by Mr Jim Callaghan and the Labour party, to get them around the conference table. But now they realise that the gunmen are just not interested in seeing the release of all the internees, for that would deprive Officials and Provisionals alike of an emotional issue on which they have captured a great deal of support.

The SDLP would probably also call on all those councillors and public figures who walked out of Ulster's council chambers last August to return to their posts. This would be nothing more than a symbolic gesture, because Ulster goes to the polls in October to elect members to the new district councils. But it would provide some encouragement to other disaffected Catholics, particularly if the SDLP threw support behind the advisory commission. Some SDLP leaders are anxious, too, for an end to the ten-month-old rent and rate strike. Over 22,000 tenants are still withholding payments and arrears have now mounted to over £1½m, even though 15,000-20,000 families are having what they owe deducted from state benefits. But a call to start paying rent again is not likely to increase the SDLP's popularity.

Mr Gerry Fitt seems to have got his quarrelsome colleagues to agree for the moment on a common approach, even if Mr John Hume and Mr Austin Currie do hanker after an all-Ireland solution for the north's crisis. Certainly the SDLP leaders have met more often in conclave this week than at any time since the imposition of direct rule two months ago. It is also significant that Mr Fitt and his colleagues have talked at length with Protestant clergymen from the Shankill this week on ways of reaching some inter-communal understanding. But last weekend's confrontation between the army and the Ulster Defence Association in the temporary no-go area the UDA tried to create in Belfast's Willowfield district suggested that the Protestants are in earnest. So did Sunday's rioting in the Shankill. The SDLP may have been prompted to act too late.

All sorts of republicanism

Ulster's Roman Catholic militants are still numerous, well armed and in an uncompromising mood:

IRA Provisionals. Founded November, 1969, as breakaway group in protest against mainline IRA adoption of marxist and quasi-constitutionalist programme. Old-style Irish republican nationalists of physical force tradition; few political ideas. Aim: a Gaelic Catholic united Ireland. HQ: Dublin. Political leader, Mr Rori O'Bradaigh; army chief, Mr Sean MacStiofain. Before internment in the north last August, Provos strong throughout Belfast and Londonderry working-class Catholic districts. Command structure decimated by army in Belfast except in Andersonstown. Now, under Mr Seamus Twomey's northern command, bent on complete destruction of Ulster economy and provocation of Protestant counter-terrorism. Estimated at 150 hardcore gunmen and bombers, nearly 2,000 active backers. Some 13,000 joined in the Provo Easter march in Belfast. Minimum demands for ceasefire remain those of March 10th—abolition of Stormont (not just prorogation); withdrawal of troops from streets prior to their departure from the north; release and amnesty for all convicted as well as unconvicted political prisoners.

IRA Officials. Mainstream IRA before 1970 violence. Until internment, strong only in Lower Falls and Markets areas of Belfast. Initially anti-terrorist, but in past year aped Provo ways. Aim: a Gaelic Socialist united Ireland. Seeks rapprochement with Protestants. Threatens social revolution in south against Mr Lynch and his "gombeens" (Irish for usurers). HQ: Dublin. Political leader, Mr Tomas MacGiolla; army chief, Mr Cathal Goulding. In north, powerful in Belfast's Turf Lodge and Ballymurphy areas; stronger than Provos in Free Derry. Ceasefire demands similar to Provos'. Critical of Catholic church. Pious claim to practise violence only as "defence and retaliation in a responsible manner, aiming at all times at the agents and symbols of domination and oppression" no more than a smokescreen to cover wide-ranging terrorism.

Civil Rights Association. Now almost moribund after rapid recovery last autumn in the anti-internment campaign to 1968-69 heights. Responsible for illegal marches in Londonderry and Newry earlier this year. Denounced Government's initiative, but puny support for its marches since March 24th. Active in civil disobedience campaign. All but one of its 14-strong executive either Irish Communist party or Official IRA members.

Northern Resistance Movement. Provos' front equivalent to CRA. Founded last November. Derisory support.

Catholic Ex-Servicemen's Association. Independent of either wing of IRA. Strong only in Ardoyne and Andersonstown areas of Belfast. Claims 15,000 supporters for its mainly vigilante street patrol work. Probably not more than 2,000 activists.

In Britain, Irish republicanism is mainly organised in the **Anti-Internment League**—an umbrella organisation to cover 15 diverse groups, notably the left-wing **Clann na h'Eireann** and the **Irish Solidarity Campaign.** Not more than 3,000 activists in million-strong Irish-born Catholic community.

Family property

What's yours is mine

The ramifications of family property law show the Law Commission at its best but also at its most perplexed, because this is a field where it is reluctant to make up society's mind for it. A matrimonial property act was passed hot on the heels of the divorce reform act, but it was some thing of a stopgap measure, designed to give judges freedom to transfer property from one party to another at the end of a marriage. In October, 1971, the Law Commission published an exceedingly thorough and lucid working paper which examined possible wholesale reforms: in particular the idea of a "community of property," familiar in European law

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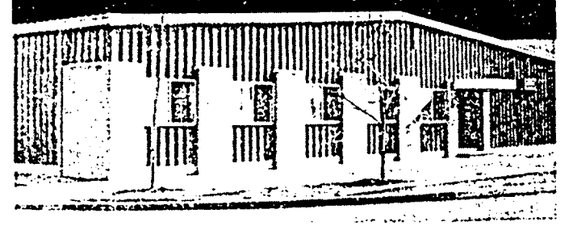




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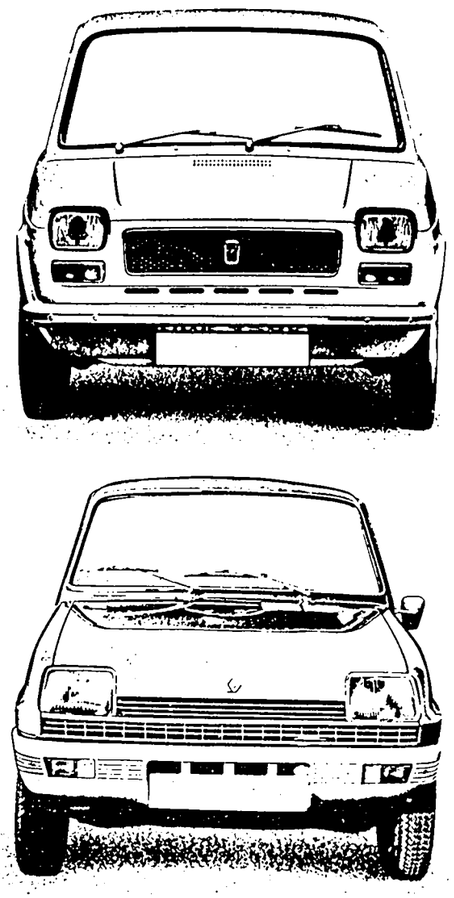
You're welcome to come and join them."



SCOTTISH BORDERS

CONTACT ME: J. ALASTAIR BILTON
Development Officer,
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Joint Planning Advisory Committee,
Selkirk County Offices,
Melrose Road, Galashiels.
Tel. Galashiels 3177 (DAY)
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Source: "The International Businessman in Europe – what he reads". International Herald Tribune, October 1969.

but alien to English law. The commission wished to test public opinion: a detailed and complicated public opinion survey carried out for it by the Government Social Survey has now been published.

This technique has its limitations. It is extremely hard to extract intelligent reactions to laws on inheritance and intestacy when only a minute fraction of the interviewees have the remotest idea what these are. (Only 24 per cent of husbands, and 10 per cent of wives, had made a will: even among the professional and managerial classes, neither husband nor wife were found to have made a will in over half of the interviews.) The survey did provide evidence of the very low level of most people's assets: the survey team urges that any reform of the laws of intestacy should be framed with this in mind. The single most important piece of property is of course the matrimonial home; and the researchers were also, perhaps more fruitfully, testing attitudes to the distribution of property at the end of a marriage.

The interviewees appeared to believe strongly that the family house belonged to them both: over 90 per cent of both husbands and wives believed that the home and its contents should legally be jointly owned. (Ironically, the percentages, among both men and women, were much lower among the divorced or separated.) Rather more concrete evidence is provided by the statistics of interviewees whose houses were in joint names. Only a small minority of those who rented their homes had joint agreements. But over half of owner-occupiers had their houses in joint names, and a breakdown of these according to the year their house was acquired showed a rapid increase in joint ownership in the 1960s.

Three-quarters of those who held their homes jointly said they did so to ensure automatic transfer on death or to avoid death duties: and many of them, whether they knew it or not, were merely doing what a judge would now do for them if their marriages broke down. But this does provide evidence to support a general trend in both case and statute law. Interestingly, attitudes to the distribution of property did not seem to depend on whether the wife had been earning or not. But there was one remarkable inconsistency: only a minority believed that, even if the wife had money of her own, she should be responsible for mortgage payments if the husband failed to keep them up.

Supplementary benefit

Sick before single

The Committee on One-Parent Families, chaired by Mr Morris Finer QC, should seize on the latest product of the social security department's researchers: a comparative survey of families on supplementary benefit, published on Thursday*. Since the field-work began at much the same time as the committee was set up—three years ago—it is a fair guess that it has been waiting on the results. They provide the most pertinent evidence yet on the special circumstances of this group, for whom there has recently been a lot of lobbying for a special social security benefit.

The results do not provide evidence of the numbers of poor one-parent families. By no means all claim supplementary benefit and such evidence is extremely scanty. The department's last estimating exercise, based on the family expenditure survey, provided some complicated guesses as to the number of children of two-parent families living below the poverty line, but the number of fatherless families in the sample was too small to be statistically respectable. Nor, since this new survey was not based on a random sample, does it provide evidence of the circumstances of those on supplementary benefit compared with the rest of the population. What the researchers did, in picking their interviewees from the supplementary benefit rolls, was to "match" one-parent and two-parent families with like numbers of children, so that the survey would yield comparisons between the different groups of claimants with children to provide for.

Its general conclusion is important: that there is no significant difference, among recipients of supplementary benefit, between the material circumstances of families with and without fathers. Indeed, a higher proportion of two-parent families involved—where the father was either unemployed or sick—had incomes which did not meet their basic needs (defined as equal to the basic benefit rate plus the actual cost of the family's housing). The wage-stop was a good deal to blame: its impact has since been much reduced by the introduction of the family income supplement. There were, surprisingly, similar proportions of one and two-parent families in local authority housing; though there was a tendency for single mothers to be put in less good housing, this possibly reflected a deliberate policy to put them in the flats with lowest rents.

*Families Receiving Supplementary Benefit. *HMSO*, £1



Circumstantial evidence for Finer

Comparisons were complicated by a wide divergence between the various groups of fatherless families. Widows and divorced women were (comparatively) better off, with a modest accumulation of possessions, than separated wives and unmarried mothers, whose circumstances were markedly similar. Widows, as one might expect, were the best off financially: this shows the effect of the disregard of part of the widowed mother's allowance. What this report shows up most clearly is the wide variation in the circumstances of one-parent families, even among the very poor. It does make plain the need for specialised help—with child-minding, obviously, and with house repairs.

But the survey provides little evidence to support the demand for a special allowance for one-parent families; one could make out a better case for an increase in supplementary benefit for families with a sick breadwinner, for whom the report provokes the greatest sympathy. While they appeared to have more material possessions (fridges, irons, televisions and so on) than other groups they were also the most in debt. And though a tiny minority had special dietary allowances, for some reason the researchers could not fathom they received markedly fewer special grants for exceptional needs than any other group. Another solution would be a sharp increase in the long-term addition, which would go to all families on supplementary benefit for over two years and therefore, on this evidence, would give most help to unmarried mothers and the families of the sick.

Mental health

When the shouting is done

The two elderly women who have spent their adult lives in hospital, allegedly because, long ago, they had each had an illegitimate baby, have been the occasion of a press furore. But one thing should be made clear. They were not committed to a mental deficiency hospital as "moral defectives." That term is defined in the Mental Deficiency Act of 1913 as persons displaying from an early age "some permanent mental defect coupled with strong vicious or criminal propensities on which punishment has had little or no deterrent effect." Is it kind to suggest that these words could have been applied to the unmarried mothers of Dewsbury ?

They were in fact admitted to a mental deficiency hospital after being ascertained as feebleminded. But feeblemindedness, or indeed any grade of mental deficiency, was not of itself grounds for taking action under the 1913 act. A mentally defective person became "subject to be dealt with" if his parent or guardian petitioned the local authority with the support of medical certificates or if, among other things, he was neglected, abandoned, cruelly treated or without visible means of support. The criteria were social rather than medical. Disowned by their families, living on the rates, expecting illegitimate babies and feebleminded, the Dewsbury women (if this is indeed their case history) could certainly be described from the standpoint of the 1920s as subject to be dealt with under the 1913 act. So too were many other women in similar circumstances.

The act was not intended to be punitive—though doubtless it could be so manipulated by the unscrupulous. Its framers, like the royal commission of 1904-08, on whose report it was based, were very conscious of the civil liberty issue, and it contained safeguards. But the reformers believed that liberty was a myth for many mental defectives, who might be pitifully neglected or subject to exploitation. They were also concerned for the future of the babies whom the promiscuous defectives produced, especially as "national efficiency" was in the air and the quality of the national stock was said by the new science of genetics to be threatened by the multiplication of defectives.

To put the matter beyond doubt the Mental Health Act of 1959 expressly excluded promiscuity or other immoral conduct as sufficient reason for a person to be dealt with under it. All but nine of the 520 patients in the hospital where the Dewsbury women lived are there informally. They themselves had been made informal patients. Such patients can leave hospital at any time—provided they have somewhere to go to. If the rather exaggerated clamour caused by these cases stirs up local authorities to provide more community homes and hostels it will have been worth while. The danger is that too much emphasis on "people who should not be in hospital," whether mentally ill, mentally handicapped or old, may make hospitals reluctant to accept them, or to discharge them too soon, before community provision is adequate. The plight of the helpless may then be as wretched as was that of many mental defectives before the 1913 act was passed.

Environment

A land fit for nymphs

The reports prepared for the Stockholm conference on the human environment by the various working parties set up by Mr Peter Walker contain the expected hotch-potch of ideas, good, bad and merely obvious. The one on the role of voluntary workers and youth, prepared by a suitably youthful team under Mr Dennis Stevenson*, gets to grips with some of the possibilities, though not the dangers, of pressure-group democracy and direct participation. It does not take a cynic to be wary of the idea that government should pay outside groups to criticise it, although there is certainly room for clarification of the charitable status issue. As usual, some of the good ideas actually in practice on things like cleaning up the environment and educating people about it look the most promising.

A nymph, by Lord Snowdon, arises from the cover of the report† by Lady Dartmouth and her team on the human habitat. And squalor, it would appear, is banished from this green and pleasant land for there is not a hint of it in 214 charmingly illustrated pages—which leave one wondering just what the fuss is all about. True,

*50 million volunteers. *HMSO*, £1
†How do you want to live? *HMSO*, £1.80



Dartmouth: how's your habitat ?

the team's members had a hopeless job in trying to assess public opinion (ie, anyone who cared to get in touch with them) on the human habitat, whatever that is. But did no one tell them what it was like to live in a slum or on the edge of a motorway ?

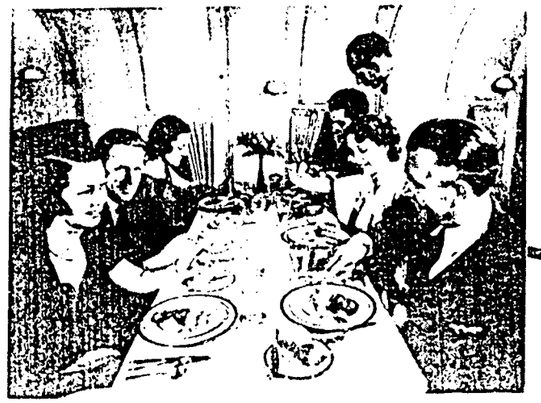
The text is full of sensible views expressed by nice people in atrocious words like pedestrianisation. The first recommendation is that "there should be a specific universal and named procedure to give local publicity to all planning proposals beyond the merely trivial." Hear, hear. *The Economist's* habitat is about to be polluted by a vast office block on the other side of St James's Park, but only MPs are being allowed to see and judge the model of it.

Parliamentary constituencies

Exit Dame Pat

There was never much hope that the choice of a Tory candidate for the safe new seat of Bexley-Sidcup would be made without some hard feelings—and so it has proved. Both Mr Heath and Dame Patricia Hornsby-Smith, whose own neighbouring constituencies have been made extremely vulnerable by the redrawing of boundaries, had loyal supporters campaigning for them. Now Dame Patricia, who would certainly have liked the seat, has had to stand aside to leave the way open for the Prime Minister. It would be a pity if she were to be missing from the next Parliament. But it is natural that Mr Heath, who has maintained a dignified but eloquent silence throughout and has turned down offers of other safe seats, should not want to move.

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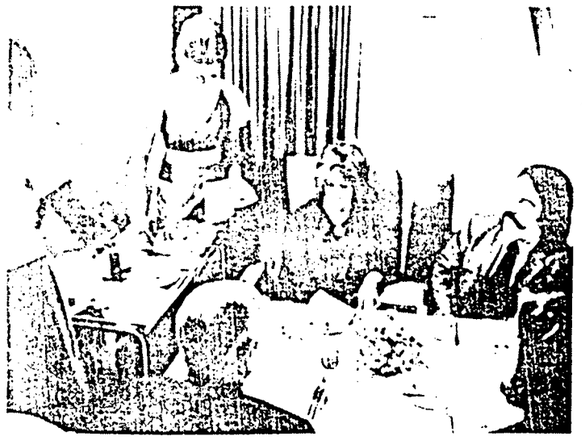
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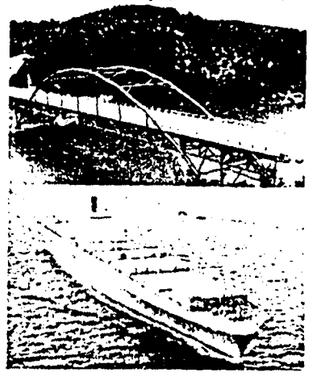
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THE WORLD

Nixon in Moscow



Brezhnev has more missiles, but Nixon's got all those extra warheads to keep him happy

From the Finland Station, a missile pact—just in time

The man who wasn't there played a dramatic part during the first days of Mr Nixon's stay in Russia ; and there were two of him. Mr Smith and Mr Semyonov, the American and Soviet negotiators in the two-power strategic arms limitation talks (Salt), were not in Moscow when the President arrived on Monday. The Salt men stayed in Helsinki and pursued their discreet business there. But word went round that, later in the week, Mr Smith and Mr Semyonov were expected to bob up in Moscow and deliver, amid trumpet blasts and flashes of coloured fire, an arms control agreement whose signing could provide a fitting climax for the encounter at the summit. Tuesday's announcement of a Russo-American plan for joint action against heart disease seemed a medically apt preliminary for the outcome of a long-drawn-out cliffhanger.

The forecasts that this week would see the conclusion of the superpowers' first agreement to curb their nuclear arms race had mostly presupposed that the Salt men would have a package neatly tied up before the Moscow talks began—or that they would by then have isolated one or two outstanding issues that could be resolved only between their chiefs. Few people had expected to see Mr Smith and Mr Semyonov still doing their thing in Helsinki after Mr Nixon had already spent many hours deep in discussion in the Kremlin.

The explanation could be that the two negotiators in the Finnish capital had both been instructed to hold out until the last possible moment on the remaining disputed points, so that their masters, facing each other in Moscow (only an hour's flying time away), could each convey the implicit warning: "You need this deal just as badly as I do." Clearly, each side does need it, if not equally ; and each knows that the other needs it, and (in Mr Peter Ustinov's kind of terms) it knows that the other knows that it needs it itself. Mr Brezhnev's motives for seeking an arms control pact may be somewhat less electoral, and somewhat more economic, than Mr Nixon's, but the calculation is clear on both sides.

The shape of a possible deal has been determined by a series of curious twists in the evolution of nuclear weaponry. Recent years have seen, first, the Americans proposing simple "freezes" and the Russians, being then far behind in nuclear capability, saying no. Then Russia inaugurated the era of anti-ballistic missiles (ABMs), and answered American protests that this meant opening a can of hideously expensive worms and imperilling the whole idea of a stable balance of deterrents by contending that ABMs were harmless defensive things that therefore needed no curbing. But, by the time the Salt talks began, Russia's great nuclear leap forward had brought it within sight of parity in offensive weaponry, with a further potential advantage in the shape of its huge SS-9 missiles, and with its lead in ABMs still retained. It switched abruptly to the contention that ABMs were the only things that needed curbing.

Last May the two sides apparently reached a compromise. Under this, Russia agreed to discuss offensive missiles as well as ABMs, while the Americans accepted the idea of an ABM curb being solemnised in treaty form and accompanied only by a less formal initial understanding about limitations on other missiles.

One recent report about the Americans' proposals for the ABM treaty said that they wanted each side to be limited to 200 launchers, of which 100 would protect the capital city and the other 100 would guard an intercontinental missile complex (Russia already has, and is apparently enlarging, an ABM system around Moscow ; the first American one, now building, is hard by a complex of Minutemen offensive missiles in North Dakota). A Soviet preference for setting the limit at a single 100-launcher ABM system may have been one of the factors delaying the conclusion of the Helsinki talks. An opaque White House statement on May 1st about "a major advance" involving "a broadening of the scope of an offensive freeze" was interpreted to mean that Russia had at

last accepted the American point that such a freeze ought to include submarine-launched missiles. But even the latest pre-Moscow reports indicated that there was still some difficulty over the initial duration of the proposed treaty, and over the question of guarantees that reconnaissance satellites should be allowed to do their job as the only means of verifying compliance with the two-power agreement.

A "freeze" on offensive missile strength, as apparently contemplated, would permit each side to complete certain developments that are already in train; thus, Russia could install intercontinental missiles (ICBMs) in the 90-odd launching silos that it has recently built. There would be no restriction on the equipping of existing missiles with multiple warheads, including the independently targetable types (Mirvs); and the Americans could, as long as they respected the agreed ceilings, replace some or all of their missile-launching submarines with the longer-range vessels provided for in their newly announced Undersea Long-range Missile System (Ulms), now renamed Trident. It would appear that the freeze would leave the two sides roughly balanced in submarine-launched missiles, of which America now has 656; Russia would be allowed to complete construction that brought its numbers up from around 500 to perhaps 700. On land, Russia might have about 1,600 ICBMs to America's 1,054. But the Americans' lead in Mirvs would mean that they retained an overall superiority in numbers of warheads (both land-based and sea-based), with a total of 5,700 to something like 2,500 for Russia.

Space was a bonus

The deal on space flights that was signed on Wednesday was the joker that the Americans had taken to Moscow with them, which could always be played if the arms control talks failed completely, or if they were only partly successful. In that event, the space agreement would allow something to be salvaged from the wreck, and if the arms talks went well the agreement would be an added bonus. Although Russian doctors are in America now, discussing joint work on space medicine, the idea of a joint Russian-American space mission is one that has been mainly pushed by the



One Russian nose to nose with one American inside a bit of an Apollo

Americans, with the Russians apparently saying yes.

It involves the Russians launching one of their big, unmanned Salyut space stations in mid-1975 and then sending up a Russian crew by separate rocket to man it in orbit. The next day the Americans would launch an Apollo rocket, dock it with Salyut, and the two crews would move in and out of each other's space craft before parting to go their separate ways. There are technical problems about the sort of air lock that would have to be set up between the two space craft, for Russian and American astronauts work in different atmospheres and at different pressures. When men travel regularly into space, there is much to be said for standardising docking attachments so that Russians could rescue Americans in trouble and vice versa, and a joint flight on these lines would certainly do this. But apart from promoting Soviet-American togetherness, it is difficult to see it doing much else.

It's the gas that matters

The other foregone conclusion of Mr Nixon's visit was that America and Russia would agree to do more of what they do least of at present: trade.

The trade drive is not the upshot of newfound affection between America and Russia. In the past two years each has started to see that there is more that they could be doing together than anyone thought. America, whose wealth was built on being a self-sufficient storehouse of minerals, has been running short of almost everything. Oil and gas, in particular, are increasingly scarce in America and increasingly expensive to get out of the ground. The Russians have huge amounts of both, but have never been as clever as the Americans at digging them out and carrying them to market. Which explains why two groups from Texas, drillers and pipeline layers, have lately visited the oilfields of Siberia and the gas fields of Tyumen in the north.

It is the sheer size of Russia's gas fields which interests the Americans. At present reckoning there are at least 34 fields which each contain more than the 3,000 billion cubic feet required to make a gas field interesting on a commercial scale, and these include half a dozen fields described as "supergiants." But the prospects are still unclear at present, and will remain so for some time. The American oil lobby has bent only slowly to America's need for imported energy, even before having to stomach this latest notion that America might now make itself dependent on Soviet Russia. It may prove hard to pipe gas from the harsh areas of Tyumen and then land it by tanker on the eastern seaboard of America for the 85 cents per thousand cubic feet that America has recently started paying for liquefied natural gas from Algeria. An investment of $3 billion at current costs would be needed just to build the queue of refrigerated tankers needed to keep a constant supply of liquefied gas coming in.

Last winter Russia ordered, out of the blue, $150m of animal feed-grains from America, and the present Russian plan is to place a 10-year contract for feed-grains with the United States. This would be a boon for the Americans, who have a perennial problem in disposing of or holding down their maize production, whereas Russia badly needs feed to help to revolutionise its livestock production for an increasingly

There's always been a quick brain under this

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In Birmingham, Ferranti have just installed one of the world's most advanced Computer Command & Control systems, for use by the police. The computer stores all information on police resources available, and it is constantly updated by incoming reports from sub-divisions and patrols. Uses include statistical analyses of crime, car response times, periods of peak and slack demand for police services–all leading to more efficient management of the police.



The Ferranti Argus 500 computer is linked to TV type displays with keyboards, at the Central Control Room and at each of twelve sub-divisional stations. When you dial 999 for the police in Birmingham, you are connected to Central Control. The officer who answers keys in name, address and complaint, using a standard format for rapid entry of the information. The computer immediately does two things. It tells the officer, on his display, what resources are available in that locality. It also alerts the sub-divisional station, via its Ferranti display.

Every Central Control officer has the facility for instant access by radio to every Birmingham police patrol—mobile or on foot—and also to emergency services like ambulance and fire brigade. Officers at either Headquarters or sub-divisional stations can thus take necessary steps to handle the emergency. As the computer is constantly updated, they can follow each other's actions on their displays. It maintains records of all emergencies and of action taken, and provides daily printed summaries.



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A QUIZ

20 questions for keeping a commuter's cool.

1 "And have they fixed the where and when?
And shall Trelawney die?
Here's twenty-thousand Cornishmen
will know the reason why!"
Who was Trelawney?

2 July 3rd – August 11th are "the dog-days". Why?

3 Roughly, what is the shortest distance between Land's End and John O'Groats: 610 miles, 870 miles or 1,040 miles?

4 Which English company is the largest exporter of natural raw materials, in terms of value?

5 How many gallons of beer in a "standard barrel": 36, 40 or 54?

6 "On the coast of Coromandel,
Where the early pumpkins blow . . ."
Where's Coromandel?

7 Which is the busiest port, per foot of quay, in Britain?

8 What does the abbreviation F.L.S. stand for?

9 Who, or what, is "Wheal Anna"?

10 When was the English Channel first crossed by air: 1784, 1874 or 1909?

11 Which is the parent rock of china clay: granite, sandstone or basalt?

12 "I pledge myself to a new deal for the American people".
"We demand that big business give the people a square deal".
Both are quotations from a Roosevelt.
Which quotation belongs to which man?

13 Why is 'bone' china so called?

14 Who is said to have invented the famous Willow Pattern legend: Josiah Wedgwood, Thomas Turner or Mao Tse Tung?

15 Which footballer won a record number of England caps, married a singer and managed Arsenal?

16 What does the abbreviation D.O.R.A. stand for?

17 Who is Head of State of the U.S.S.R.?

18 You are only allowed to hold 1000 units of the current issue of National Savings Certificates. True or false?

19 What do the Cornish and Breton languages have in common?

20 Legend has it that a foreign nation traded for tin with Cornwall long before the Romans came to Rye. Were the traders the Carthaginians; the Phoenicians; or General Motors, U.S.A?

Answers.

1: Bishop of Bristol, imprisoned by James II in 1688. 2: the Romans believed that Sirius, "the dog-star", added its heat to that of the sun. 3: 610 miles. 4: English China Clays. The world's largest single producers of china and ball clays, exporting over 75% of total production. 5: 36 gallons of beer constitute a "standard barrel" on which duty is chargeable according to specific gravity of contents. 6: the East Coast of India. 7: Par Harbour, the ECC port in Cornwall. 8: "Fellow of the Linnaean Society". 9: one of the disused tin-workings of West Cornwall. 10: 1784, by an unmanned hot air balloon. 11: granite. 12: the first was said by Franklin D. Roosevelt, on July 2nd 1932. The second was written by Theodore Roosevelt in his autobiography, 1913. 13: approximately 50% of its constituent material is calcined cattle-bone. The remainder is made up of china clay and felspar. 14: Tom Turner. Look him up. 15: Billy Wright. 16: "Defence of the Realm Act". 17: Podgorny, Chairman of the Presidium of the Supreme Soviet. 18: true. 19: both are Celtic, pre-Romance languages — like Welsh and Gaelic. 20: the Carthaginians, so legend has it. And who are we to argue?

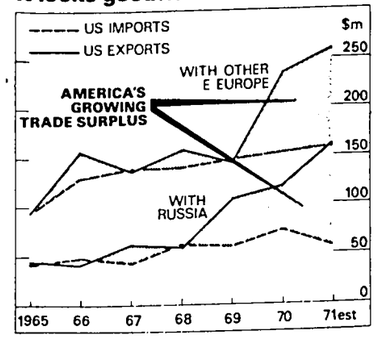
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English China Clays group

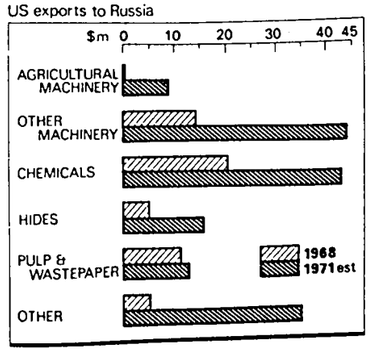
English China Clays

John Keay House, St. Austell, Cornwall. Telephone: St. Austell 4482.

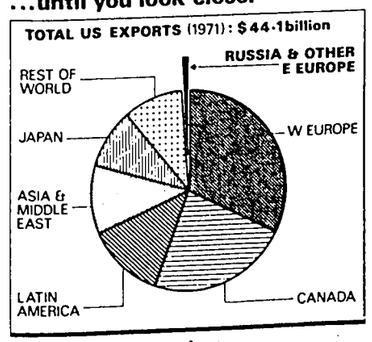
It looks good...



US exports to Russia



...until you look closer





And Russia's cows don't run on gas

meat-hungry people. If the plans for a gas deal go ahead fast enough, it is likely that Russian gas will be used to pay for American grain on the bartering system pioneered by Russia in its commerce with its east European allies and in its twin deals to buy gas itself in the south from Iran and Afghanistan.

Finding the cash to pay for it

The irony of all this is to find the two most advanced aerospace technologies in the world engaged in swapping such earthy, unprocessed commodities as gas and corn on the cob. But there are good reasons for this. Much in fact depends on the gas side of the deal, because without it the prospects of the Russians finding the foreign exchange resources to bump up their minuscule imports from America will not be good. American exports to Russia and its east European friends have been growing fast but are still tiny (see the charts); America's exports to Russia are only a fraction of both France's and Britain's.

Partly this is because Russia has little to pay with. Partly it is that past American administrations have not opened the necessary coffers of credit to Russia. Partly it is because American dockers have, until they were ticked off by President Nixon, refused to handle Russian ships. Partly it is because Russia does not enjoy equal American tariff treatment with the rest of the world (and to change this now Mr Nixon will have to get Congress to agree). Mostly it is because the Defence Department has swamped the Departments of Commerce and State in Washington whenever American computer and machinery makers have applied for licences to sell equipment to Russia.

The Defence Department has long thrown its weight about by invoking the strict letter of strategic embargoes on selling hardware to Russia. It has done this both inside America and through the Cocom committee of Nato. In 1970 it blocked Ford from taking part in the $1.5 billion Kama river truck plant project, and later the Mack truck company had difficulty with contacts for the same project. But last autumn the White House began overruling the Pentagon, since when Defence Department objections to granting licences to supply the Kama river project have been felled like ninepins. Against the Defence Department's advice the Russians were recently able to buy $5m worth of Honeywell computers. Russia needs sophisticated hardware—chemical and engineering plant, electronics and computers—the chief sellers of which, Britain, France, Italy and Japan, may henceforth find the going harder now that American and German industry will have more political doors open to the east than before.

Indeed, that much vaunted Russian and east European market may dry up surprisingly quickly among too many competing suppliers if the wherewithal is not found to pay for what the communist Europeans undoubtedly want to have. A big gas supply contract would ease matters, particularly if supplemented by similar agreements to supply the west with copper and other available Russian minerals. So also would American credit. The question is whether the United States is willing to supply the very large amount of credit that would probably be needed.

A first sign of how the credit issue will be handled may come with an agreement on settling the $10.8 billion lend-lease debt owed by Russia since the war. The Soviet Union's position is that it paid its share of the bill for defeating Hitler in Russian blood some 30 years ago, and it has so far offered only $300m in cash to call it quits. Before Mr Nixon's arrival in Moscow, the Americans had scaled their demands down to $800m. But it has not gone unnoticed that as a primary producer of gold Russia might solve many of its payment problems if America would simply agree to a mammoth increase in the dollar price of gold—a solution which would also ease the west's own international monetary problems in the short term, but which would wreck the more enlightened monetary order, largely dispensing with gold, which monetary theologians in Washington and elsewhere have spent years trying to create.

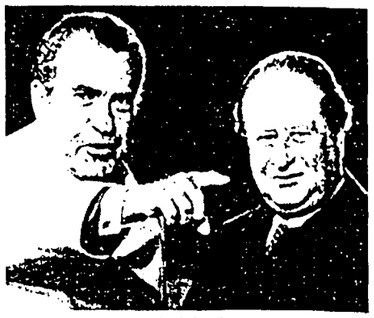
Take your seats for Stockholm

When Mr Nixon reached Moscow on Monday, only two clouds of any size still lay over his visit. One was Vietnam. The other was Russia's role in the latest attempt by east Germany to manoeuvre its way into an agency of the United Nations. Three days before Mr Nixon's arrival in Moscow, the World Health Organisation had decided once again to postpone a

decision on east Germany's application for membership. This repetition of a familiar rite would at first sight seem unlikely to cause much of a stir in Geneva, where it happened, let alone in Moscow. But, this year, more was involved than the question whether east Germany would make any headway in its hitherto fruitless attempts to win a toehold in the United Nations system.

On June 5th in Stockholm the first full-scale world conference on the environment is due to open (see page 66). All states that are members of the UN or of its agencies have been invited ; this includes west Germany, which is a member of all the agencies, although not of the UN itself. East Germany has rejected non-voting status and demanded full participation. Russia has announced that it will boycott the conference if its east German protégés are not admitted there. If the WHO had granted them membership last week they would automatically have been invited to Stockholm and there would be no more reason for a Russian boycott—apart from the naughty thought, which has not unnaturally sprung to many minds, that the Russians might be glad to have a pretext for staying away from a conference at which they were liable to face nasty questions about their own pollution.

When the Russians announced their boycott threat, China promptly said that it would take part in the Stockholm conference, regardless. This blew a hole in the Russians' hope that their absence would lead all the third-world countries to stay away from a gathering that could be depicted as lopsided. But at that stage it was widely thought that the boycott threat was primarily a lever with which the Russians expected to get east Germany launched into a UN orbit by way of the WHO. The total silence which was their reaction to last week's news from Geneva suggested that they might be hoping that even at this late stage somebody, somewhere, would get them off their hook. Mr Tage Erlander, the former Swedish prime minister who is chairman of the host committee in Stockholm, voiced the hope that east Germany would accept non-voting participation after all. It may already have been quietly urged to do so by a Soviet Union which has realised that, having itself just signed an "environment agreement" with Mr Nixon, and with the eastern treaties just ratified by the west German parliament, this would not be the best moment to put on a display of Soviet intransigence and pettiness.



Is that your son, Kreisky ?

Ah, youth

FROM OUR EAST EUROPE CORRESPONDENT

Austria, during a decade of contagious militant protest, has earned itself a curious reputation among visitors for being "dull," and Austrian youth for being "unenterprising," meaning that they haven't ruined the universities. The visit of President Nixon to Salzburg at the weekend gave the Austrian chancellor, Herr Bruno Kreisky, an admirable opportunity to show off his country's demo control and to deliver himself of a salutary little homily on modern democratic practice.

The Austrian communist party, in conjunction with sundry left-wing anti-Vietnam war groups and with help from the west German communist party and some Iranian students, had mounted a 5,000-strong protest march against the Nixon visit. For the most part it was legal, well-controlled and, apart from a flurry of banners and slogans describing Mr Nixon as a "murderer" and advocating "Vietcong to Saigon," unexceptionable. What got the Austrian security police rattled was the attempt by an illegal group of protesters, including the chancellor's son, Peter Kreisky, to dodge the police and occupy the runway at Salzburg airport less than an hour before President Nixon's arrival. The police chief pleaded with them in vain before calling in an impressive phalanx of reinforcements to settle matters.

Some Austrians, not attuned to the finer points of riot control, seemed disturbed by the despatch with which the police acted. Some Americans found it odd that Peter Kreisky should have been among the ringleaders. The chancellor briskly told one inquiring American correspondent that a 28-year-old man, whoever his father may be, has the right to hold his own political opinions and to demonstrate "within the limits of the law."

Lithuania protests

FROM A CORRESPONDENT

It is a common western view that, apart from the Soviet Jews, only small groups of intellectuals dare to show their discontent by public demonstrations in Russia. But on May 18th and 19th, just before Mr Nixon's arrival in Moscow, thousands of youths went on a rampage through the streets of Kaunas, a major city of the Soviet republic of Lithuania, and they were not all Jews and intellectuals. The rioters lit fires, fought with the police and the army and paratroopers who had been flown in to quell them and shouted such slogans as "Freedom for Lithuania." The trouble came after the funeral of a young worker, Roman Kalanta, who had set himself on fire five days before as a protest against Soviet policies in his homeland.

There have been major riots in the Soviet Union before this. In June, 1962, thousands of workers, housewives and students took to the streets in the Russian city of Novocherkassk in protest against food prices ; a week-long series of violent clashes with party officials and police followed. On that occasion the authorities decided, as they did in Kaunas last week, not to use local troops but to bring men in from other parts of the Soviet Union. And there have been other protests and strikes since then.

But the magnitude of the Kaunas riots was extraordinary. It is difficult to determine the extent to which religious as distinct from purely nationalist grievances played a part, but if the trial of the young Lithuanian sailor, Simas Kudirka, held in May, 1971, is any guide, the two are probably closely intertwined. Tried for his attempted escape from the Soviet Union, Mr Kudirka bitterly attacked the Soviet authorities for their suppression of his people's cultural and national rights, and at the same time pointedly asked permission, if he was sentenced to death, for a priest to administer the last rites, as he was "a deeply devout Catholic."

In recent months a number of Catholic priests have been brought to trial in Lithuania for no more than teaching the catechism to the children of their parishioners. Numerous protests have been made to the authorities which show that the protesters speak both as Catholics and as Lithuanians. They are really protesting against the relentless Sovietisation of a country that was forcibly absorbed by its neighbour little more than 30 years ago.

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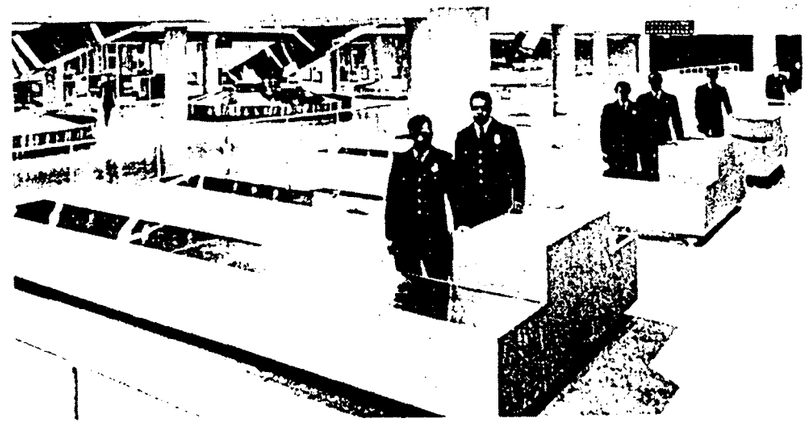
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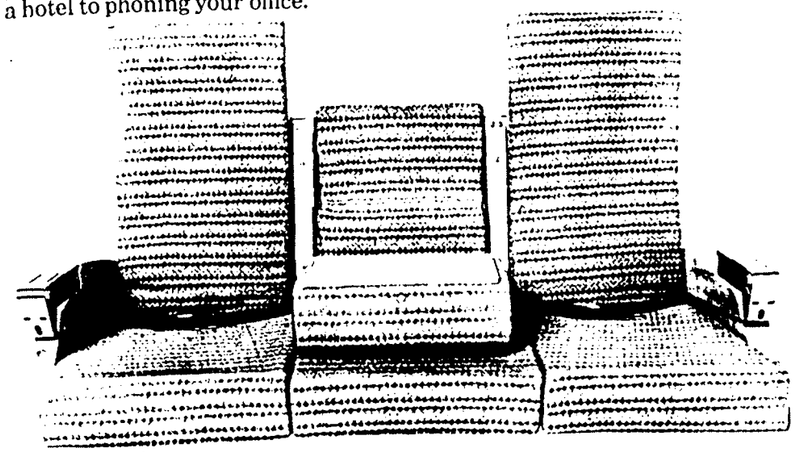




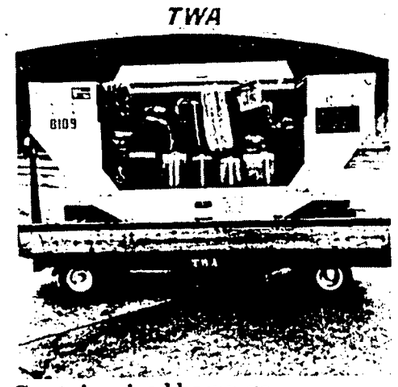
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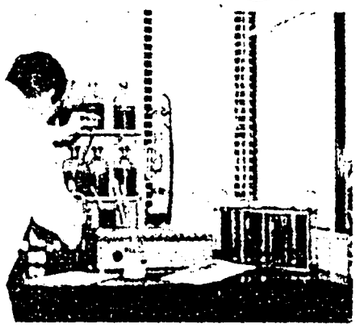
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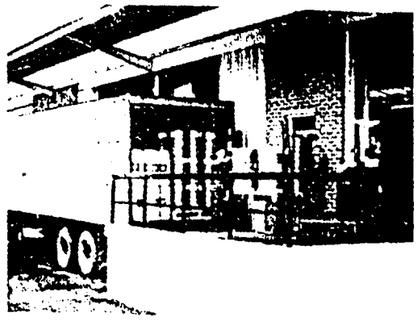
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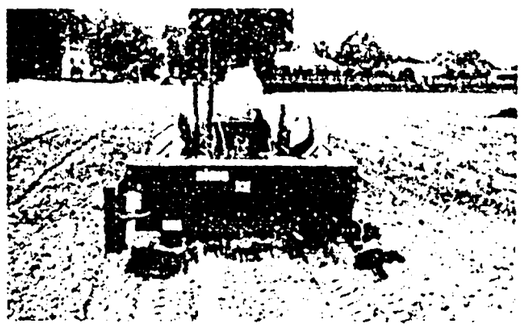
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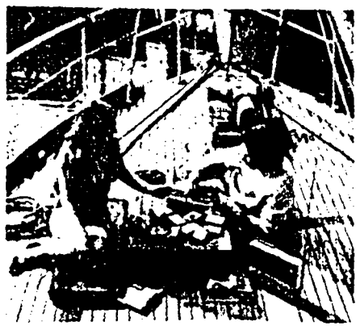


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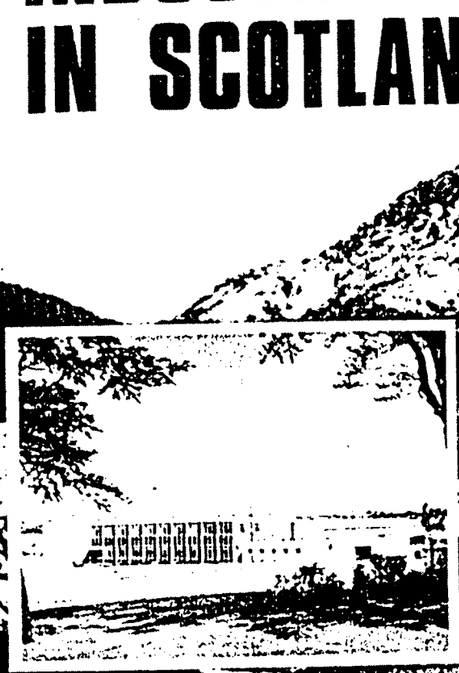
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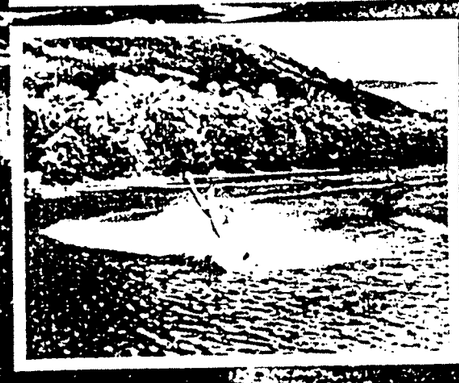
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SUMMARY OF RESULTS—1971

	1971 £'000	1970 £'000
Turnover	82,856	71,336
Profit before taxation and special items	7,235	6,694
Profit after taxation but before special items	6,778	6,449
Special items	5,561	—
Group Profit after taxation attributable to stockholders	12,339	6,449
Profit per 25p unit of stock, excluding special items	9.99p	9.50p
Dividends per 25p unit of stock	7.5p	7p

Notes:
(1) Special items relate to net surplus arising on containersation of the Far East Trade, including sale of Holt's Wharf, Hong Kong.
(2) The comparative figures for 1970 have been adjusted to include the Group's share of profits and losses of associated companies, which are included for the first time in the Group's 1971 results.

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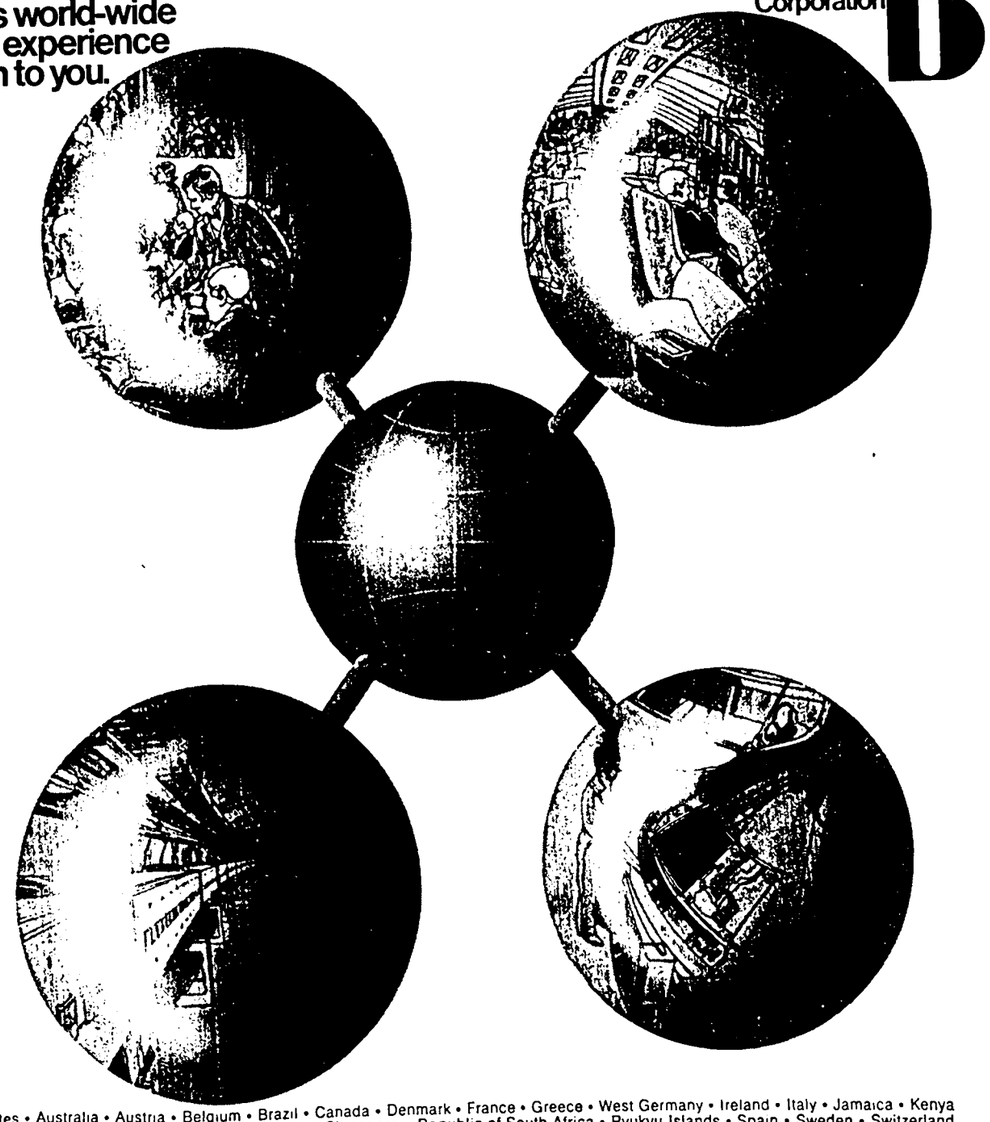
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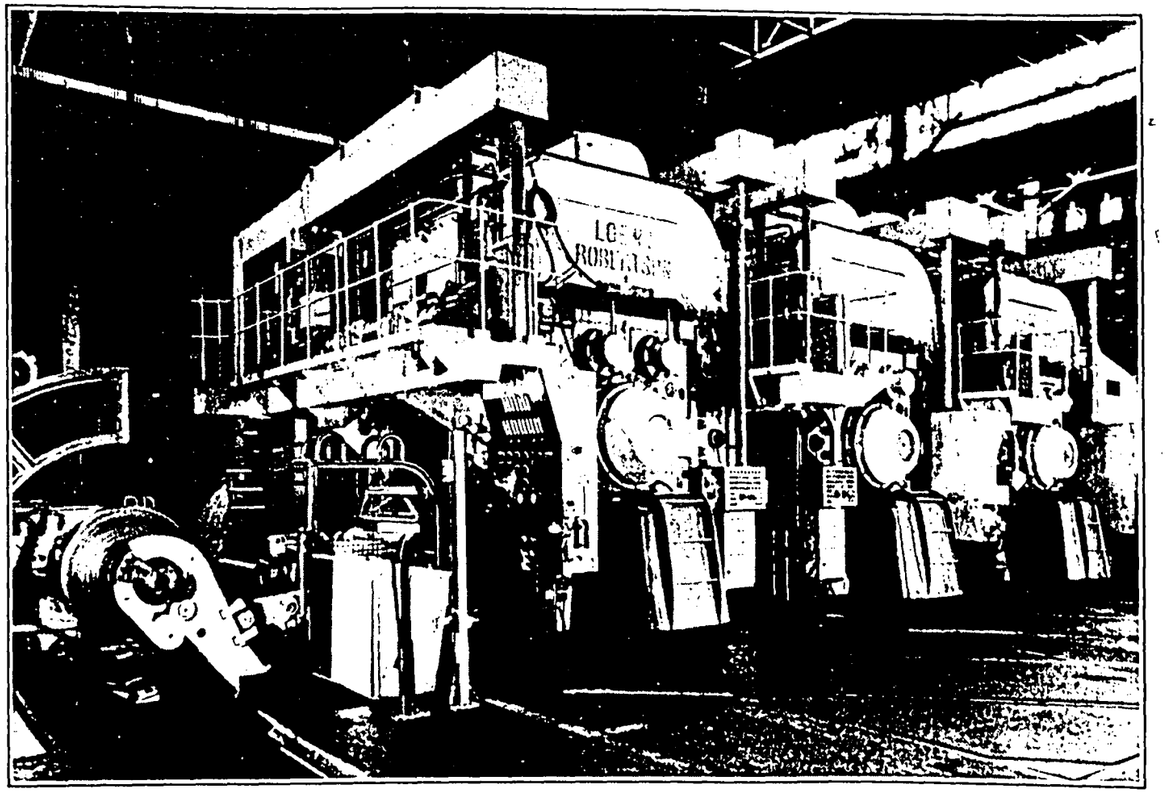


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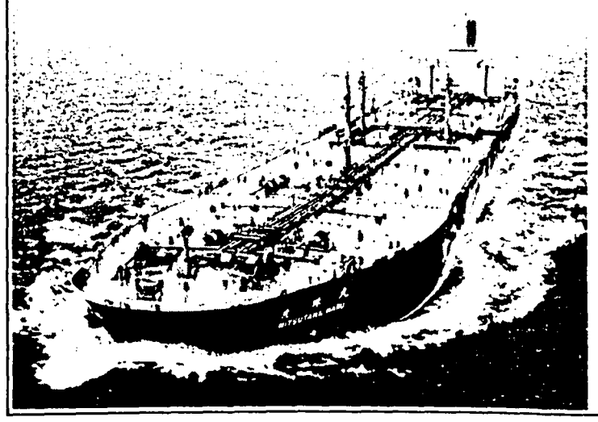
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THE WORLD *International Report*

How Jack actually moved a foot forward and didn't fall

FROM OUR DUBLIN CORRESPONDENT

Mr Jack Lynch's fabian tactics have once again worked well for him. With the public mood in the Irish republic now swinging heavily against the continued violence in Northern Ireland, the prime minister has taken the first of what may be a series of anti-IRA measures. This is an emergency law, rushed through parliament on Wednesday, to legalise the transfer from civil to military custody of convicted persons or prisoners on remand. He has again stressed that he has no intention of setting up military courts. But his justice minister, Mr O'Malley, has now said that the government is actively considering the introduction of special courts. These would be presided over by three judges without a jury ; they would have no military officers.

The new law was made necessary by the riot last week in Dublin's Mountjoy prison. Forty republican prisoners seized cell keys and, after freeing the other prisoners, went on a rampage through the prison, pretty nearly wrecking it. Because of the extensive damage, some 180 prisoners had to be sent to other centres, including the Curragh military detention centre. It was here, although in a different section, that internees were held in the 1940s and 1950s. Inevitably, some critics saw the new law as a form of backdoor internment. Even some of its supporters suspected the government's intentions and viewed it as a severer form of repression than the circumstances demanded.

A number of opposition deputies, both Fine Gael and Labour, objected to the rush to get the law through, the absence of a time limit for its operation, and the designation of the Curragh detention centre as a prison. But some observers saw the new move as the government's attempt to stave off a possible coalition between Fine Gael and Labour. The Labour party was strongly divided on the bill and was obliged to adopt the face-saving expedient of a free vote.

The new law is hardly the long-awaited tough action against the IRA. But it will test public reactions to possible tougher moves in the future. It has already checked the opposition's criticism of the government's apparent inaction against the IRA. In his speech on Monday, Mr Lynch borrowed heavily from what Mr Cosgrave, the Fine Gael leader, had been saying over the weekend. There was the same condemnation of agitators fighting for a philosophy alien to the Irish people, and masquerading under what Mr Cosgrave called "the spurious mantle of adopted patriotism."

But mantles are hard to come by. "Unity is the most divisive word in Irish politics today," said one political commentator after last weekend's annual congress of Fine Gael, the main opposition party. The banner over the Cork city hall platform, which read "Fine Gael: a united party for a united country," bore out his point. Although the congress revealed a new and hopeful spirit in the 4,000 delegates, who scented for the first time in years the possibility of power, it also brought into the open the leadership crisis which has long been festering in the party.

In an unscripted outburst at the end of his presidential address, the party's leader, Mr Liam Cosgrave, attacked a recent public opinion poll which rated him as a less effective leader than other potential candidates. Those who commissioned the poll, he said, could "give back the 30 pieces of silver." He and others who had worked selflessly for years had made it possible for others to come into Fine Gael "and squeak and bleat about something they themselves could not achieve." Such vehemence and venom from Mr Cosgrave, who is normally a mild-mannered speaker, received rapturous applause from the floor. But on the platform faces were glum.



Don't you like it at Mountjoy ?

Mr Cosgrave's announcement to his rivals that he will not give up without a fight may seriously reduce the likelihood of his party putting up a true challenge to Mr Lynch's Fianna Fáil party, which has been in office for 34 of the past 40 years, the last 14 of them in a row. Given the conservative nature of Irish politics and the proportional representation system which makes violent swings almost impossible, two conditions would seem essential for a change of government.

The first is a commitment by Fine Gael and Labour that they will form a coalition government on an agreed policy. Although they fought on opposite sides in this month's EEC referendum campaign, there are large areas of agreement between the two parties, especially on social policies. Previous Labour-Fine Gael coalitions in 1948-51 and 1954-57 worked well enough. And today the differences between the two parties have decreased ; Fine Gael has moved to the left and the Labour party is beginning to recognise that doctrin-

aire socialism is not for the Irish.

The second requirement is an acceptable and effective leader. Mr Cosgrave is solid and responsible but, as his speech made abundantly clear, he is unsympathetic to Labour and suspicious of any association with it. His line is that Fine Gael will put up enough candidates in a general election to be returned as a government. Any other approach, Mr Cosgrave says, is chicken-hearted defeatism.

Some of the most senior members of the party, including Mr O'Higgins, the deputy leader, and Mr Garret FitzGerald, the shadow minister for finance, are pressing for an early pact with Labour. So are the young Turks who have recently been appointed to the party's front bench. But most of the old guard is antagonistic to the idea of a pre-election deal, and, indeed, unhappy at the thought of any association with a socialist party. Mr Cosgrave might yet, with difficulty, be persuaded to change his mind and accept the coalition. If he does not, the challenge to his leadership will probably be pushed to a showdown.

But the challengers have no obvious rival to put forward. Mr O'Higgins, who lost narrowly to Mr De Valera in the 1966 presidential election and is the obvious Fine Gael choice for a contest next year, is the only likely candidate. But although he would certainly accept the position if he were drafted, he is unlikely to push for it. Mr Garret FitzGerald is admired for his intelligence and drive, but is considered by some to be lacking in consistent good judgment. Mr Declan Costello, the left-wing architect of the party's social welfare policies, resigned from the parliamentary party and will have to wait for the next general election to make a comeback.

France

He can still fall

"If he judges it useful." Thus the French cabinet hedged its approval of M. Chaban-Delmas's move to seek a vote of confidence in the national assembly. He did, and it was. On Wednesday the prime minister, by 368 votes to 96, won a majority almost as convincing as those he got in three previous votes of confidence since he became prime minister in 1969. It was a personal victory, for M. Chaban-Delmas has been under fire from all directions for his failure to take action over the series of recent political and corruption scandals.



Chaban still has to watch his step

The prime minister's good vote does not commit President Pompidou to keeping him on. But M. Chaban-Delmas's spirited defence of his policies was made with a clear eye on the coming elections. His talk of the need for a more humane and just society, and at the same time of the need for law and order, was just the stuff for the gaullist rank and file, which duly gave him a standing ovation.

All the same, M. Chaban-Delmas will have to assume that he is still walking on eggshells. He sounded unconvincing when he claimed that the government had not been slow in stamping on corruption, merely scrupulous. Just how sensitive the gaullists are on this count was shown by their reaction to a pun made by M. Ballanger, the leader of the Communist deputies. All he said was that the government majority did not seem to have *encaissé* (which can mean either to take account of or to cash in on) the results of the referendum. But the gaullists all stomped out.

The gaullists are also worried that their traditional areas of support may be ebbing away. Or so the way they reacted to last week's debate on the grievances of small businessmen, artisans and the self-employed would imply. M. Chaban-Delmas had difficulty last week in getting his party to reject an opposition motion to grant amnesty to three members of the small businessmen's union, now in prison for acts of violence. Bowing to the electoral fears of its party, the government has conceded the demands of the self-employed to have the same pensions and taxation rates as wage earners and to put restrictions on non-union labour. In fact, the gaullists have little to fear from the disunited opposition. But should things go wrong M. Chaban-Delmas is still the obvious scapegoat.

EEC

Get thee to an institution

The six members of the common market and the four applicant nations start chasing each other around a tree again this Friday in Luxemburg. There the foreign ministers of the Ten are supposed to start preparing for the summit meeting of their heads of government in Paris next October. This will include discussions on a possible European security conference. But there is no doubt that the main item on the agenda in Luxemburg, as in Paris, will be the question of Europe's future institutions.

Nine of those present seem sure to make a first, unsuccessful, attempt to dissuade France from insisting on the setting up of a permanent secretariat in Paris to service these political meetings. The others want the secretariat put in Brussels, where it belongs, next to the existing executive institutions of the EEC. So France and its partners will have to find some face-saver which will enable France to agree to their wishes about the secretariat in October. The best one would be to make Paris the seat of a central banking committee to co-ordinate the handling of the new scheme to hold Europe's currency values close to each other.

More bold, and so more unlikely, would be a move of the barely functioning European parliament from its inaccessible home in Strasbourg to Paris as part of a plan to beef up the parliament into something that matters. It might even be that if Paris were to become its home the French would agree to have the parliament elected; at present its members are appointed from among members of national

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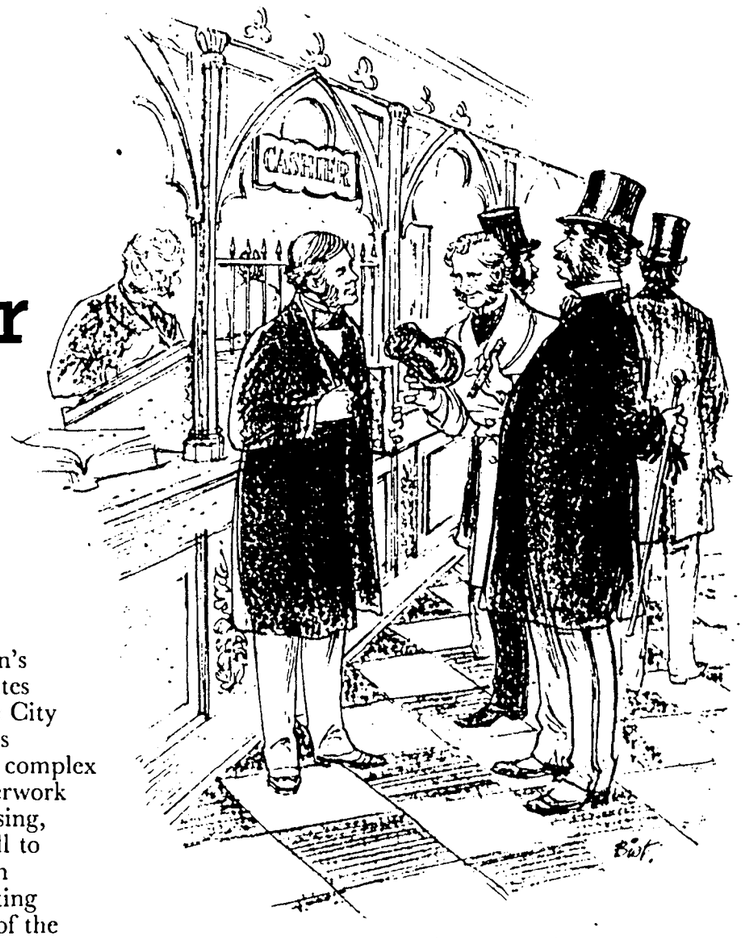
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parliaments. The good burghers of Strasbourg have inconveniently started building a new home for the parliament, so it may be harder still for the French to thwart a sensitive group of voters on their eastern borders.

The Ten also have to start finding a way out of the plan for member states to appoint specifically European ministers—a notion which embarrassingly caught the public imagination last year. Most of the Ten, who were originally taken with it, now concede this to be a bad idea. European ministers would have less weight in national cabinets, where it matters, than do the foreign and other departmental ministers who now meet to make common market decisions on the council of ministers in Brussels. The best scheme might be to have deputy foreign ministers to double up for departmental ministers when the latter are needed in Brussels.

Lastly, the ten foreign ministers will be trying to find out whom each of the others intends to recommend as members of the newly appointed European commission next year. All eyes will be on Britain. Mr Heath's present intention is to appoint two prominent politicians, one from each major party, as Britain's two members. The snag is that Britain's ambassador in Paris, Sir Christopher Soames, who has first refusal on the Tory side, is waiting to see whether he can get a Tory seat in the House of Commons —and presumably a seat in the cabinet —instead. Until this is resolved it is not certain whom Mr Heath will appoint, so the other nine member states will have to wait.

Iraq

Profits or politics?

FROM OUR LEVANT CORRESPONDENT

It is all a conspiracy, say the Iraqis. During April and May, the Iraq Petroleum Company slashed by half the oil that flows by pipeline from northern Iraq to terminals on the east Mediterranean. It is all a matter of profits, says the company. The combination of the high prices Iraq has imposed on its short-haul oil, low tanker freight rates, and a general reduction in demand, partly due to a mild European winter, has made it much cheaper to send Iraqi oil from the Gulf oil fields around the Cape to Europe than from the east Mediterranean outlets. And to establish its good faith IPC has continued to export at full capacity from its profitable oilfields in southern Iraq.

The Iraqis brush this argument aside because they cannot afford to accept it. If the company maintains its Mediterranean exports at this level for the rest of the year Iraq would lose about a third of its oil revenue—and for Iraq, unlike some of the other Arab oil-producing countries, this would amount to near-catastrophe. To dramatise its predicament, the government has applied a stern austerity programme.

Sheer need apart, the Iraqis contend that the argument is not primarily about profits. They argue that whereas Aramco, the American oil company that exports Saudi Arabian oil by pipeline to the Mediterranean, has also reduced its volume, it has not done so to anything like the same extent. They also question the sequence of events: during those mild winter months IPC actually increased its Mediterranean flow to full capacity after an earlier and smaller reduction in the autumn. The Iraqis claim that the company, by turning the tap off and on and off again, is deliberately subjecting them to a series of financial bumps which has little to do with profitability.

Relations between government and company were bad enough even before this latest crisis; negotiations on no fewer than 17 disputed issues broke down in February. The Iraqis contend that IPC is harassing them because they went ahead and developed, with Russian help, the nationalised oilfield at North Rumailah; last month the first oil from this field went off in the general direction of eastern Europe. Although the company's managing director has vigorously denied any such suggestion of political motivation, the Iraqis called on Tuesday for a special meeting of the Organisation of Petroleum Exporting Countries to support them in their fight.

On its own, the Iraqi government has already delivered a two-pronged counter-attack. The oil minister, Mr Sadum Hamadi, has said that if the company does not increase its production it should relinquish part or all of its northern oilfields. And the regime has given the company until May 31st to do three things: resume production at maximum capacity, work out a definite long-term production programme, and make a positive response to the other demands made by the Iraqis during the recent negotiations.

This is fighting talk. But there could be hope in the second point. The Iraqis may be saying that if the company shows goodwill by resuming full production for a time, a steady long-term level could then be negotiated. Maybe.

Vietnam

The week the blows went wide

FROM OUR SAIGON CORRESPONDENT

The North Vietnamese launched a number of raids towards Hué and Kontum this week, but they seemed to be having difficulty in getting themselves ready for an all-out attack. On both Sunday and Monday they attempted to cross the My Chanh river, which forms the northern defence line for Hué, and both times they were beaten back with heavy casualties. It is reported that some North Vietnamese units broke and fled in disorder as they came under fire from the air and from artillery.

At first, the size of these attacks seemed to indicate that this was the opening of the long-expected assault on Hué. But it soon became clear that they were designed only to push back the South Vietnamese defence lines so that the communists' big 130-mm guns could be brought within range of the city. In this they failed. To the west of Hué, too, aggressive patrolling by troops of the South Vietnamese 1st division has prevented the North Vietnamese from establishing artillery positions which could provide cover for their intended attack.

On Wednesday South Vietnamese marines again went behind the communist lines in Quang Tri province, apparently in the hope of trapping the force which had been trying to break through the My Chanh line. This was the marines' second such foray in 10 days, and involved two landings, one from American landing-craft and the other from American



A family mourns for a victim at Hué

helicopters. Several battalions took part, against a target area slightly north of Quang Tri city. If they do nothing else, such operations work wonders for morale in the south. One measure of rising morale is the fact that thousands of people from Hué who fled south three weeks ago are now returning, despite official advice that it would be better if they stayed away for the time being.

However, there is every sign that the North Vietnamese still have their sights set on Hué as the most glittering prize they can expect this year's offensive to yield. A regiment of North Vietnam's 325thC division came across the demilitarised zone last weekend into Quang Tri province, to join the 304th and 308th divisions which are already there and the 324thB division in the mountains west of Hué. According to some reports, the 304th and 308th divisions have suffered so much from air attacks that they may have been merged into a single unit. The two thrusts against the My Chanh line earlier this week—in broad daylight, and under ideal conditions for air power to help the defenders—also cost the North Vietnamese heavily. In three days, it is claimed, they lost at least 500 men killed and about 30 tanks.

In Saigon it is not thought likely that the communists have deliberately postponed the big attack until after Mr Nixon's visit to Moscow. But it is generally agreed that they made a major mistake in failing to press full-speed towards Hué immediately after the fall of Quang Tri nearly a month ago. At that time they could probably have overrun the old imperial city with little difficulty. The presumption is that, because of General Giap's predilection for meticulous planning and logistical preparation, the North Vietnamese lack the flexibility to cash in on unexpected opportunities.

Farther south, in the central highlands, there is frank puzzlement about the North Vietnamese tactics around Kontum, which has been expecting a major assault for more than two weeks. And farther south still the saga of An Loc has dragged on through yet another week, the seventh. The South Vietnamese units in the town were still holding out on Thursday, and the communists seemed to have turned their main attention to preventing the relief column getting through. The relief of An Loc has been a long, costly and bungled operation. But if and when it is completed it will be greeted with elation in Saigon.

Taiwan

The lad gets his chance

Taiwan, unlike China, has never had a succession problem. For years it has been clear that the power of Chiang Kai-shek would some day pass to his elder son, Chiang Ching-kuo. The only uncertainties were how long the hardy old generalissimo would cling to his post and what republican fig-leaf would cover the monarchical transfer. Two months ago 85-year-old Chiang accepted his fifth six-year term as Taiwan's president and from all appearances he intends to carry on until the end. But last weekend he finally bequeathed his son a title from which, one day, he can step into power.

Chiang Ching-kuo is now prime minister. At 62, he has been a long time reaching this job, mainly because of his father's reluctance to share power with anyone (the previous incumbent, who remains vice-president, Mr C. K. Yen, is a colourless technocrat) but probably also because of the hatred he aroused as head of Taiwan's extremely efficient secret police. His years as a student in Russia during the 1930s are also cause for popular suspicion. Rumours that he is negotiating secretly with the communists periodically circulate in Taiwan, especially among the native Taiwanese.

But nowadays such rumours reflect Taiwanese distrust of all mainlanders rather than their feelings about the younger Chiang in particular. Chiang Ching-kuo has altered his public image considerably over the past few years, notably since he became deputy prime minister in 1969 and assumed the chairmanship of several key economic agencies. He is still no economic expert but he chose the right people and he listened well. On several major disputes, he allied himself with liberals against the fossilised ideologues.

As director of the China Youth Corps, a strictly orthodox party organisation, Chiang Ching-kuo has recently made some speeches to students which sound remarkably liberal in the authoritarian atmosphere of Taiwan. He has urged them to speak freely and stressed progress rather than stability. Many of the young intellectuals who despised Chiang Ching-kuo a few years ago now believe that he is Taiwan's best hope for reform.

The ruling Kuomintang party has been talking about reform for some



Chiang junior listens well

time now, especially since the shock of the detente between Peking and Washington. But so far its pledges to bring new blood into party and government have amounted to little more than window-dressing. The one reform that promises to make any difference at all is a plan to hold elections for 70 new seats in Taiwan's 424-seat parliament next winter. The last full election was held on the China mainland 24 years ago and the standard party line has always been that no fresh elections can be held before the mainland is recovered. The new plan does not alter that resolution—Chiang Kai-shek still vows to lead the invading forces—but it is a discernible crack in the wall.

The next test of the government's reforming intentions will be the shape of the new cabinet. For the first time a Taiwanese is expected to be chosen for a major cabinet post, or even a deputy premiership. The likeliest candidate is Mr Henry Kao, an independent politician who has been mayor of Taipei since 1964. A year ago, Mr Kao's Taiwanese supporters would probably have opposed his joining the cabinet as a "sell-out." But since Taiwan's expulsion from the United Nations, both Taiwanese and mainlanders have been showing more interest in co-operation between the two communities.

Chiang Ching-kuo himself will be only partly responsible for his new cabinet. Decision-making power still belongs to his father and the old man is evidently not ready to part with it yet. But, although Chiang Kai-shek is not known to be ill, he is noticeably frailer than he was a year ago and is expected to delegate progressively more authority to his son. Then the real Chiang Ching-kuo will have to stand up.

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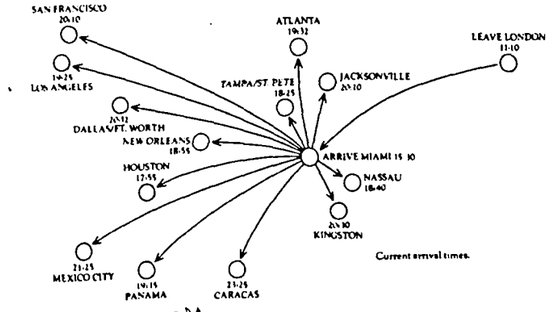
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May 24, 1972

THE WORLD

American Survey



Nixon moves them on: Weinberger to OMB, Shultz to Treasury, Connally to ?

Shultz's taxing task

Washington, DC

Mr George Shultz will be taking office as Secretary of the Treasury, to succeed Mr John Connally, at a time when the United States government faces no important decisions on economic policy in the near future. In fact, in an imperfect world things are going swimmingly whatever the Democrats in Congress may say. The brisk expansion of the economy is now confirmed by all the indicators; for example, industrial production has risen in every month since August and the April rise, a full 1 per cent, was the largest yet. During the eight months the annual rate of increase has been just under 8 per cent—vigorous but not yet dangerously boomlike. What is more, all this is occurring with no help at all from two important sectors of the economy: foreign trade and the accumulation of stocks, both of which were a negative force on total production in the first quarter. Mr Herbert Stein, chairman of the President's Council of Economic Advisers, reflects the views of most economists when he says that these factors are likely to become positive rather than negative before long. While unemployment remains high, at 5.9 per cent of the labour force, it is bound to drift downward as the expansion proceeds.

The news is also better on the inflation front. For two consecutive months the index of consumer prices has shown only very small increases of two-tenths of 1 per cent, thanks in good part to the end of last winter's very steep rise in food prices. Wholesale industrial prices, still apparently reflecting the "bulge" that was bound to occur after the three-month freeze on wages and prices last autumn, continue to rise at an unacceptable rate; but the April increase of three-tenths of 1 per cent was a little less than in the preceding months.

More important for the longer run, there is now increasing evidence that wage controls are working. A potential crisis was averted when the dockers on the west coast decided against a strike in protest at the Pay Board's decision to reduce the very large settlement that they had negotiated. A lesser reduction was ordered for the dockers on the east and Gulf coasts and they may still strike, but this is regarded as unlikely. Meanwhile, the Pay Board has been successful in keeping newly negotiated contracts (the longshore settlements were really hangovers from 1971) well within its ceiling of 5.5 per cent, though it is true that there are few major labour contracts due for negotiation this year. From November through April, average wages rose rapidly, pushed up by the post-freeze situation and certain perimtted retroactive payments; but from now on the pace should moderate.

Price controls, too, are apparently having some effect without distorting markets or preventing a good rise in profits. The controls are aimed at profit margins, which are not allowed to rise above the average of the best two of the past three years. A relatively small number of companies have found that, thanks to a rising volume of sales, their profit margins have been higher than expected and they have been required to roll back prices. This frightened Wall Street for a while, but at bottom nothing in the rules will prevent total dollar profits from increasing strongly this year. The first quarter showed a rise of 10.4 per cent over the like period a year ago, to a record level, before taxes, of $91.6 billion. The controls may keep prices a little below what they would otherwise have been but the key to success remains on the wage side where so far results are heartening.

Even on the international currency front Mr Shultz appears to face no urgent decisions. Once the negotiating "forum"—presumably the new "Group of 20"—is formally put in place by a vote of the governors of the International Monetary Fund, the American government will have to

have a negotiating position ready. But, in spite of a seeming disagreement earlier this month between Mr Arthur Burns, chairman of the Federal Reserve Board, and Mr Paul Volcker, the Under Secretary of the Treasury, there is a good degree of consensus in Washington on fundamental points.

Mr Shultz, an academic economist with a "Chicago school" background, is a natural believer in the greatest possible flexibility of exchange rates—and also in the greatest possible freedom of trade. And he is likely to share the view of his predecessor, Mr John Connally, which is also backed by Mr Burns, that a reformed monetary system must find ways of exerting as much, or almost as much, pressure on surplus countries to revalue as on deficit countries to devalue. This may be difficult to negotiate, but there is no trouble finding agreement on the point within the American government.

It is in the somewhat longer run that Mr Shultz faces his major problems and they involve the dangerous state of the federal budget. Hardly anyone is bemoaning any more the large deficit in the current 1972 fiscal year ending on June 30th, at a time when the economy still needs stimulus. It is fiscal years 1973 and 1974 (the next budget), and afterward, that are causing concern. Mr Shultz is a firm believer in the theory that, to avert excess demand as the economy moves toward full employment, budget expenditures should not be allowed to exceed "full employment revenues"—a concept that permits deficits at times of less than full employment, but deficits that narrow and then disappear as full employment is reached. However, this will be hard to accomplish.

A brilliant and lengthy study* just produced by a team of experts at the Brookings Institution under Mr Charles Schultze, a former director of the budget in the last Democratic Administration, has concluded:

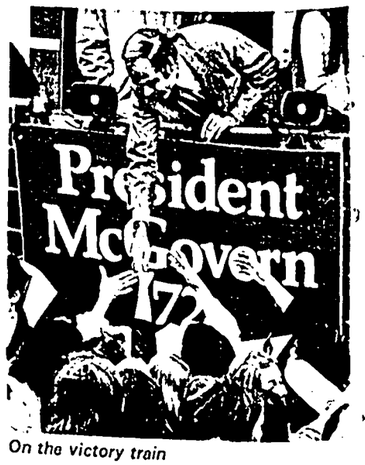
> In summary, the projection shows that over the next two years, from fiscal 1973 to fiscal 1975, expenditures under existing and currently proposed (by the Administration) programmes are likely to run substantially ahead of full employment revenues.

The entire growth in revenues over the next five years, Mr Schultze concludes, "is already fully committed" and for the next two years "it is overcommitted." If this year Congress approves only the President's proposals and no more, the study finds, spending in fiscal 1975 will be $300 billion (compared to about $235 billion in the current year) and will exceed full-employment revenues by $17 billion.

The inescapable conclusion appears to be that taxes must be increased and this at a time when Americans are apparently going through something akin to a "tax revolt." Mr Connally insisted to the last that a tax increase was not inevitable, that the huge prospective growth of government spending could somehow be averted. But Mr Schultze knows a good deal more about the budget than Mr Connally—and this is true of the other Mr Shultz, too, who from his present position in the White House was in charge of the last budget. The cry of the Democrats, of course, is "tax reform," also known as "closing loopholes." Senator McGovern talks of raising more than $15 billion in this fashion if he becomes President. But, while his figures may be accurate, the chances of actually achieving any such sum by his proposed changes in the tax law are negligible, certainly in the short run. Congress simply does not work that way and most of the really large revenue-raising taxes would hit not only the "fat cats" but millions of ordinary taxpayers with middle and upper-middle incomes.

Adding to the general budgetary problem is the unpredictability and uncontrollability of Congress, whose underlying proclivity is to spend more rather than less, though there could be some reductions imposed by Congress in defence spending. Mr Shultz will regard his mission as having failed if he presides over a renewal of demand inflation as a result of large budget deficits in a booming economy—perhaps as early as next year—but he is fully aware of how difficult the task will be to prevent precisely that. He is, however, committed (or so it appears) to stay at the Treasury and to do his very considerable best—provided, of course, that Mr Nixon is re-elected President in November.

*Setting National Priorities in the 1973 Budget. *Brookings Institution, Washington, DC.* 468 pages. Cloth $8.95; paper $3.50.



On the victory train

ELECTION '72
McGovern goes on

Senator McGovern's momentum keeps building up. He won both of the Democratic primary elections held on Tuesday: in tiny Rhode Island, an indstrial state on the Atlantic coast, and in larger, more rural Oregon on the Pacific. In Colorado and Utah, where delegates to the Democratic nominating convention are chosen at party meetings, Mr McGovern's supporters are now well placed to dominate the final choices. No less important to the Senator's chances of the nomination are three endorsements which came as he approached the vital Californian primary on June 6th.

Mexican-Americans are a force to be reckoned with in that state and at the weekend Mr Cesar Chavez, their best-known leader, ranged himself beside Mr McGovern. Negroes are important there, too, and it will help the Senator from South Dakota, who admits that he has made little impact on the black community, to have the endorsement of Mrs Coretta King, Martin Luther King Jr's widow. Finally on Monday, Senator Eugene McCarthy, a touchy rival for the votes of students and anti-war Democrats who cost Mr McGovern a victory in Ohio and who is also on the California ballot, urged his supporters in California to vote for the South Dakotan. This might make the difference between victory and defeat.

From Oregon, where there was virtually no opposition to Mr McGovern, *our special correspondent reports:*

No one stood the slightest chance of stopping Senator George McGovern in Oregon and on Tuesday night his organisation duly turned in almost precisely the result that it had predicted privately. A vote of 50 per cent in the Democratic primary was perfectly satisfactory for Mr McGovern, given the fact that there were 11 names on the ballot. But as, with the exception of Mrs Patsy Mink, no other candidate campaigned personally in the state, the Oregon result is not likely to have a decisive impact on the Californian



NEW ISSUE

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25th May, 1972.

primary. Senator Humphrey was certainly wise to stay away; he came in a very poor third and there is little reason to believe that he would have done a great deal better if he had campaigned in the state.

Certainly Governor Wallace did better than had been expected in a state where busing to school is not even remotely an issue. To some extent this may have been due to a fairly powerful last-minute advertising campaign on television but by itself this hardly explains the 20 per cent of the votes which he won. As in Wisconsin the overwhelming majority of Democrats wanted to cast their votes for anti-establishment candidates; this time seven in every 10 did so.

It is not only the Democrats who have to take this development seriously. In Oregon, again as in Wisconsin, there was evidence not only of a taxpayers' revolt, but of a growing mood of deep disenchantment among large sections of the electorate. In Oregon the voters not only tossed out virtually every bond issue and other proposition put to them on the ballot which had any financial implications, but they also cast heavy votes against constitutional amendments which had broad-based bipartisan support.

At no stage did Mr McGovern's powerful organisation think that he was in any trouble. But his staff had one nasty moment when their own pollsters warned them that there was evidence that Senator Edward Kennedy, whose name had been put on the ballot against his wishes by the Republican Secretary of State, was going to get a disturbingly high vote. It was believed, moreover, that this was going to be largely at Mr McGovern's expense. But after some fairly frantic appeals from the McGovern staff, Mr Kennedy wrote letters to a number of Oregon newspapers appealing to people not to vote for him and they followed his advice.

The inevitability of Mr McGovern's victory lowered the level of public interest in its outcome. He was fortunate in that a vigorous battle for the Democratic nomination for the United States Senate seat at present held by a Republican, Mr Mark Hatfield, and a closely fought contest for Mayor of Portland brought out large numbers of Democratic voters who might otherwise have stayed away. Mr McGovern must have been delighted with the outcome of both races. In the Senate contest that prickly old dove, former Senator Wayne Morse, scored a fairly comfortable victory over his adversary, Mr Robert Duncan, despite the fact that Mr Morse was 71 years old and opposed by most newspapers in the state. The next Mayor of Portland will be a gifted young liberal Democrat, Mr Neil Goldschmidt, who created a powerful local organisation of his own. Indeed so strongly did it compete with Mr McGovern's men for volunteers that a number of unofficial deals were arranged so that the same groups should canvass for both candidates.

ELECTION '72

Where after Wallace?

By last week Governor Wallace of Alabama had amassed the largest popular vote—3.3m in all—of any Democratic candidate who had entered the party's primary elections. But, as his own campaign organisation was relatively weak, in many of the states where he won the popular preference vote there were not enough delegates committed to him to fill all the convention places that he earned. As a result, many delegates who loathe Mr Wallace's views will be going to the Democratic convention at Miami Beach in July ostensibly obliged to support him on one or two ballots. Senator McGovern has now instructed those of his supporters who have been supposedly elected as Wallace delegates to keep to their commitment. Moreover, he wants to help Mr Wallace's people to make their views heard when the Democratic platform committee drafts the party's policies.

Mr McGovern is not entirely selfless. As the architect of the party's reformed rules, he must be seen to insist that they are carried out, even if the beneficiary is the conservative Mr Wallace. And as Mr McGovern expects to go into the convention assured of more than 1,300 of the 1,509 votes needed for the nomination, he can afford to wait a ballot or two in the interests of fairness—or he might win on the first ballot even without the Wallace delegates. What is really on his mind now is how, if he is the Democratic presidential candidate, he can pick up the votes of the Wallace supporters all around the country in the November general election. Already Mr McGovern has begun to tell audiences that he and Governor Wallace are, in their different ways, both saying "we are fed up with things as they are."

What Mr Wallace can make of his substantial national following depends on the extent of his recovery. He has another bout of surgery to undergo. Not until it is over will doctors be able to say how much of an invalid he will be for the rest of his life. Permanent paralysis is not certain, but probable. Mr Wallace is said to want to go to the convention in a wheelchair. But his aides and his attractive wife, who will make speeches for him, may be leaning toward over-optimism about his prospects in order to keep his political backing intact. It does seem that, bedridden or not, Governor Wallace will have the power to decide where to shift his support when—as is inevitable—another Democrat gets the nomination. If he withdrew completely, both Senators Humphrey and McGovern would benefit, with Mr McGovern having the edge. If Mr Wallace wanted to run as a third-party candidate, he would hurt President Nixon, by syphoning off some conservative Republican votes. Or Mr Wallace might throw his support to Mr Nixon, whose conservative views he shares and who was good enough to visit him in hospital.



Not even four secret servicemen could save him

Gun in the hand

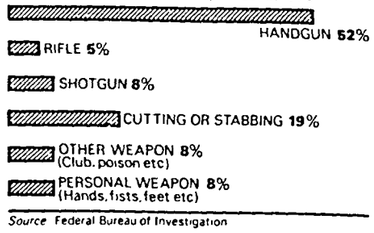
There is stoicism, or despair, in the United States about preventing armed attacks on political figures. The National Commission on the Causes and Prevention of Violence reported in 1968 that there were 24m hand guns (pistols and revolvers) in the United States. About 2.5m new hand guns are made domestically or assembled from imported parts every year. And one does not need a hand gun—a small concealable weapon—to commit a successful assassination. It was a rifle, fired from a fair distance, that brought down President Kennedy.

After the double assassinations (Robert Kennedy, Martin Luther King) of 1968, Congress did pass a feeble gun control act. It forbids the selling of guns by post, it restricts imports of small guns and it requires the registration of people who buy guns and ammunition. Yet what good the new law has done is hard to see. The federal secret service agents who guard the President, Vice President, their families and prominent presidential candidates were able to trace the purchase of the gun that shot Governor Wallace within 10 minutes after he fell to the ground. But that hardly mattered as they had captured the gunman anyway—Mr Arthur Bremer being, like most assassins, a confused nondescript misfit whose motives, insofar as he had any, were to gain attention and to be punished. And nothing in the 1968 law prevented Mr Bremer, whom police had caught carrying a revolver last October, from buying another.

So unpopular is gun control that even now neither Mr Wallace nor his supporters have called for it. Mr Wallace has always opposed such restrictions and President Nixon has avoided endorsing them. In the wake of the Wallace shooting, the Senate Judiciary Committee has approved a bill to forbid the public sale of cheap short-barrelled hand guns but it is unlikely to pass through Congress. The strength of the national belief in the constitutional right of a citizen to bear arms will probably prevail once again.

As for modifying the behaviour of candidates, that seems to be out of the question too. Mr Nixon did call upon Secret Service agents to provide constant guard for Senator Edward Kennedy, although he is not an announced presidential candidate, right after the Wallace shooting. He also extended the same protection to two other declared candidates, Mrs Shirley Chisholm and Mr Wilbur Mills, although their campaigns are hardly conducted with the kind of publicity that enabled Mr Bremer to trail Mr Wallace until he found the right moment to strike. But then Mr Nixon himself swiftly demonstrated his own lack of fear by plunging unexpectedly into a crowd. No candidate wants to be seen to be afraid.

Murder by type of weapon used, 1970



Source Federal Bureau of Investigation

Who's radical?

FROM A SPECIAL CORRESPONDENT

The notion that a man can be convicted only by an unanimous jury was a well-settled principle of American law by the eighteenth century. However, it was not explicitly guaranteed by the federal Constitution and now it has fallen victim to the rightward drift of the American Supreme Court. A year ago a ruling that a "substantial majority" is sufficient to convict would probably have been impossible. Justice Hugo Black, the champion of the jury system, sat on the Court. Over a judicial lifetime he had brought about acceptance of the view that the key constitutional safeguards in the Bill of Rights must be observed with equal diligence in federal and state courts. On several occasions the Supreme Court had upheld the need for unanimity to obtain federal convictions. The same would apply at the state level, although the Court had never ruled on this precise point.

But Mr Black, and Justice John Harlan, are gone and there are two Nixon men in their places, Justices Lewis Powell and William Rehnquist. Together with the two earlier Nixon appointees, Chief Justice Warren Burger and Justice Harry Blackmun, and a prosecution-minded holdover from the Kennedy era, Justice Byron White, they formed the five to four majority that concluded that unanimous verdicts by juries in state trials are not constitutionally necessary. Mr Powell, moreover, signalled an edging away from the Black doctrine that the 14th Amendment, securing equal rights to all citizens, channels the federal guarantees in the Bill of Rights in precisely the same form to the states. While supplying the critical fifth vote Mr Powell opined that the Amendment leaves the states free to experiment, to depart, if they wish, from the federal model. Justice William Douglas, Black's "law partner" over 30 years, complained in an angry dissenting opinion that this kind of thinking opens "a veritable Pandora's box" that could dilute all sorts of constitutional rights.

At the moment, only four of the 50 states, Louisiana, Oregon, Oklahoma and Montana, authorise criminal convictions by less than unanimous vote. The Supreme Court's ruling is likely to encourage others. Meanwhile, unanimous jury trials remain required in federal courts, and also in civil cases, but the states are free to abandon unanimity if they wish. Two years ago, the Court smashed another tradition and held that juries may be smaller than the customary 12. Taking the two rulings together, Justice Douglas said that he could foresee the day when a three-member jury would send a defendant to prison by a vote of two to one and the Supreme Court would affirm the judgment.

The Court's changing mood and personnel also stripped balky witnesses before grand juries of a portion of their protection against prosecution. For more than 60 years, a witness summoned before federal and most state grand juries could be compelled to testify only if he was afforded broad immunity; he could not be prosecuted for any offence about which he was forced to speak. Congress changed the federal law in 1970 and some of the states followed this example. The immunity was limited; only the unwilling witness's testimony and "leads" from it could not be used against him at a trial. Led by Justice Powell, the court concluded five to two that no more than that is commanded by the Fifth Amendment's guarantee against self-incrimination.

There is no little irony in the developments. The law is being changed by judges with an advertised devotion to tradition and "strict construction" of the Constitution. It is they who are being called "radical" by Justice Douglas, supposedly the most radical member of the innovative court of the 1960s.

ON STREAM AROUND THE WORLD
HUMPHREYS & GLASGOW
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Some new contracts

Humphreys & Glasgow is designing and building a 20,000 BPSD refinery for the Government of the Republic of Togo at Lome. This joint venture with William Press & Son Ltd. is valued at over £10 million.

Humphreys & Glasgow is the main contractor for a new Antibiotics Production project valued at £12 million for the Beecham Pharmaceutical Division at Irvine.

Humphreys & Glasgow's **Melbourne Office** is acting as consultant to the Australian Paper Manufacturers for their new $10 million project at Gippsland.

Humphreys & Glasgow and Humphreys & Glasgow Consultants Private Ltd., Bombay, together are building a 1,200 tons per day Urea Plant and off-sites for Indian Farmers Fertiliser Corporation Limited at Kalol. The contract is valued at about £14 million.

Humphreys & Glasgow is building a 15,000 BPSD Kerosene Sweetening Unit for Texaco at their Pembroke refinery.

Humphreys & Glasgow's **Sydney Office** is building a new soft drinks complex for Associated Products & Distribution Pty. Ltd. at Perth. The contract includes canning, bottling, warehousing and distribution facilities and is worth $3.6 million.

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ON STREAM AROUND THE WORLD
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Stalled bus

Michigan, the only northern state whose Democrats have lined up behind Governor Wallace in the party's primary elections, is historically liberal; it is the home of the United Automobile Workers' union which, under the leadership of Walter Reuther, was in the forefront of the battle for Negro rights. But Michigan is also one of the few northern states which has been brought face-to-face with court-ordered "busings" of children to schools outside their neighbourhoods in order to lessen racial isolation. In Pontiac some 9,000 schoolchildren are already being bused while in Detroit a federal judge has found the local school authorities guilty of deliberate racial discrimination; he seems prepared to require the busing of children throughout the metropolitan area.

With white parents fiercely determined that their children should not be forced to attend inferior schools in the black ghetto, the situation was tailor-made for the Governor of Alabama who once "stood in the school-house door" to prevent racial integration. Even Senator McGovern, who continued to insist that court orders for busing must be obeyed, conceded that some lower courts might have gone too far and explained that he did not favour busing if it meant sending children to inferior schools. This qualification has for some months been the refuge of Senator Hubert Humphrey, whose embarrassment is all the greater since his most loyal support comes from blacks who remember his earlier stands for racial justice. But the blue-collar workers of Michigan, often of eastern European descent, preferred Mr Wallace's forthright stand. Even UAW officials could not hold their members in line; half of them are believed to have voted for the Governor.

Detroit is one of the cities (others are Denver and Richmond) which President Nixon had in mind in March when he urged Congress to impose a temporary moratorium on any more busing while it considered what long-term limits to place on its use by the courts. But the President's own bills are languishing in committee. If Detroit and other cities are reprieved, it will be because the Senate and the House of Representatives attached anti-busing amendments to the $21 billion authorisation for higher education which, among many other things, provides urgently needed federal



Protest march on Washington

funds for private colleges.

Conferees from the two houses succeeded only last week in reconciling the sweeping House restrictions on busing with the milder restraints voted by the Senate, and then only by very narrow votes. They agreed that until January 1, 1974, busing "to achieve racial balance" (something which the Supreme Court has never sanctioned) should not go into effect until all appeals have been exhausted; at present, busing ordered by a lower federal court goes into effect immediately. In many respects the compromise fell far short of the House's demands, on which it had twice ordered its conferees to stand firm. The question now is whether the House will climb down, even to save the education bill which the Senate approved on Wednesday. If it does, President Nixon fears that his own more far-reaching proposals will lose much support.

Herald's end

Boston is to lose the newspaper that for many years was the best known in New England and the only one that proper Boston Republicans could bear to read. The 125-year-old Herald-Traveler is expected to publish its last edition on June 4th. Its assets, good name and modern plant have been bought, subject to approval by the Herald's shareholders, by the Boston Record-American, the flashy tabloid owned by the Hearst newspaper chain. The Herald's collapse leaves Boston, which had nine daily papers 30 years ago, with three: the Record, the Christian Science Monitor and the Boston Globe.

The Herald's case is full of irony. The paper collapsed because the Federal Communications Commission refused to renew the licence for its television station, WHDH-TV, which has broadcast on Channel 5 since 1957. As the Herald lost subscribers in recent years to the increasingly vigorous and liberal Boston Globe, which was fortified by successful morning and afternoon papers, it depended more and more on the profits from its television station to keep going. Yet the long legal battle to hold on to Channel 5 was one of the principal causes of the decline in the Herald's finances.

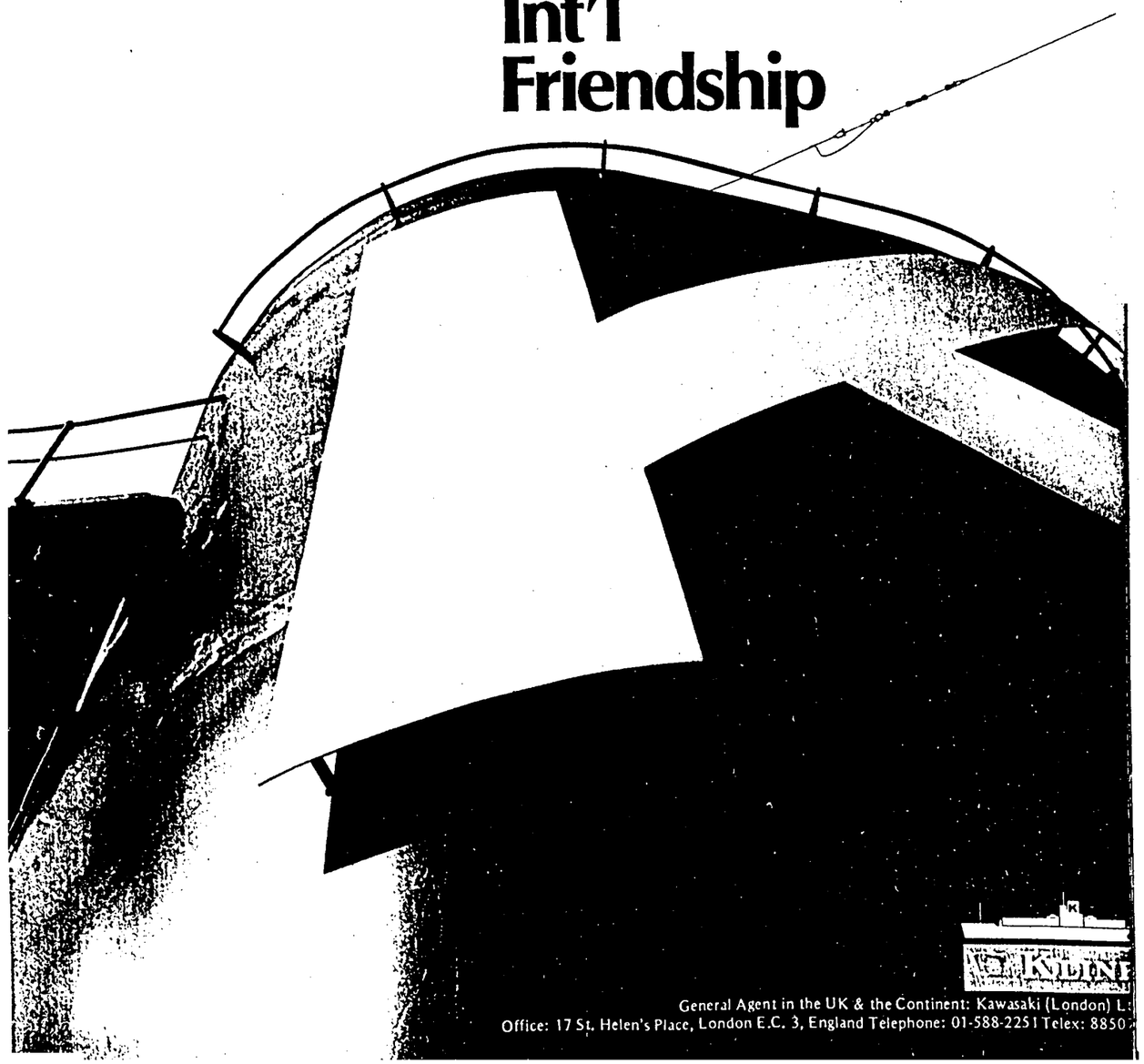
What is almost ludicrous is the way that the FCC's good intentions have misfired. The commission, which awards radio and television broadcasting licences on a three-year basis, refused in 1962 to give WHDH-TV a full licence renewal because the paper's proprietor, an arch-Republican, was accused of attempting to influence the commission. In 1969 the FCC, then dominated by Democrats and goaded by Mr Nicholas Johnson, the commissioner who was conducting a crusade against the "media barons," refused to renew even the temporary licence on the grounds that the Herald's owners already controlled a newspaper and a radio station as well as a television station. The commission awarded a new group, Boston Broadcasters Inc, the licence to broadcast on Channel 5. The legal battles continued in the courts until March 19th this year when the Herald lost its appeal to the Supreme Court. The Herald then closed its Washington bureau and sacked the executive dining room chef; last week the sale to Hearst was announced. Thus, in trying to create a greater number of sources of news for the public, the FCC has succeeded only in extinguishing one of them.

The interesting question is how the Record will remake itself. It has announced that it will become a full-size paper. Whether it will take on any of the Herald's staff or intellectual quality is not known. However, the Record has tried in recent years to shed its reputation as a "scandal sheet." Its front pages have become less sensational and this year, at the cost of a large fraction of its circulation, it stopped printing the daily "number"—the long figure showing the daily Treasury balance on which a great deal of illegal betting is based. Conceivably Boston could have a new strong conservative paper as a result but the Record would have to go through a major conversion, dropping some of its reactionary columnists, before it could acquire the stature of the Herald in its prime.

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THE WORLD

Pollution

The end of an epoch?

If, in 1572, the amiable but ineffectual King of Sweden, Johan II, had invited his fellow monarchs to Stockholm to take stock of the future and of their ability to manage it with a modicum of rationality, it is fairly certain that none of them would have come. But if they had, one topic would have thrust aside all others—how to end, or alternatively, how to win, the religious wars that were threatening the stability of nearly every European state and, through maritime rivalries, extending the struggle across the globe.

Yet an observer of genius, watching the monarchs with their counsellors and scientists and hangers-on, might have caught hints and foreshadowings of the forces which would, within a century, make the religious issue largely irrelevant. He would have noticed the degree to which the religious quarrel itself turned much more on frontiers and territories and loyalty to the prince than upon matters of strict orthodoxy. Modern all-inclusive national sovereignty was taking shape beneath the supposedly religious power struggle.

It is possible, too, that Queen Elizabeth's delegation might have included a young adventurer by name of Francis Drake, representing new global economic interests which, within a few decades, were to set up East India companies in Britain and in Holland, foreshadowing the modern dominance of the market, the growth of a world-wide trading system and the explosion of European colonialism and settlement.

Neither Francis Bacon nor Galileo Galilei would have been quite old enough to attend as scientific advisers, but the ideas that nourished them—unbounded curiosity, confidence in experiment, the overriding emphasis placed on exact measurement by such pioneers of the scientific method as Kepler or Leonardo da Vinci—were entering the savant's study and preparing their impact upon world affairs.

But all this lay below the surface. Any Stockholm conference held in 1572 would have seen as its task to control and revitalise what we now know to have been an incurably disintegrating medieval society—of feudal power, agricultural subsistence and technological primacy. By 1572, a new order was already struggling to be born. The three master forces of the modern world—nationalism, economic growth, and scientific discovery—were stirring and beginning to seek intellectual and institutional form. Singly and in mutually self-reinforcing combinations, they were to run away with human society in the next four centuries, going on to create our present heady achievements—a world society of nations, unparalleled though uneven wealth and the ultimate scientific conquest of atomic structure and nuclear power.

To most of the men of 1972, these certainties stand as securely as ever. Nationalism is the dominant principle of the post-colonial age. To reach the economic standards of the already wealthy states is a world-wide drive and their desire for further growth seems unabated. Science has scored its most spectacular triumphs in the past two decades, finger printing the most distant stars and putting men on the moon. For many of the participants at the Stockholm conference, the large certitudes of nationhood, material plenty and high technology will be as much a part of their basic thought as were feudal order, rural life and all-pervasive religion for the men of 1572.

Yet there could be, at Stockholm in 1972 as in the Europe of 1572, the first hints of failure in social consensus, the first stirrings of new needs and perceptions, the unclear but undeniable harbingers of a new age. In fact, those responsible for preparing the Stockholm agenda have already felt some premonitory signs of these new possibilities—and new divisions.

When, four or five years ago, the conference was conceived, largely as a result of Swedish efforts, the expectation was that it would reflect and stimulate a growing but still limited interest in the localised deterioration, via smog and water pollution, of the environment of developed states, particularly of their urban sectors, and of shared resources such as seas and air space. There was also concern about the threat to areas of unique natural beauty or niches of irreplaceable species increasingly encroached on by careless technological man. The issues looked decently manageable within the customary framework of intergovernmental agreements, anti-pollutive technologies and perhaps some redirections in the use of future—and growing—resources.



Manhattan: the old order of growth

This commentary was written by Barbara Ward.

Limits to growth

Since then, one might almost say that world interest and world concern have blown up in the face of the conference's preparatory efforts. The passion of those involved, the dismay of those who did not know they were, the growing flood of equal and opposite information and, above all, the relentless increase in the scale and interconnections of the issues have imposed on the conference the curious risk of being at once a storm centre and an anticlimax. It is too bold for some participants, especially governments in developed states, many of whom wish to see an agenda which reflects what they took to be the original, rather specific concerns of the conference.

But this approach appears irresponsibly tame to the really embattled spirits among the citizenry. They are no longer talking of rising national income or scientific breakthroughs. They ask whether the planet's natural resources and life support systems can stand much longer the unbounded economic and technical strains that are being placed upon them. Populations freed to grow by medical science and, extrapolated in exponential growth (a constant rate of increase at compound interest), could be increasing by a billion a year by the time of Thomas Malthus's tercentenary. Equally extrapolated, the demand for energy and goods needed to satisfy such populations could, it is argued, push the planet past the point of no return in terms of soil and mineral exhaustion. The basic biological resources of air and water and even man's genetic stock could be at risk if thermal, radioactive and other pollutions were to pass thresholds of damage that permanently disrupt nature's powers of self-regeneration.

Almost every month a new report* appears insisting that only zero growth in population and a radical check to economic expansion can save the world from catastrophe. Words such as "eco-doom" have entered the modern vocabulary in less than half a decade.

But the shock waves from such reports appearing in wealthy states have changed and sharpened reactions among developing countries. At first, their governments tended to see in Stockholm yet another rich man's fad. If developed countries wished to stop the pollution for which they were overwhelmingly responsible, good luck to them. But now the mood has changed. The sudden violent warnings from the rich that there are strict limits to the planet's carrying capacity do not seem, to observers in developing lands, to have been accompanied by much emphasis on the need for lower rates of economic growth in wealthy societies. This has set in motion the fear that Stockholm may mark the beginnings of pressure upon poorer countries to hold back their own economic development in the name of "environmental preservation" and drastically limit their own numbers so that the rich may continue to have an earth worth inheriting.

This fear has been trenchantly summarised by the Brazilian delegate to the Stockholm conference:

> An implicit assumption underlying plans for the Stockholm conference has been that, given the present demographic magnitudes and distribution in the world and given the present patterns of consumption of natural resources and of emission of pollutants by the developed countries, the world cannot afford the economic development of the underdeveloped countries along the lines followed by the presently developed ones. If the three-fourths of mankind represented by underdeveloped countries were to squander natural resources at the same rate (in per capita terms) as, for example, the United States or the western European countries, there would

*"Blueprint for Survival," The Ecologist, January 3, 1972. "Limits to Growth," *Potomac Associates for the Club of Rome*, March, 1972.

The Stockholm conference

The UN Conference on the Human Environment will open in Stockholm on June 5th. The secretary-general of the conference is Mr Maurice Strong, formerly head of the Canadian Aid Agency, CIDA. A preparatory committee made up of representatives of 27 governments has met four times to consider the evolving agenda, and intergovernmental working parties have discussed matters of substance, such as soils, marine pollution and monitoring systems.

The conference agenda comprises six subjects, and the conference itself will be divided into three committees, each of which will discuss two subjects. The subjects are:

Committee I: "The planning and management of human settlements for environmental quality" and "Educational, informational, social and cultural aspects of environment issues."

Committee II: "The environmental aspects of natural resources management" and "Development and the environment."

Committee III: "Identification and control of pollutants and nuisances of broad international significance" and "International organisational implications of action proposals."

The work is being pursued on three levels. Level I consists of an attempt to suggest a general conceptual framework for Stockholm and is embodied in a book, "Only One Earth," to be published in ten languages on the eve of the conference. A hundred and fifty people from all round the world were invited to join a panel to assist in the preparations for this book, and a hundred agreed to serve. The authors are Dr René Dubos and the writer of this commentary. Level II consists of choosing the most important issues on which to start work. These will be embodied in proposals for projects, for bodies to undertake them and for their funding. Level III takes up concrete advances that could be made at once and will consist of draft conventions, agreements and voluntary standards which can be settled in principle at Stockholm itself.

Other intergovernmental meetings, convened by the UN's regional commissions, have been held in Asia, Africa, the Middle East and Latin America. The Economic Commission for Europe



Where it's at

—which began to study the environmental issue somewhat earlier—has coordinated its work with that of the UN secretariat and the other commissions. There have also been some ad hoc meetings of specialised groups to consider technical problems. One was organised by Scope, the Scientific Committee on Problems of the Environment, set up by the International Council of Scientific Unions.



They need growth, but not more people

not be enough oxygen to go around and there would not be enough metal for industry, while, on the other hand, there would be so much carbon, sulphur and nitrogen dioxide that mankind would be pushed toward extinction.

As a result of this line of reasoning, three basic measures are being proposed: (1) explicitly, the control of population growth in underdeveloped countries; (2) implicitly, a ceiling on the development of underdeveloped countries; and (3) explicitly, a reduction of the emission of major pollutants by developed countries. What this scheme obviously lacks in logical symmetry—if not acceptability—is a fourth measure: that overpopulated countries reduce their own demographic numbers and, if necessary, their industrial "predation" upon nature so as to reduce their claim upon the natural resources of underdeveloped countries.*

In concrete terms, the next American baby will make 500 times more claims on the earth's resources than any child born in India or Chad or Mongolia. It should therefore be the first target for zero population growth. Similarly, the United States which, with 6 per cent of the world's peoples, consumes at least 35 per cent of the world's resources, has the prime duty to stop expanding and, if possible, do a little disgorging as well.

In all this there is clearly the makings of a disruptive confrontation between developed and developing nations, one side defending its existing predominance, the other stating deeply felt and largely unrealisable counter-claims. In a curious way both sides are appealing to an extra-national principle while making no effort to modify their own sovereign claims. The rich appeal for restraint in development because the planetary biosphere could be in danger. The poor reject controls and delays because they pin planetary responsibility on the rich. Both sides sense instinctively that nationalism is no longer the full answer and a new planetary imperative is beginning to emerge. But neither will accept that aspect of universalism that offends its own parochial interests. If the mood recalls the intransigence and side-taking of earlier theological debates, the comparison is not entirely misleading. Ambassador Ozorio has wryly observed :

> Plans for the Stockholm conference are marked by what might be called the "Calvinistic" attitude that the developed countries have demonstrated, by their development, a special right to salvation and perpetuation, thus passing on to the more numerous underdeveloped peoples the responsibilty for creating the necessary space on earth.

In fact, given this potential bitterness in side-taking, one may even conjecture that the Soviet Union's hesitations about even attending the Stockholm conference may not turn solely on the issue whether east Germany is or is not permitted to attend. Russia is developed, white, ex-colonial and in control of massive resources in thinly populated regions. The presence of China at the conference could mean that these characteristics would not go unmentioned in any incipient lining up of the needy versus the largely satisfied states.

* "Development and Environment." The Founex Report (Statement by Ambassador Ozorio de Almeida). *Carnegie Endowment for International Peace*, 1972.

Limits to extrapolation

There is no easy way of side-tracking or resolving the risk of confrontation, for instance, by turning to different canons of certitude. The other two great creative forces of the modern age—science and economic expansion—are also involved in difficult tasks and controversies of self-discovery. They do not speak with certainty about the possible planetary predicament of over-population, over-use of resources and over-pollution.

In fact, they often speak with precisely opposite voices. Economists, in particular, to whom, it seems, ecologists very rarely talk, tend to dismiss the whole idea of "overrun and collapse" by the middle of the 21st century because it is based upon the technique of geometrically projecting numbers, technologies, resource use and pollution unchanged into the future. And, the economists argue, this is exactly what does not happen. There always are changes. Scarcities bring about modifications in price; these stimulate the appearance of substitutes or the discovery of new reserves and also bring about unpredictable swings in the pattern of demand. Any supposedly iron law of exponentially diminishing supply has yet to be discovered.

Appropriately enough, iron is itself an interesting instance of this fact. Between 1900 and 1910 the annual increase in the production of iron ore in the United States was 7.8 per cent. This would mean doubling output every 8.9 years. Since 1900 there have been eight doubling times. Production should therefore be 256 times greater. In fact it has only increased threefold. More efficient use and a vast shift to alternatives upset the trend by a factor of almost 100 in only 70 years.

Moreover, economists are themselves beginning to move away from any simple-mindedly total reliance on market signals. There is a growing realisation of the multiple side-effects of thrusting growth. In theory, "external diseconomies"—upstream insecticides killing downstream fish—have long been recognised. Now the impact of the long postwar, energy-devouring, effluent-creating consumer boom is forcing a wide variety of diseconomies to the centre of public attention. When this occurs, public regulations, government action and expenditure can upset the most accurately programmed extrapolations.

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The British Investment Trust Limited

The 83rd Annual General Meeting of The British Investment Trust Limited will be held on 12th June, 1972, at 46 Castle Street, Edinburgh.

The following are extracts from the Report of the Directors for the year to 31st March 1972:

Highlights	1972	1971
Total Revenue	£3,568,000	£3,410,000
Available for Ordinary Shareholders	£2,157,000	£2,043,000
Earned on Ordinary Capital	15.97%	15.13%
Ordinary Dividend	15½%	14⅛%
Total Assets	£134,190,000	£96,854,000
Valuation of Investments	£128,124,000	£91,707,000
Valuation of Properties	£6,608,000	£5,355,000
Net Assets	£113,803,000	£80,943,000
Net Asset Value per Ordinary Share	206½p	146p
Net Asset Value per Ordinary Share assuming full conversion of the Convertible Debenture Stocks	192p	143p

Revenue

The Total Revenue for the year showed an increase of £158,000 over the previous year. Revenue from short-term deposits was considerably reduced from the levels experienced last year due to the decline in interest rates. However, it was decided as a temporary measure to take advantage of the more attractive yields available in the Gilt-edged market. There was a satisfactory increase in United Kingdom dividends and a full year's revenue from the properties which were purchased at the end of 1970. In addition there was some revenue from the proceeds of the Convertible Debenture Issue made in November 1971.

The Directors propose to pay a final dividend of 8⅛% making with the interim of 7% a total of 15⅛%. In accordance with their practice of maintaining a fairly close relationship between the interim and final payments, the Directors intend to declare in October 1972 an interim dividend of 7⅛% for the year to 31st March 1973.

Valuation

The Valuation of Investments (excluding properties) increased by £36,417,000, although account should be taken of the £7,700,000 raised by the Convertible Debenture Issue in the latter part of the year. The United Kingdom performance has been very satisfactory and has fully participated in the upward trend in the market. In North America, where there was a relatively modest stock market performance and a devaluation of the U.S. Dollar, the investments have outperformed the market indices.

The Valuation of Properties showed an increase of £1,253,000.

The Net Asset Value increased by 41½% during the year to 206½p of which 14½p represents the dollar premium.

The Portfolio

The most important change in the distribution of investments during the year was a substantial increase in the Financial sector. This increase was mainly in the United Kingdom and reflects not only the investment of a large part of the new issue proceeds but also the strong upward movement of share prices during the period.

Despite the performance of the North American markets during the year, many of our investments there continue to show excellent growth.

There has been a substantial reduction during the year in the percentage of the portfolio represented by investments in North America. This does not indicate any change of policy on the part of the Board, but is due entirely to the very strong relative performance of the United Kingdom market, the investment in this country of the whole proceeds of the new issue and the devaluation of the dollar. In fact the dollar value of our North American investments, excluding the premium, has increased by over 10% since last year and now stands at $83,000,000.

New Issue

In November 1971 there was a rights issue of Convertible Debenture Stock. The net proceeds of £7,700,000 had been largely invested in United Kingdom equities by 31st March 1972. These investments are already showing good appreciation and will materially increase our franked revenue in the current year.

Future Prospects

The prospects for dividend increases from many of the U.K. holdings is encouraging. Only modest growth of revenue is expected in the short-term from the United States owing to the current dividend limitation policy, although there should be scope for increased dividends in due course. Overall further earnings progress is expected in the current year.

As far as capital is concerned, in the United Kingdom, the Board believe that the Financial and Consumer sectors, which together make up 68% of the portfolio, will continue to show superior performance in the current year.

The economic recovery in the U.S.A. continues to gather pace and the Board is confident that the North American portfolio, which is largely concentrated in selected growth industries, will continue to produce good capital appreciation.

As regards other countries, the Board look for steady long-term growth from the Japanese economy and it is their intention to increase the investment in that country in the coming year. Hong Kong remains an area of rapid growth and the policy of concentrating on the leading companies in the Far East has proved highly rewarding.

The Board welcomes the decision announced in the Budget that the programme of voluntary restraint on investment in Australia and South Africa has been lifted.

Copies of the Annual Report & Accounts can be obtained from
The Secretary, The British Investment Trust Limited, 46, Castle Street, Edinburgh, EH2 3BR.

Public authorities can lay down standards of non-pollutive behaviour and exact fines or "effluent charges" on industries which fail to conform. Then the inducements are there for them to internalise their costs by inventing less pollutive technology. Often when they do so, they will find that what was thought to be waste is a valuable by-product. German and Dutch municipalities turn sewage into fertiliser. Some steel plants recover usable sulphuric acid from their pickling liquor. It is only if air and water are treated as "free goods"—which they may well cease to be quite soon—that we are condemned to exponential growth of effluents. Give them a price based upon public standards and they can be brought under control.

Even that most relentless of current pressures—population growth suddenly spurting upward as death rates fall precipitously all round the world—is not irrevocably exponential. A survey of young women conducted in the United States in 1955 showed the average of their wishes to be for 3.2 children. A survey in 1971 produced an average of only 2.4 children. This is at least within sight of zero growth. There is a high general correlation between modernisation, urbanisation, industrialisation and education (for women as well as men) and declining birth rates. It is not irrational to argue that societies, as they modernise, can get themselves out of the trap of exponentially growing population.

Nor should we forget more heroic visions, not only of postponing collapse, but of achieving future plenty. Family incomes of $250,000 a year in developed lands and a massive transfer, by way of multinational corporations, of manufacturing industry to raise living standards in the planet's poor "South" can be predicted by extrapolation for the middle of the next century. Above all, the tremendous freedom to mobilise energy and manipulate matter conferred on man by his mastery of the atom* leads some scientists to postulate* a future in which the planet can comfortably carry 20 billion people at current American living standards simply by using virtually limitless resources of atomic energy, water, air and the minerals locked up in common rock.



Don't dump detergents!

All in all, the argument runs, we are moving not to a world of scarcity, but to a new era of scientific abundance opening up to technological man as his energy systems repeat on earth, with Promethean audacity, the fusion process at the core of the sun, as he manipulates the ultimate stuff of nature by molecular welding and turns all wastes back into recombinable elements by use of the "fusion torch."

Are we then to conclude that eco-doom is being trundled off stage and that both developed and developing peoples can look forward to a secure future of high technological felicity?

Uncertainties in science

To promise so much is precisely to miss the fundamental intellectual revolutions—and hence confusions—of our time. Science and economics do not in fact come up with clear cut answers. Nearly all the forecasts of unlimited energy and ultimate abundance are based upon science's traditional and powerful methodology, by which the materials under study are reduced to "discrete objects" or ultimate elements, taken out of the continuum of nature in which they normally operate, submitted to measurement to test their behaviour and then made to repeat that behaviour in controlled laboratory conditions.

At the core of the process is, of course, a steadily increasing mastery of energy and the harnessing of all its forms—heat, compressed steam, electricity, nuclear power—to human research and use. In a sense, the whole process is one of power—the power to isolate the bits of nature that seem useful to man and to set them to work with increasing inputs of energy. It is Francis Bacon's dream of knowledge developed "for the benefit and use of man, for the relief of man's estate" and no philosopher would have rejoiced more heartily than he over the number of hours of backbreaking labour, incurable pain and persistent ill-health that have been banished in the process.

But the nature that is separated and conquered is still the same nature that obstinately continues to operate within a seamless web of interconnections and dependencies. For each of man's actions and interventions, for each stone flung violently into the pond, there are widening circles of disturbance, and as the stone grows larger and the pond does not increase the impact becomes more severe and potentially more damaging.

These interdependent aspects of nature are, in essence, what ecology is all about. It is the study not of the single thrust, but of the ramifications. Inevitably it lacks the grand simplicity of master strokes in physics or chemistry. It cannot, by definition, study "discrete objects" since its whole purpose is to put them back in their conditioned and conditioning environment. This involves an overlapping of disciplines, tentative methodology, a considerable uncertainty of results. There are more cries of warning than statements of fact, more controversies than comfortable agreements. There can, it seems, be almost as much angry debate about the amount of hydrocarbons the oceans can store as about the quantity of angels upon a pinhead. Yet the fact remains that man cannot act in the natural order without multiple effects. The more violently he acts, the more widespread and potentially disruptive those effects can be. And although nature has extraordinary capacities of self-cure and self-renewal, natural systems have at times been submitted to such overload that they have irretrievably broken down. Similar catastrophies can recur and it is precisely here that exponential projections seem most ominous.

If, for instance, water hyacinths on a reservoir are spreading at a geometrical rate, you can clean the water quite simply when you are still at the 2, 4, 8 stage of their advance. But let the situation ride. Then, when 32 turns to 68 or 68 to 136 in one doubling time, the hyacinths may, depending on the size of the reservoir, have stifled it, by absorbing all its dissolved oxygen. It will have become irrevocably anaerobic, stinking and useless to man or beast.

The whole human species shares and uses two enormous but limited reser-

* Alvin Weinberg in The Bulletin of Atomic Scientists, June, 1970.



Prophets of eco-doom

voirs—the atmosphere and the oceans. On these two ultimate supporters of all terrestrial life the activities of technical man impinge with steadily widening effect. But we do not know whether the rates of intervention are exponential. We do not know whether there are thresholds of irreversible damage and, if so, at which point human society looks like beginning to approach them.

To cite only a couple of examples of this fateful ignorance, scientists know that the steady burning of fossil fuels is releasing more and more CO_2 into the air. Carbon dioxide catches the sun's radiations and transmits them back to earth rather as closed car windows admit radiant heat and trap it inside. Normally, the atmosphere only contains about .03 per cent of carbon dioxide. Recently CO_2 seems to have been increasing by 0.2 per cent a year. This is no immediate problem. But over the next decades there could be a cumulative effect. But what effect? At this point begins the ignorance. First, we do not know where all the CO_2 goes—to the plants, to the oceans, to the atmosphere? Could an unnoticed redistribution speed up the concentration in the air? If so, could heating up increase and even reach the critical level of 2 deg. Cent. which presages a melting of the polar ice caps? Still we do not know. Yet the answer might entail the submergence of such centres of pollution as New York or Leningrad—a drastic environmental solution not widely recommended by even the most convinced ecologist.

Or take the oceans. They are the ultimate sump of all nature's detritus. On their surface minute phytoplankton produce a quarter of the planet's oxygen. In their estuarine waters fish spawn and move out to every sea. Tides and currents carry all kinds of wastes—from run-off nitrogen fertiliser to old World War I canisters of mustard gas. Much of this movement is uncharted. The ocean depths are unexplored. Carrying capacity is unknown. The distribution of long-lived pollutants like the chlorinated hydrocarbons can only be guessed at. Much seems to have been absorbed in unidentified natural sinks. Yet DDT turns up, in high concentrations, in whales bred near Greenland. Once again, scientists do not doubt the growing impact. They simply do not know how large or small the storage areas are. In this, as with a hundred other pollutants, we have no precise knowledge of points of no return or of the degree to which the oceans' spawning grounds, surface life, storage capacity, and even, in some areas, dissolved oxygen are being variously affected. Parts of the Baltic are becoming anaerobic. The Mediterranean is deteriorating. As closed seas, they are special, but, ultimately, the oceans have no outlet pipe for wastes. Overload is conceptionally possible. Are we moving towards it? We do not know.*

Since the sum of these scientific uncertainties suggests a measure of caution in the future use man seeks to make of the biosphere, it does nothing to resolve the arguments of conflicting interest between developed and developing states. We cannot evade the possibility of confrontations by using science as the escape hatch. It is simply not possible to disprove the possibility that the pollution and resource exhaustion already practised by western man may, if carried on by everybody, push the shared planet some way towards a critical threshold of over-use. If this is the case, who is to stop developing—the rich or the poor? Who has the power to make the decision? Chiefly, the rich.

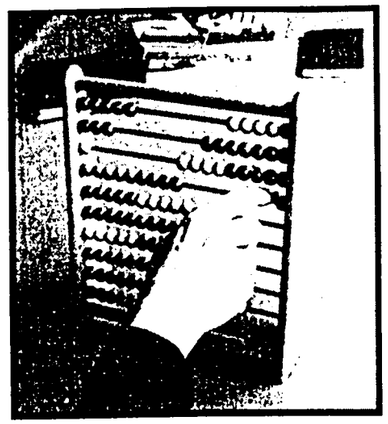
*The most complete and objective account of the whole range of environmental risks is to be found in "To Live on Earth," by Sterling Brubaker, *Johns Hopkins Press* for Resources for the Future, Inc., 1972.

The economics of deprivation

Economic answers are equally uncertain. It is true that growing scarcities bring price rises which induce new discoveries and substitutions. It is also true that public regulations compelling industries to internalise costs and lessen pollution are beginning to proliferate. These changes can falsify predictions of pollutional doom and resource exhaustion by the middle of the next century. But they do not necessarily take the strain off the poor nations' efforts of development.

Here we encounter another destabilising aspect of the all-out pursuit of economic growth. It has no built-in tendency to redistribute the surpluses and tends on the contrary to skew still further the patterns of income it creates. If, with most accessible mineral deposits exhausted, with technology becoming steadily more capital-intensive, with real price increases needed to cover anti-pollutive costs, the whole process of development becomes more expensive just as the poorer nations embark on it, traditional economic practice gives them little hope of alleviation.

Inside already developed national societies a great array of social and institutional innovations—taxation, welfare, social insurance, trade unions, public education and housing—have somewhat corrected the market system's innate tendency to favour the already rich. In the planet at large no such policies or institutions are fully at work. Three-quarters of the world's resources continue to flow to a quarter of the people. They also have their hands on the levers of power—whether they are large-scale national companies, multinational corporations, research institutes or central planning ministries. Without more forceful arrangements for sharing resources and skills, "trickle down" economics are not likely to meet the basic needs of 3



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Extracts from the Chairman's Statement and Accounts to be presented at the Annual General Meeting on 16th June, 1972.

The Group has had a good year with an increase in profits despite the difficulties experienced by our French Subsidiary Company.

Overseas Markets
As expected we had a very substantial increase in sales in Holland, making it our largest market.

Germany also made the expected progress and throughout nearly every export market we have gone ahead.

Europe continues to show the greatest growth and potential and I feel that the time will come when we shall make faster progress in the U.S.A.

It is interesting to note that Spain already has a trading agreement with the E.E.C. and under this Sherry is given favourable treatment.

Portugal is negotiating a trade agreement with the E.E.C. and it seems almost certain that Port will be included.

In France we achieved record sales but due to exceptional expenses there was a loss of £52,000. In addition a provision of £172,000 against losses on termination of an agency business in France has been made and this we are in the course of litigating. The management of the French Company has been re-organised and the company should trade profitably in 1972.

Home Trade
We again progressed in 1971 and there would seem every likelihood that we will increase sales further in 1972.

The trading activities of our Scottish Company have been curtailed and the reduction in stock and the sale of properties will improve the cash position of the Group by a total in excess of £500,000.

Production
Sandeman & Ca. Lda., Oporto, Portugal. Shipments from Portugal were once again a record. Much modernisation and mechanisation has taken place and for the time being we are undoubtedly over the hump on capital expenditure. The 1970 vintage produced excellent wines and we have declared and are shipping 1970 as a Vintage.

Sandeman Hermanos y Cia, Jerez, Spain. Shipments from Spain to various markets throughout the world were again the best ever as were profits. In 1971 a new Bodega for our Capa Negra Brandy was built. The rate at which our Sherry business is expanding will undoubtedly necessitate the building of a further Bodega during 1973.

The Consolidated Accounts for the year ended 31st December, 1971 (including attributable profits of Associated Companies) show

	1971	1970
	£	£
Profit before Taxation	1,101,317	839,810
Profit after Taxation	744,369	547,959
Profit after Taxation & Extraordinary items	597,875	581,959
Dividends—Preference	23,101	23,101
Ordinary	(17%) 317,475	(15%) 280,125

Geo. G. Sandeman Sons & Co., Ltd

billion poor people by 1980, of 5½ billion by 2000. The most dangerous threshold may not be the exhaustion of resources, pollution and rising population pressure by 2050. It may be the exhaustion of popular patience and the rising pressure of revolt and anarchy by 1984.

Framing an agenda

The preparations for Stockholm could hardly take account of all these tumultuous stirrings under the surface of the modern order. Yet it can be argued that the conference has the chance of setting in motion a unique process of mediation. The central problem is, after all, whether sovereign nations can, in the name of their own economic self-interest, destroy the intricate webs and life support systems of planetary life. If it can be shown that they can do so, in inescapable physical fact, then the assumptions upon which modern man's habits of policy and power have been based, must be challenged.

Probably the most important act at Stockholm will therefore be to take firm decisions on the item concerning the "identification and control of pollutants of broad international significance." This implies a wholly new scientific effort to track down and monitor the multiple impacts of human intervention on the planet's natural systems. Fortunately for human society, this need coincides with the development of a very large range of new technologies and instruments of research capable of monitoring the process. Computers, space satellites, earth scanners, infra-red photography are not much more than a decade or so old. Yet they make it possible to envisage the establishment of a kind of co-operative, international, scientific "Earthwatch." Such a sustained survey, based upon research stations and ships and machines scattered over the face of the earth and in space beyond our planet, could begin to give men the precise knowledge they need not so much of "discrete objects" and single thrusts of activity, but of the interconnectedness and subtle interactions of the sum of all their interventions.

Within such a system of monitoring, it also makes sense to work for intergovernmental conventions to control such well-known pollutants as the voiding of oil bilges, washing off long lasting pesticides or the secret disposal of toxic substances. Violations will show up on radar screens and delinquent behaviour can be pinpointed by satellites.

It is also possible that two of the other items for discussion—"planning and management of human settlements for environmental quality" and "environmental aspects of natural resource management"—will encourage a new, more sophisticated approach to the old driving single-minded pursuit of economic growth. On the side of developed nations, the conference can initiate and encourage the essential dialogue of economists with ecologists and take advantage of their new readiness to consider "external diseconomies" and realise the instabilities inherent in radically unjust and distorted patterns of distribution.

The conference can also encourage the signs of a search to redefine economic growth itself in order to set it in its entire social context and see it not as an undifferentiated set of "goods and services" but as a balance between gross national goods and gross national "bads"—a concept which could end such ludicrous calculations as that of including in the gross national product doctors' bills incurred for bronchitis while leaving out the air pollution which caused the bronchitis in the first place. Moreover, any assessment of human "goods," particularly in the all too often noisy, ugly, filthy cities of the developed world, suggests the need for a growing emphasis on man's less consumptive needs—more space, more education, more art, more well-constructed neighbourhoods, more parks, more beauty—most of which, unlike the often blatantly obsolescing goods of the recent consumer revolution, are capable of providing large expansions of income, employment and satisfaction without polluting a stream or putting a single particulate in the air. The concept of growth as enhancement, not growth as clutter, is at least beginning to provide a terrain where economists and ecologists can meet. Stockholm can sharpen and extend the exchange of ideas.

Moreover, by suggesting that developed nations may not be intending to continue in a blind and dogged pursuit of ever more materially consumptive and environmentally disruptive economic growth, the new questions raised by economists provide some hope of lessening the poor countries' fear that their development will be retarded in the name of the world's general ecological balance. Admittedly, more thrifty and less consumptive growth could, in the short run, disrupt raw material markets and would require off-setting capital flows. But it would also guarantee the survival in developing lands of their own mineral reefs and reserves against the day when new methods of recycling and more effective anti-pollutional technology would have been invented for their use. As Dr Ignacy Sachs* commented, after the preparatory Founex Conference on Development and Environment, modernising countries do not have to follow slavishly the patterns of past developers: "This view loses sight of the only real advantage of latecomers, namely the ability to learn from the experiences and errors of others." To build environmental disasters into their structures in the name of economic growth just when developed states are beginning to try to get rid of them would be folly indeed. There will be all kinds of less pollutive models to follow soon. Nowhere is this potential advantage clearer than in city building. Wise planning, control over land acquisition and the prevention of speculation can permit much greater urban amenity even in communities that are still poor. At the same time decentralisation of urban-industrial centres as practised, for instance, in Poland or Rumania, can be introduced in the very early days of modernisation or at least used



We shall fight it on the beaches

*The Founex Report, op cit., p.74.

to check the spreading growth of existing metropolises.

However, the chance that these more hopeful and co-operative economic approaches will begin to surface at Stockholm turns on the handling of the item on "development and the environment." After all, the possible reassessments of growth, the possible redefinitions of amenity, the chance of lesser strain upon man's fragile biosphere and vulnerable eco-systems all lie in the future. What lies in the present is the fact of vastly uneven wealth distributed through a system of nations which owe no specific loyalty to a wider commonwealth. Among them the richest command concentrated power, still aim at 3 per cent growth rates and tolerate a total disproportion in the distribution of the planet's "goods" and opportunities.

It has not gone unnoticed that, in some developed countries, a sudden interest in ecology has coincided with an equal setback to the interest in development assistance. Airs and oceans may be universal and interdependent, but biospheric interdependence has yet to be translated into any sense of planetary responsibility that transcends the national interest. The flow of resources from rich to poor states is stuck fast at about $6 billion a year and falling in value under the impact of inflation. Yet it is manifestly less than enough to stimulate the poor nations' struggle against the most basic form of environmental degradation—which is extreme poverty, protein deficiency, shanty-town dwelling and unemployment for a rising percentage of the world's peoples.

If, on top of these insufficiencies, the rich nations' environmental concern turns into demands for environmental controls which delay development projects among the poor, slow down basic growth or even make all developmental activities more expensive, then confrontation will be the inevitable result. If, on the contrary, Stockholm marks a renewal of the realisation that development—and increased assistance to development—are the first need in the poorest lands, that they alone provide the context for successful family planning and alone can bring to the mass of people the diets, schooling and opportunity of a truly human environment, then confrontation can give way to dialogue, dialogue to planning, and planning to the first sketch of a strategy to achieve a humane and lasting balance between development and environment for all the peoples of planet earth.



Earth Day: an attempt to educate

Institutions for survival

No one supposes that the Stockholm conference can do more than touch the fringes of the vast issues underlying its two-week agenda. At the most, a few conventions on controlling pollutants and setting standards will be prepared. Hopefully the first steps will be taken to set up the world-wide monitoring systems of the Earthwatch. The essential point is that the discussions should continue and the issues be followed up after "the captains and the kings depart." Stockholm can be a "moment of truth," a point in time where the arrogant certainties of an epoch that is dying begin to give way to new forces striving to find expression and effective influence.

If this possibility is to be realised, two things are necessary. The first, to be discussed under the last item on the agenda, is the establishment of an institution—a secretariat, a permanent committee—with the mandate to carry on the Stockholm initiatives with governments, with the international agencies and with the public at large. The secretariat requires a separate fund in order to function efficiently and independently. Happily, the United States has given the lead in proposing an initial sum of $100m for the first five years and has offered to cover 40 per cent of the figure. Such a secretariat, commanding its own resources, could see to it that no immediately worthwhile proposal is lost and that the task of evolving a longer-term strategy continues.

But possibly the largest task will lie in the field of education at all levels in the realities of the new environmental imperative. This need is also to be considered during the fortnight, and the sheer scale of the issue may seem daunting to some of the delegations. How can a thing so vast, various, dispersed, uncertain, contradictory and often totally unidentifiable become the subject matter of effective education? Between car shredders and space satellites, between soil erosion and particulate emissions, between shanty-towns and DDT, where are the threads and consistencies? To turn "environment" into a curriculum at any level—from primary classes to advanced schools of management—is the equivalent of telling everyone to study everything. It cannot be done.

Yet there is an inner consistency to the work at Stockholm. It lies in adding to the three main thrusts and certainties that have dominated the world since 1572—science, economic growth and the autonomous nation—the dimension of interdependence and of inescapable interconnection. In essence, it means adding to the incomparable power of measuring and controlling separate phenomena the devoted study of all the links and dependences, the thresholds, the living reactions of natural things in their environmental continuum. In economics, it means counting in the external effects of all transactions and situating the market where it must always belong—in the centre of a fully human society with needs and dreams and ideals which go beyond the daily transactions of corner-store or supermarket. In political life, it means seeing the nation not as wholly "sovereign" but as a partner in the wider association of a planetary society whose bio-physical structure and interdependence make it inescapably one, a society which demands not exploitation but respect and love, if it is to continue—above all, in the nuclear age—to carry human life on earth.

In short, the deepest meaning of Stockholm is to begin, after 400 years of splendid but increasingly dangerous and divisive separations, to recognise the necessity, the inescapable reality of the unities of our planetary existence. As E. M. Forster once put it, with his customary modesty: "Only connect." It is not a bad motto for a humanity that must hope and can learn to survive.

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1971 turned out very much as we had forecast, with our newspapers having a difficult year but our diversified interests showing improvements. Performance in 1971 was adversely influenced by the general economic conditions, the level of unemployment and industrial disputes and disturbances. We estimate the total direct costs at £970,000 in pre-tax profits. The postal strike alone is conservatively estimated to have cost us some £600,000 in pre-tax profits with additional and extremely severe indirect effects on certain parts of our business.

Nevertheless, turnover continued to rise and although pre-tax trading profits were below the 1970 level, there was a marked recovery in the second half-year. Turnover in 1971 was increased over 1970 by £14,443,000 to £109,669,000. Trading profits of established activities for the second half-year stood at £4,370,000 compared with profits of £2,800,000 in the first half. Pre-tax trading profits at £5,542,000 were £1,100,000 below the 1970 figure, almost all of which is accounted for by the effects of industrial disputes and disturbances. Final net profits after tax, minority interests and special items increased from £3,695,000 in 1970 to £4,001,000 in 1971. (Neither year includes anything relating to *The Times*.)

We have passed through a period of consolidation and we have eased many of our financial constraints. A series of definitive actions has been planned aimed at releasing significant sums of cash to undertake new developments. These various initiatives will, together with our own bank facilities, create the financial resources needed for the next stage of development and diversification. Existing operating groups are now strongly organised into well-managed companies capable of exploiting the growth potential which exists within each of them and we are now moving positively into our next stage of growth.

Through Thomson Scottish Associates, The Thomson Organisation is now involved in the exploration for mineral resources in the North Sea. In conjunction with Anglo-Continental Investment and Finance Co Limited, we have entered the field of insurance by acquiring a one-third share in the old-established firm of H. G. Poland and Sons. We have created Thomson Land and Properties Limited to administer profitably our own growing property interests and to develop new ones. Thomson Publications Limited have acquired Juniper Journals in this country, a group of leading mining papers in South Africa and have acquired a one-third interest in the trade and technical and the specialised publishing divisions of Bertelsmann AG to form Bertelsmann-Thomson Informations GmbH.

The improvement in the Company's trading which occurred towards the end of last year is continuing into 1972. As the economy continues to grow, we anticipate significant profit improvements in Thomson Travel Holdings, Thomson Publications and Thomson Yellow Pages.

Books

Keeping up with the Joneses

THE CHILDREN OF PRIDE
Edited by Robert Manson Myers.
Yale University Press. 1,870 pages. £6.95.

Oh for a beaker full of the warm South! Here it is, full and overflowing; nearly 2,000 pages, over a million words and 5 lb avoirdupois. Even the most avid addict of "Gone With The Wind" could hardly ask for more. It should now be apparent why the South lost the war. It was too busy writing letters.

There are in this volume some 1,200 letters, covering the years 1854 to 1868. They have been selected from a total of approximately 6,000 by a merciful editor concerned to spare his readers the full impact of Southern epistolary zeal. The result will still leave most victims stunned. And when it is realised that this is the correspondence of a single family—or perhaps it would be fairer to say a single clan—the offspring and relations of the Rev. Dr Charles Colcock Jones, Presbyterian pastor and plantation owner, of Liberty County, Georgia, it will become apparent what a remarkable specimen it constitutes of intra-familial communication at the time and pious custody of family records afterwards.

But though remarkable in these respects the mutual exchanges of the Joneses cannot honestly be said to be remarkable in themselves. Like some Victorian three-decker they sustain our interest, if at all, by the sheer weight of their narrative rather than by the brilliance of the writing, the drama of the incidents or the personality of the participants. The Joneses are not a wholly typical Southern family. Headed by a patriarchal divine, whose ill-health debars him from academic preferment in the seminaries of the South, the family is more professional than truly agrarian. One son becomes a lawyer, another a medico: their father so far departs from the planter norm as to dissuade them from allowing plantation management to get in the way of their professions. Yet if not



Dr Jones: epistles to the Georgians

typical planters, the Joneses are typical of the better class of Southern gentlemen, reared in piety and in good works, liberal within their station, blind to most that lies beyond it.

The onset of the war does not make the Joneses more interesting, nor does it afford any of them a very large public role. But it brings, of course, a certain inescapable drama in its train. There is a graphic picture of the First Manassas and a lively account of the hurried evacuation of their island home in the face of Yankee raiding parties from the sea. But in general the Joneses do not so much go to war as have the war come to them. The undoubted highlight of these years is the long and vivid 20-odd page account of how Sherman's march through Georgia appeared to the handful of women and negroes left defenceless in its path.

But for the most part the appeal of this massive volume lies in the very ordinariness of its peacetime narrative and the gradual attrition of normality, confidence and eventually hope itself under the increasing weight of war. Its appeal is built into its subject, the burden of exhaustion, defeat and impoverishment, offset by family affection and a determination to survive.

To the social historian "The Children of Pride" will be a gold mine. It is full of revelations upon the Peculiar Institution, Southern mores and ideology, the home front in wartime (and a fair amount of the battlefront too). Unfortunately the gold exists, not in a broad seam, but in dust that has to be panned for. The ordinary reader is likely to find such panning hard work, though there will be those for whom the familiar themes of Confederate life can never be exhausted. For the rest, the letters lack the concentrated political meat of the Toombs, Stephens and Cobb correspondence, while they cannot rival the peculiar charm of the diary of that most appealing of Southern heroines, Mary Boykin Chestnut.

The topography of Dulness

GRUB STREET
By Pat Rogers.
Methuen. 448 pages. £5.50.

Grub Street was within the "liveries" of the City of London: outside its walls, but within its jurisdiction—just about. It was in Cripplegate ward, by Bedlam and the noxious Moorfields: its name derived from a refuse ditch alongside. Like the "artery of Dulness," the Fleet ditch, its physical features provided the Scriblerians with a material symbolism for their denunciation of Dunces, just as the vice that flourished in poverty and disease provided them with a moral symbolism for what they regarded as literary prostitution.

The name became both a generalised title for a locality and a metaphor for a kind of writing: it became hard to distinguish whether a "Grub Street scribbler" was a judgment on the writer or on his address. It is easy to see Grub Street as an eighteenth-century Fleet Street, packed with bread-and-butter writers and broadsheet publishers, but in fact precious little is known about its inhabitants at that date. And, as Dr Rogers points out, those who used it as a term of abuse were hardly familiar with the area: Pope went seldom into the City, and cannot have made many excursions into Cripplegate. The alternative is to forget that Grub Street was a real place at all: but that is to lose so much of the meaning of the wealth of topographical allusion in Augustan satire.

So argues Dr Rogers in this excellent book: he walks down the labyrinth of myth, metaphor and city slum with a certain step and every evidence of intellectual satisfaction. He starts from the unfamiliar end of the ball of string, not seeking to extract a picture of the

city from Augustan literature but to inform an understanding of it by providing "a route map to explore the comedy of Grub Street." He extracts the maximum information from the evidence: it is a brilliant piece of detection, for Grub Street no longer exists.

After the second world war, the area was chosen for study as "the largest single devastated area in the City of London." Grub Street now lies under the Barbican: only some 80 yards of Milton Street, as it was soberly renamed in the nineteenth century (after its developer, Dr Rogers believes, not the poet), survive to the north. The nearest one can get to the rest is on the underground out of Moorgate station. Superficially, one can regret this: the metaphor of Grub Street has been turned on its head, into an expression of sympathy for the depressed author, the literary underdog. But the street itself is no loss: it would have taken more than sensitive restoration to make it an attractive relic of Augustan England. Pope and his fellow-critics of Dulness, of scribblers, of literary journeymen, did not create its reputation: rather they used the bad name it already had. At last, Dr Rogers writes:

> . . . the Cripplegate region has outlived its poverty and ugliness. It has taken a couple of centuries longer to do so than Grub Street did to lay its own, metaphoric, ghost.

Back to stage two

GEORGE THE THIRD
By Stanley Ayling.
Collins. 510 pages. £4.50.

For a monarch who is often regarded as dull and ordinary in his abilities and ideas, George III has enjoyed a surprising variety of reputations. To the American schoolchild he is portrayed in innumerable textbooks, even today, as a sinister tyrant, intent only upon reducing a loyal people to obedience to his will. A milder version of this view was found in this country in the "Whig" interpretation of the struggles in which George was involved, an interpretation which until 40 years ago had almost unquestioned ascendancy in respectable historical writings. In this version, George was trained from earliest youth to be the "real ruler" over all his people, regardless of changes which had occurred since the revolution of 1688 in the position of the monarchy. In his efforts to carry out his destined task, so ran this version, the king clashed with the Whig upholders of the constitution and finally, during the administration of the younger Pitt, succumbed to them.

Whig history was succeeded in the 1930s by an apparently entirely new interpretation (though actually Sir Herbert Butterfield has shown that it was largely a rehash of an old one) put forward by the late Sir Lewis Namier. For Namier, George III was not a tyrant or even a disrupter of the constitution, but simply a conscientious neurotic who attempted to assert royal rights which had never been revoked, either in 1688 or at any other time. In the 1950s the late Richard Pares's "George III and the Politicians" and Butterfield's "George III and the Historians" pioneered the currently accepted interpretation, which takes its stand somewhere between the rival Whig and Namierite orthodoxies. If the Whig view was based upon the propaganda of George's political opponents, Butterfield pointed out, the Namierite one derived from that of George's supporters; if the King did not infringe constitutional law, Pares and others argued, he certainly infringed the constitutional practices of the late eighteenth century.

With so wide a variety of interpretative matter to choose from, a new biography of George could contribute much to our understanding of the period. Mr Stanley Ayling's attempt, despite the readability of nearly 500 packed pages of text, is not very satisfactory. The likely criticism of professional historians, that it is based almost entirely on printed works, is less important than those which can be laid against its interpretation: it takes its stand on stage two of the development, the Namierite version. The shibboleths of the school are duly repeated: when contemporaries spoke of public opinion, we are told, the meaning was "limited and exclusive"; political parties were unknown "in any modern sense of the term"; the right of the king to choose his own leading minister was "incontestable."

Not, however, that Mr Ayling accepts the full Namierite position on George himself; Freudian analysis of the king's states of mind gives way to the more recent medical views of Messrs Macalpine and Hunter, who diagnosed his trouble as porphyria, a physical illness which can induce symptoms akin to mental instability. And the fears of George's Whig opponents that his favourite, Lord Bute, continued to advise the king even after leaving office in 1763 are shown to be not entirely without foundation. But the author's own assessment of the opposition case



George III: needing modern treatment

is not always impartial, as his vocabulary shows when he refers to Charles James Fox's friends as "cronies" and his speeches as "tirades." If a corrective to the Whig interpretation were needed at this time, Mr Ayling's elegant work would be useful. As it is, there is still room for a modern biographical treatment of George III.

From militarism to madness

THE SWORD AND THE SCEPTRE: VOLUMES I AND II
By Gerhard Ritter.
Allen Lane, The Penguin Press. 338 pages each. £6.50 a volume.
THE MYTH OF THE MASTER RACE
By Robert Cecil.
Batsford. 276 pages. £3.

It is impossible to translate the original title of the late Professor Ritter's excellent work, "Staatskunst und Kriegshardwerk," into an English one simultaneously manageable and adequate. "The Sword and the Sceptre" (reinforced with the same subtitle as that of the German edition, namely "The Problem of Militarism in Germany") is somebody's brave shot at it. The able translator of the original text, Herr Heinz Norden, essays at one point "The Art of Statesmanship and the Craft of War." Yet in an "afterword" to the third and fourth German editions of volume one Professor Ritter half regrets he ever used "the vague and equivocal" word militarism in the subtitle at all.

The trouble is that Professor Ritter's theme is and will be for ever profoundly controversial. His conclusions provoked, and still provoke, passionate disputation among German-speaking professional historians, and will do so again among members of the Anglo-Saxon genus, to whom this opportunity is now given to read him in full. In the professor's own words:

> This book is the fruit of the upheavals, in soul and mind, of the second world war. . . . What were the historical elements that allowed our people to become abject followers of a militarist more extreme than the world had ever known, a maniacal personality that made the good name of Germany the horror and bogy of Europe?

That is a prodigious question; and Professor Ritter took immense pains to try to answer it. He was already setting about it in 1941. Not content with the printed sources with which he was duly familiar he went to Berlin and Potsdam in 1942 and 1943 in order to consult the Hohenzollern family archives, the Secret Prussian State Archives, the army archives and other recondite papers. His research proved to be invaluable, since much of this material was later destroyed. But the professor's scholarship has never been seriously in question. It is his Olympian vision of events that has set the cat among Clio's more opinionated pigeons.

The first of these handsomely produced and impeccably documented volumes deals exhaustively, yet always readably, with the rise of Prussia and the concomitant friction and compromises between soldiers, statesmen, diplomats and officious kings. Delayed by the author's many other commitments, the second volume, which is devoted to "The European Powers and the Wilhelminian Empire, 1890-1914," followed as late as 1960. In his last sentence, writing of the outbreak of war in 1914 and its terrible consequences for the German people, the professor remarks: "Just how terrible it was will be shown in the next volume of this work." This is yet to be translated.

Anyone who reads all that Professor Ritter had to say must acquit him in the end of the charge of having whitewashed Prussian militarism. But as the professor sadly points out, it is one of the great paradoxes of history that eventually Hitler did make the army abjectly subject to civilian authority:

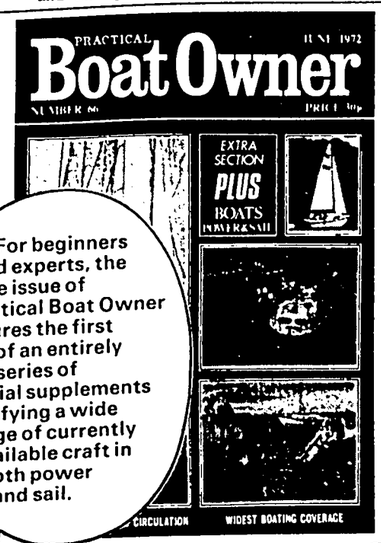
> . . . since Hitler, nominally a civilian, was actually the archmilitarist incarnate, the life of Germany was militarised through and through in the utmost measure, and German policy took on a radically aggressive character beyond the dreams of even the Prussian soldier kings.



Rosenberg: singularly muddled

One of the civilians with whose ideological help Hitler sought to justify the Wehrmacht's invasion of Russia was Alfred Rosenberg; and we can be grateful to Mr Robert Cecil, reader in contemporary German history at Reading university, for having composed the first full biography of Rosenberg in the English language. It was Hitler's

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old associate Rosenberg whom he commissioned in March, 1941, to draw up a blueprint for the administration and political configuration of the territories that he anticipated would fall into German hands that coming summer and autumn. It was Rosenberg who defined the common aim in a directive to his Reich Commissioners in the east as being "to free the Reich for centuries to come from the pressure of Great Russia."

Rosenberg was hanged at Nuremberg. He was a singularly muddled man, inhabiting for the most part a world of excessive fantasy, peopled menacingly by Slavs and Jews. Mr Cecil writes of Rosenberg as a "classic example" of a man who had frankly contemplated a brutal fate for large groups of his fellow creatures but, unlike some fellow Nazis, shrank from carrying out his lethal programme when he was given the opportunity to do so.

So far, so good

THE CHILDREN ON THE HILL
By Michael Deakin.
Deutsch. 125 pages. £1.45.

This book would give any parent an inferiority complex. Maria (names have been invented so as to protect the family's privacy) makes do with four hours' sleep so that she can do her housework at night and have the whole day to devote to her "process" of bringing up her four children. The process is obviously highly individual, but based on the Montessori system: Maria, whose own Italian childhood appears to have been beastly, was determined that her children should be brought up free from the pressures of violence, fear or jealousy. The parents —or at least Maria—are constantly available. They do not make regulations for their own convenience; they let their children do what they want to do (even when it means playing the same record non-stop for two days or throwing a rattle out of the pram every five seconds). When film cameras came to their home, a cameraman told Paul, aged five, that he was naughty when he spilt some paint: the child did not understand the word or even the idea.

Utter self-sacrifice is noble, and in it, as Mr Deakin and countless religious philosophers before him have pointed out, there is release. But it cannot be expected of all parents that they should not answer the doorbell when teaching their children, should make no house rules to protect their sleep or their carpets and should never fail to answer every maddening question. Nor should they be made to feel guilty when they do so. But Maria and her husband are not smug pediatricians laying down uncomfortable law for other luckless people to follow: they practised without preaching. And the understanding they reached, rather than the results, is worthy of dissemination.

Other parents are, of course, most likely to feel guilty not because they make arbitrary rules but because Maria's children are prodigies. Christian, at 11, was enjoying university-level mathematics. Adam, at 7, won—easily—a national piano-playing competition open to all under the age of 18. The remaining two children are still very young, though they are both obviously ahead of their age.

This, in turn, provides the conscience-stricken parent with the most altruistic of criticisms. No television, no comics, no sheriff's gun-battles made the eldest a fish out of water in his village school: he hated it. Precocity creates its own handicap: youth. But success, "getting ahead," is not what the process is supposed to be about: mathematics and music are just the children's methods of self-expression.

The process also purports to have provided these children with a moral development as advanced as their precocity in other spheres. Mr Deakin quotes the children's reactions to their difficulties, which certainly seem to be amazingly penetrating and well-balanced. But how deep is it all ingrained? Can it withstand, or make up for, the injustices and conformity of the outside world? Even Mr Deakin is not completely starry-eyed: he knows his can be only an interim report on what may well be an unnatural phenomenon. "As the man said when he fell from a ten-storey building: 'So far—so good.'"

Model ally

THE DOOMED DEMOCRACY
By Vera Olivova.
Sidgwick and Jackson. 276 pages. £4.50.

Hitler hated Czechoslovakia with the passionate intensity of a frustrated pan-German from Austria who had never forgiven President Masaryk for incorporating 3.5m Sudeten Germans into his new state in 1918. After some hesitation, it had been agreed at Versailles that the Sudetenland should go to Czechoslovakia to give the new state a better strategic frontier with Germany. Some prophetic voices, like that of the dissident Czech Social Democrat, Bohumir Smeral, warned against this. Even before 1914, Smeral had said that to restore the historic Czech state with a third of its German population would be a "highly risky gamble with the very existence of the Czech people." Of course this huge German minority might not have proved to be Czechoslovakia's Trojan horse if it had not been for Hitler: relations between the Prague government and Weimar Germany were very good. But the economic slump of the early 1930s hit the industrialised Sudetenland harder than other parts of Czechoslovakia. It provided extra anti-Prague votes for Henlein.

Worse still, these Sudeten Germans provided Hitler with a sort of moral excuse for putting pressure on Czechoslovakia. They also, according to Dr Olivova, provided Czechoslovakia's friends in the west, Britain and France, with an excuse not to come to its defence. Dr Olivova, whose marxist bias hardly shows at all, is a trifle hard on Chamberlain when she states that Czechoslovakia was a "mere pawn on the world's chess board" and that its defence had become



The crumbled defences of Czech democracy

"an embarrassment to its partners." Perhaps one of the lessons of what happened in Europe in 1938 and 1939 is that if it does not want to be squeezed out in that world chess game, a small nation should not be a model, helpful ally like Czechoslovakia, but a bit of a bloody nuisance. Dr Olivova, perhaps understandably, does not share this viewpoint. Ironically, it seems to have been borne out by her country's tragic experience with another power 30 years later. But her book is a gripping account of central Europe's only functioning democracy between the wars.

Natural resources?

EXISTENTIALISM
By John Macquarrie.
Hutchinson. 264 pages. £5.

This addition to Hutchinson's very useful "Theological Resources" series merits a place in the set both because of the influence existentialist thought has had on many recent theologians and because of the use made of it by Professor Macquarrie himself in his "Principles of Christian Theology," where he sets out to construct a new type of natural theology and give a new context for the meaning of theological language. The book gives a very clear introduction to the subject. Its method is first to characterise the general approach, and then to dwell on themes which have been central to those thinkers who can be roughly characterised as existentialists. Rather than take each main exponent in turn, Macquarrie picks one or other as characteristic for a specific topic, and then relates others to him. No one could make Heidegger easy to follow, but the author comes as near as possible with a series of writers who are not concerned with neat classifications but are struggling to put into words the depths of personal human experience.

Professor Macquarrie gives some assessment throughout, and ends with a short evaluation. He sees the chief weakness in the sphere of ethics: their concentration on the individual makes existentialist thinkers ignore the interrelation of groups, and their intense concentration on the formal aspects of personal authentic choice gives no guidance as to what one might choose or why. One may also doubt whether existentialism by itself provides an adequate language for theology, for all the insights it gives into certain aspects of reality. It has the inestimable advantage over philosophies of nature of examining reality as it affects man; but its concentration on the personal self, with a comparative neglect of ethical, historical and scientific values, weakens its power to express the meaning of reality as a whole.

Assembled left

RADICAL POLITICAL ECONOMY
By Howard Sherman.
Harper and Row. 447 pages. £5.85.

This is an attempt, perhaps the first, "to gather into a unified whole all the contributions toward political economy of the recent outpouring of new left, radical and nondogmatic marxist thought." Since its author is a competent economist and an obviously open-minded person, the attempt is very welcome. Without agreeing that the cure for underdevelopment is socialism or that profits are unjustified, one still wants to know what recent radical writings have contributed to our understanding of the world.

The answer, sadly, is not very much. Professor Sherman certainly deals with important problems and ably expresses marxist, though also democratic and egalitarian, attitudes to them. But neither those who share nor those who have chosen to reject his attitudes to poverty, pollution, imperialism, racialism and so on will find that they learn much. This is really a textbook addressed to the young. For them, and particularly if they are Americans, it provides an admirable mixture of left-wing description, analysis and invitation to argument. They will regard as penetrating and idealistic what their elders would brand as naive. To treat the evolution of capitalism, its functioning, the socialist movement, the workings of the socialist states and communism (in the marxist sense) in a way which allows for the interaction of economic, political and social phenomena all in one introductory book is a task which would compel a certain amount of simplification on the part of any author.

Small world

ANTIQUES IN MINIATURE
By Katherine Morrison McClinton.
Barrie and Jenkins. 192 pages. £3.50.

Miniatures, Miss McClinton points out, come in all sorts of sizes. She aims to concentrate on the in-betweens—too large for dolls' houses and too small for children—which are usually the finest, the rarest and the most expensive. That might explain why one of the most beautiful and famous antique dolls' houses in England—at Nostell Priory in Yorkshire, with furniture by the young Chippendale—is accorded only a brief mention. This omission is disappointing, as many of the pieces illustrated are in fact under six inches high. But otherwise the choice of illustrations is quite admirable: an astonishing variety of chairs and chests, a tiny roll-top desk, a rather larger Sheraton sideboard some 20 inches wide and a fine set of Hepplewhite dining-room pieces only three inches high. This book was originally published in America, as is immediately apparent from its spelling and its terminology (highboy, secretary) and there is perhaps too great an emphasis on American furniture. But Dutch and English cabinet-makers are well-represented.

Cabinet-makers put together a good deal of miniature furniture as samples. Silversmiths, porcelain factories and potteries were less likely to do so, but some fine miniatures are illustrated: a Staffordshire dinner service, a Meissen clock under two inches high and of course the famous Nuremberg kitchens stocked with miniature pieces of pewter. Silver toys—coaches and soldiers—were made on the continent in the sixteenth and seventeenth centuries and the fashion spread to England: but there the miniatures were usually copies of domestic silver. There are some particularly good photographs of miniatures side-by-side with almost identical full size teapots, sugar sifters and tankards.



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LIABILITIES	Lit.	ASSETS	Lit.
Reserve Funds	30,569,189,378	Cash and Due from Banks	313,649,691,402
Deposits, Current Accounts, etc	2,414,041,942,618	Securities	444,833,169,600
Bills for Collection	30,165,405,309	Contango Loans	14,238,059,998
Bills Rediscounted	52,236,444,650	Bills on Hand	209,664,399,810
Sundry Creditors	75,030,048,055	Bills Rediscounted	52,236,444,650
Staff Severance Fund	31,773,556,380	Current Accounts, etc	856,126,940,684
Documentary Credits Securities at a Future Date and Forward Foreign Exchange Transactions, Acceptances, Guarantees, for Account of Customers, etc	252,704,410,913	Mortgage Loans, etc	481,234,959,066
Tax collecting Offices and Treasury Services	143,753,419,850	Bills for Collection	150,209,448,463
Unearned Discounts, Interests, etc	19,579,826,165	Sundry Debtors	44,674,951,671
Net Profit 1971	3,200,636,161	Liabilities of Customers in Respect of Documentary Credits, Securities at a Future Date, and forward Foreign Exchange Transactions, Acceptances, Guarantees, etc	252,704,410,913
	3,053,054,879,479	Participations	17,278,659,202
Depositors of Securities	756,536,034,061	Real Estate and Bank Premises	8,723,425,135
Securities with third Parties	287,823,580,527	Furniture, etc	1
		Tax Collection Offices and Treasurerships	197,774,342,928
		Earned Discounts, Interests, etc	9,705,975,947
			3,053,054,879,479
		Securities Deposited	756,536,034,061
		Holders on Trust	287,823,580,527
	4,097,414,494,067		4,097,414,494,067

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5 CENTURIES OF PROGRESSIVE BANKING

De Neuflize, Schlumberger, Mallet — Bank Mees & Hope N.V.

The negotiations that were announced some time ago between Bank Mees & Hope N.V. and De Neuflize, Schlumberger, Mallet have resulted in an agreement under which BMH takes a 28% participation in the capital of De Neuflize, Schlumberger, Mallet S.A., the holding company of the NSM Group.

This operation, which is subject to the approval of the authorities concerned, will be realised in two phases :

Bank Mees & Hope will at once acquire a 16% interest in NSM, S.A., mainly through the subscription to a capital increase reserved to BMH. At the same time, BMH will subscribe to an issue of convertible debentures which, after complete conversion, will ensure BMH of the remaining portion of its capital participation.

The major part of the funds so received, i.e. about Fr. Frs. 30 million, will be applied to further develop the activities of the Banque de Neuflize, Schlumberger, Mallet.

It is envisaged that eventually NSM may take a participation in the capital of its Netherlands partner.

Messrs H. L. Guldemond and Dr W. Van de Wardt, General Managers of Bank Mees & Hope N.V., will become members of the Conseils d'Administration of the holding company and of the Banque de Neuflize, Schlumberger, Mallet. Besides, a close co-operation will be brought about between the various departments and services of the two banks. The following additional particulars are given to the above press release.

As a result of the placement of new shares, the capital of the holding company de Neuflize, Schlumberger, Mallet S.A., now amounting to Fr. Frs. 70 million, will be raised to Fr. Frs. 80 million. In addition, Bank Mees & Hope N.V. will acquire about Fr. Frs. 2.6 million nominal of shares already outstanding. In both instances, the price at which the transaction is concluded amounts to Fr. Frs. 250 per share of Fr. Frs. 200 nominal.

The issue of convertible debentures amounts to Fr. Frs. 15 million of which Fr. Frs. 14 million is placed at par with Bank Mees & Hope. The remaining debentures are placed with Delbruck & Co., with whom NSM has cross participations of about 7% each.

The loan carries a coupon of 6¾% and can, as from 1st July, 1973, at all times be converted into ordinary shares, when Fr. Frs. 200 nominal debentures, together with a cash payment of Fr. Frs. 50, will give the right to acquire one share of nominal Fr. Frs. 200 NSM, S.A. The period of the loan is 8 years at most, and redemptions will be made in four equal instalments, the first of which falls due on the 1st July, 1977.

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Business Brief

Take a tube to Europe

The Channel tunnel looks like being built. The latest report on its feasibility is due to be handed over to the French and British governments. The enthusiasm of both governments and the private participants who will put up the risk capital has been rising. But more needs to be decided than the mere construction of the tunnel. To maximise the return on the investment—perhaps to justify it at all—advantage must be taken of the higher train speeds of the new railway age. That needs agreement on huge inland rail investments between the British, the French, the Belgians and possibly the Germans and the Dutch too; and co-operation between European railways has not been encouraging. It could be a stumbling block.

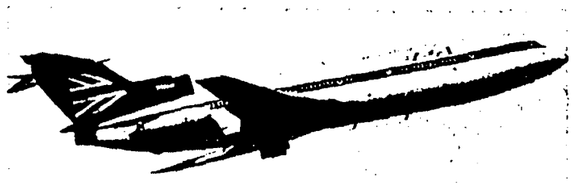
The cost of the project therefore looks like being well above the £300m that has been the talking point for some time. That figure would build the tunnel, but the necessary extra rail investment inland could add anything up to 30 per cent. If, however, the tunnel is not built, the shipping industry will have to find £400m for ships for the growing sea trade across the Channel.

As for the construction of the tunnel itself, the figure of around £300m for a 32-mile tunnel is roughly comparable with the £10m a mile on the Victoria Line of the London underground and the first stage of the Fleet Line, London Transport's next large investment. Tunnel costs vary enormously, depending on what terrain is being tunnelled through, and the risk of water seepage and other calamities. The Channel tunnel will go through chalk virtually all the way, which is thought to be easy going.

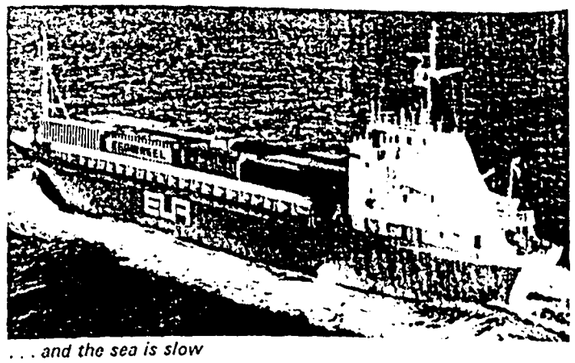
Tunnel builders are continually talking of breakthroughs in technology—it is significant that the French have been spending four times as much on research as the British—but progress in bringing the cost down is slow. Before going ahead with the whole tunnel short stretches are likely to be built on either side of the Channel to see just how fast it can be done.

Although the road lobby is still pressing for a bridge, a tunnel is the more likely choice. It is much cheaper and would not interfere with shipping, although, until a replacement for the internal combustion engine is found, there will be no chance of driving cars through it. Fumes raise too many dangers. An immersed tunnel (ie, one built in section and lowered into a trench on the seabed) has been ruled out in favour of a bored tunnel, again at least partly in order not to interrupt shipping.

If the British Government decides to go ahead, then it probably ought not to go ahead with its plans for a third London airport at Foulness. The one is not a direct substitute for the other: between two and four times as many passengers are expected through Foulness in the 1990s as the tunnel will be carrying by then. But they are the sort of passengers most likely to switch from air to surface transport; two-thirds of the 16m people who went through Heathrow last year were merely on short hops to and from the continent, and if they can cut out the miseries of the sea crossing a large number will be tempted to do what they did when the rail service to Manchester spectacularly improved a few years back—go by train.



Flying's expensive . . .



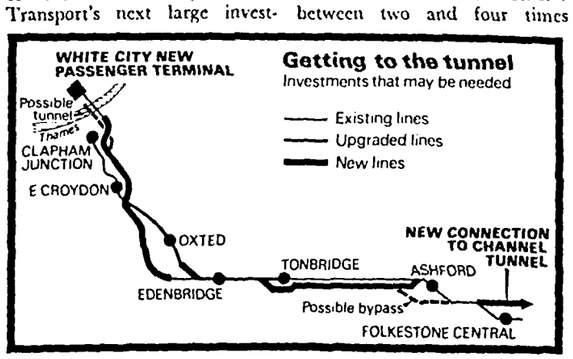
. . . and the sea is slow

The financial incentive to switch will be there. The single air fare to Paris now is more than £14. For the rail journey by the tunnel to Paris, a fare of around £8.50 seems likely. The Government arrives at its most recent estimates of the possible traffic through Foulness only by assuming that the number of aircraft using Heathrow and Gatwick is deliberately held down in order to force them out to Foulness. But if sizeable numbers of passengers prefer to go to the continent by tunnel, rather than to traipse out to the Essex marshes, and if the increasing use of quieter jets reduces the restrictions on the use of airports at night, can Mr Peter Walker justify spending what looks now like well over £600m on an airport with only two runways (not the original four)?

Passengers are now expected to produce by far the biggest revenue (probably twice that from freight) when the tunnel opens, at the earliest in 1979. But there is a wide variation between high and low estimates, depending on the back-up investment inland. With no investment beyond that on the tunnel itself, passengers could not exceed 4m a year, because commuters have tied up all the rest of the available capacity on the Southern Region of British Rail.

How much traffic?

The 4m would be only 500,000 more than the number crossing the Channel by the sea route now, and would not justify the cost of the tunnel. But with a small extra investment, to provide extra capacity on the Southern Region and a journey time of 4 hours from London to Paris, the number would be 5m, and the more investment inland the better the numbers would be. Clipping another quarter of an hour off the time, bringing it down to 3¾ hours, would bring the estimate up to nearly 7m passengers, and the cost, over and above the tunnel itself, to £30m; what the railways call an intermediate journey time of 3 hours would produce 10m passengers a year, and, using the advanced passenger train (the 155 mph train being developed by British Rail, which can corner 50% faster than existing trains), there would be an estimated 17m passengers.



Correction: The estimates given for earnings in the north and south of Ireland in last week's Business Brief were not strictly comparable. The averages for men only in late 1971 were £28.91 a week in the north, and £28.07 in the south.

These guesses assume that the airlines will not cut their fares, and that proved true of British European Airways on the London-Manchester route, where British Rail now has 85% of the market. Increased rail speeds are making trains competitive with air in Europe over distances up to 250 miles, another example being Paris to Brussels, where almost 90% of the traffic now goes by rail. The faster speeds being talked about—187 mph in France, where 200 mph has actually been done in trials—might make rail competitive over distances of up to 500 miles. The low air fares charged on really competitive routes in the United States suggests, though, that sooner or later the airlines will have to cut fares to meet the competition.

The tunnel will have less flexibility than air on some of its pricing. The fare per mile from London to Brussels is higher than from London to Amsterdam, although Brussels is nearer, because those visiting Brussels are nearly all the captive business market, but the cheap fare to Amsterdam is intended to attract tourists. The tunnel trains will have to pass through Brussels on their way to Amsterdam, and so can hardly charge a higher fare for a shorter journey.

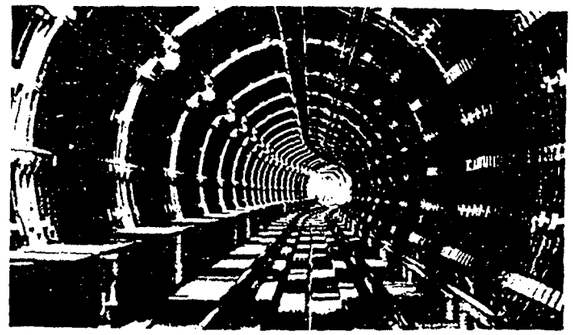
On the other hand, trains may become attractive on charter holiday routes. The railways think the price could be highly competitive, and many passengers might prefer an overnight couchette to the agony of a 4 am flight from fogbound Gatwick. Highly successful charter trains run now from northern Germany to Bavaria and Italy, while in the United States couchettes to Florida, complete with shower, are making a comeback. Sometimes a train could get nearer the tourist's destination.

Freight traffic is less susceptible to changes in speed, and the probable tonnage through the tunnel is currently put at 5m tons a year, twice the present rail-sea traffic. This could still be well off the mark, however, since sea freight rates are notoriously complicated, and it is almost impossible to find what people are really paying. Of course, northern France around Calais is not an important market, compared with the industrial belt from the Dutch ports up the Rhine into Germany, and many freight customers will prefer to ship to low countries' ports, and then by barge along the Rhine.

Where to?

Of the traffic coming into Britain by the tunnel, about half will be destined for the London area, largely perishables in special wagons. The rest will consist almost entirely of containers and bulk cargoes, reflecting the demise of the wagon-load. The development of this business will depend on the co-operation that can be reached between European railways and customs officials.

This co-operation will also be needed to promote passenger traffic. One important issue is the timing and priority of French railway investment. The French want to lay a new rail down from Paris to Lyons, which would be straight all the way, allowing speeds of 187 mph. This has been the French railways' pet project for some time, and is vital if they are to fend off competition from the French aerotrain, which should be capable of much faster speeds than any steel-wheel-on-steel-rail. At the same time there are plans for a Y-shaped junction and extra track to speed trains coming out of the continental end of the tunnel to Paris and to Brussels—and from Brussels on to Holland and Germany. Should this new track be for passengers only, which would cut journey times, or should freight be taken into account?

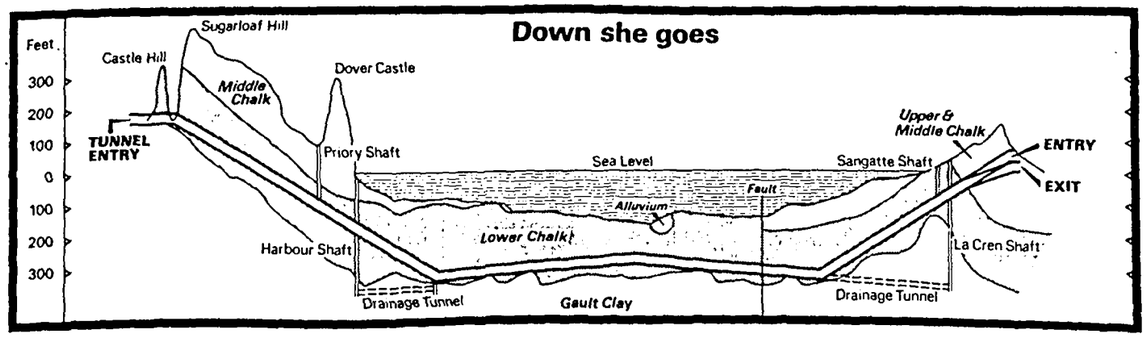


You tunnel away and it comes out like this

On the British side of the tunnel an investment of £50m-£80m is talked of to clip 15 to 20 minutes off the journey to the English coast. This includes several new stretches of track, and a terminal at White City to ease congestion at Victoria. But the distance from London to the coast is half that from the French coast to Paris, and the British may feel it is not worth improving their stretch of the route unless the French do the same to theirs.

Similar difficulties lie in wait over the question of gauges, couplings, signalling, and so on—all involving thorny questions about who is to pay for them. Though the route to the new Nine Elms-Covent Garden site might be improved to take continental wagons, these larger wagons are unlikely to be able to travel beyond London to the midlands and north. Some European countries might resist building special wagons just to travel on British Rail. Another necessity is to instal the optimum in signalling from the start, because the cost of changing over to more sophisticated signals the faster trains will require would be substantial.

Between 10% and 30% of the cost of the tunnel is to be equity-financed, with the remainder taking the form of loans backed by government guarantee. Channel Tunnel Investments, the former Channel Tunnel Company, whose shares yo-yo with every rumour about the tunnel, is one of about 20 companies in what is known as the private group. This group is led by Rio Tinto-Zinc on the British side and by Situmer on the French side. They have just submitted a reappraisal to the two governments. All in all, their studies have shown the tunnel project may be much broader in scope than initially expected, but that the extra revenue could justify the cost.





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BUSINESS

Inflation's still getting worse

Britain's retail prices rose by nearly 1 per cent in April alone—and there's much more to come yet

When Mr Barber cut purchase tax in his budget on March 21st, he reduced the British cost of living by 0.5 per cent. Yet in the following month it rose by close on 1 per cent. It did so even though some important foods, notably milk, eggs and tomatoes, as well as goods bearing the higher rates of purchase tax, went down. Without these reductions, in fact, the index of retail prices would have risen by nearly 2 per cent last month.

One must quickly explain that April is a bad month for the index ; indeed, in the past few years, the worst. This is because it has to take in the lumpy annual rises in local rates and council rents. When last year there were also increased charges for school meals and milk, with none of this April's offsetting reductions, the rise was an astonishing 2.1 per cent in the one month. This time the April index suffered from an extra penny on the pint for some beers, and an unseasonal 10 per cent rise in coal prices as a direct consequence of the miners' strike. Even so, in April of both this year and last the main thrust came from rates and rents. Since Mr Heath's Government came into power, local rates have risen by 27 per cent and council rents by 18 per cent. A policy of fairer costing and you-pay-for-what-you-get is in direct conflict, in the short term anyway, with efforts to curb price inflation. And since the measure of retail prices includes indirect taxes—of which rates are one form—but not direct taxes, the Government's policy of shifting away from direct to indirect taxation results in a recorded increase in the cost of living, even though the individual may be the better-off for the change.

Because of the exceptionally steep rise in April, 1971, the increase in the cost of living over the latest 12 months, which is the most commonly quoted measure of the prices pace, has narrowed to 6.3 per cent. But ministers will be ill-advised if they start chirping about this. There is no evidence that inflation in Britain is any longer abating. On the contrary, it seems to be accelerating again.

The disturbing pointer to that is the Department of Employment's most trendy—and, to be fair, most useful—price indicator. After the exclusion of seasonal foods from the retail price index, this measures the changes (expressed at annual rates) in successive six-month periods. The resulting figure in the six months to May, 1971, was 11.7 per cent ; it then declined smoothly until it reached 5.2 per cent in the six months to January, 1972. But the tide has now turned and the indicator has moved upwards, to 6.2 per cent in the six months to April, 1972.

This has been happening while the Confederation of British Industry is still keeping its members to its 5 per

Leads and lags in prices

Over 10 years
April, 1962-April, 1972
% increase

120–140 Books, papers, periodicals.
100–120 Coal ; rail, bus fares.
80–100 Fish ; rates, water charges ; rent.
60– 80 Butter, margarine, etc ; postage, telephones ; misc services ; sugar, jam, sweets ; eating out ; meat and bacon ; electricity ; entertainment ; bread, flour, etc ; milk, cheese and eggs ; home repairs.
40– 60 Alcoholic drink ; misc food ; furniture and furnishings ; stationery, sports goods, toys, photographic goods, etc ; medicines ; pottery, glassware, hardware ; men's outer and underclothing ; footwear ; gas.
20– 40 Women's outer and underclothing ; tobacco ; fruit ; motoring ; children's clothing ; soap, detergents, etc ; tea, coffee, etc ; misc clothing ; vegetables ; radio, TV, household appliances.

Over one year
April, 1971-April, 1972
% increase

20–30 Butter, margarine, etc.
15–20 Fish ; coal ; books, papers, periodicals.
10–15 Rates, water charges.
8–10 Men's and women's outer clothing ; meat and bacon ; rent ; home repairs ; electricity.
6– 8 Eating out ; footwear ; rail, bus fares ; entertainment ; misc food ; men's and women's underclothing ; misc services ; bread, flour, etc.
4– 6 Sugar, jam, sweets ; vegetables ; gas ; pottery, glass, hardware ; children's clothing ; furniture and furnishings ; motoring ; soap, detergents, etc.
2– 4 Alcoholic drink ; fruit ; misc clothing ; stationery, sports goods, toys, photographic goods, etc ; medicines ; milk, cheese and eggs.
0– 2 Tea, coffee, etc ; postage, telephones ; tobacco.
–2 to 0 Radio, TV, household appliances.

cent limit for price rises. The Government still hopes the CBI will prolong some sort of restraint after July, but its chances recede as industry sees that wage inflation is under way again. In any case, what the CBI can do has only a limited effect on retail prices as a whole. Manufacturers' prices are not the main villain.

Our table illustrates this point. It groups the categories of goods and services which make up the official index according to their price increases over (1) the past 10 years and (2) the past year. The thick line across the table indicates the average price increase over each period: nearly 60 per cent over 10 years and 6.3 per cent over one year. So above-the-line entries indicate above-the-average increases, below-the-line entries are the bargains.

Over the 10 years three categories have more than doubled in price: publications, coal and fares. All three had more than average rises in the past year. Some foods went up even more. With one notable exception, the 10-year leaders—publications, foods, rent, rates, fares, coal, electricity and postal charges—are also the one-year leaders. The one exception is the post office tariff, which the Government has managed to hold down in the past year because it beat the postmen's strike. Again with one exception, all nationalised industries directly serving consumers have had above-average price rises in the past decade. The exception has been the gas industry, which has been the beneficiary from natural gas and from the fast expanding central heating market.

By contrast, most manufactured non-food goods have had more modest increases: not only in the past year under the influence of the CBI's price freeze, but over the 10 years. The cost of motoring, which includes the purchase of cars as well as running costs, rose by only a third; the prices of television and household appliances by no more than a fifth—and some are down in the past twelve months.

The conclusion is simple. Unless the Government can hold wage increases in public services, the cost of living will continue to rise, even if the prices of manufactured goods are frozen. This will become even more true as Britain moves even closer to a service economy. The CBI's restraint on prices undoubtedly helped in the successful curbing of price inflation in the second half of last year. Wage inflation was also being dampened in these months, helped by the fact that something was seen to be being done about prices. But then came the surrender to the miners.

The latest statistics show that Britain is now inflating faster than any of its main competitors, with the possible exception of Holland. Mr Heath's Government cannot for much longer hope to pass the buck for its lack of an incomes policy on to industry. It really must face up to having a mind of its own. As Mr Nixon could turn round in his tracks and admit the need for a wage freeze, and win electoral popularity for doing so, there is room for Mr Heath to manoeuvre.

It's red again

The railways are bankrupt once more, and seem to be pretty bankrupt of ideas for extricating themselves from the red

British Rail's annual report, published on Wednesday, confirmed a £15m loss in 1971, and as the losses are likely to get steadily bigger, so the railways will be asking for more and more subsidies. The Transport Act, 1968, steered through the House of Commons largely by Mr Richard Marsh, now British Rail's chairman, gave the railways a new chance to get in the black by wiping out £150m a year of debt payments, and offering a subsidy of another £60m a year for unprofitable services. In return BR was not to resort to deficit financing, which is just what it is doing now.

The downhill slide could be predicted even in the first two years under the new Act, when the railways reported profits of £15m in 1969 and £9.5m in 1970. In each year, £10m of this was capital grant from the Government, which probably should not have turned up in the profit and loss figures at all. Anyway, just to break even was not going to be enough to cover investment and savings for a rainy day. Last year BR had such a rainy day, with the economic recession hitting bulk traffic like coal and steel, which is the profitable side of freight business, and also even the lucrative inter-city passenger trade. Then the price freeze, introduced last July as part of the Government's deal with the Confederation of British Industry, knocked British Rail's only hope of pulling itself into a better financial shape. What it needed was to continue the trend towards selective price increases (only about 3 per cent of freight traffic goes by the published schedules now).

British Rail should be lobbying the Government for some freedom to raise its prices selectively again, even if the total across the system is kept within 5 per cent. It would be better than nothing. But Mr Marsh maintains in his report that the railways are not as other businesses, and so cannot hope to make a profit. However, recession and the price freeze hit a lot of other industries, too, and there is more that the railways could do to help themselves. Given some recovery in the economy, if there is some gradual relaxation in the CBI's freeze, at least another £50m a year in revenue should go British Rail's way without much extra effort.

But BR should also show more enterprise in tapping new markets. There is a number of small investments in new railway lines that could bring extra traffic into the system. It is generally true in transport that supply creates demand, though that depends on the kind of supply provided, and nostalgically hanging on to marginally profitable traffic often hinders the promotion of growth markets. There are also all kinds of economies in operating costs that could be achieved: by automation, by greater utilisation of rolling stock (freight wagons travel only 3,000 miles a year, whereas lorries do around 10,000 miles), and by selective cuts in services.





Traffic that pays: long distance expresses and bulk freight



And doesn't: commuters

BR does not use its railway assets for enough non-railway ventures. Property development is still slow, although everyone knows it has been easier to make money in property than anything else, and BR is one of the country's largest landowners. Stations ought to be great centres of commercial activity, but the annual report reveals that there are only about 250 of them with refreshment rooms, let alone more imaginative sales outlets which might attract railway business into the bargain.

British Rail has been making progress, albeit slowly, on many fronts, and it is disappointing that with one year's setback it should give an impression of losing heart so readily and return to the old pleas for bigger and bigger subsidies. To cut its freight business in half would add only 1½ per cent to traffic on the roads, so relatively insignificant have the railways become in the national transport scene.

As for passengers, the average distance travelled is only 20 miles, and many of such journeys can be done much more flexibly, more cheaply and within the same time by bus: that is, as long as the buses have an exclusive right to the track, which closing rail tracks would give them. One rather sub-standard bus lane from New Jersey into New York has been managing 25,000 passengers an hour, all with seats. This is as many as can get seats on a single underground track, and twice that number could be achieved by bus with extra investment. The New York Port Authority Bus Terminal handles more passengers than Grand Central Station.

The motorway network is going to boost bus traffic enormously. Since the M4 was extended in December, the National Bus Company has operated a bus service from London to Bristol which takes only a few minutes longer than the train. Coach fares are about half rail fares. The NBC has a virtual monopoly of the inter-city bus business, which is only worth about £10m a year at present and is scattered among many individual subsidiaries. But the new chairman intends to create a national system under a single management. In the United States the inter-city bus business is far more important than rail traffic, although the larger distances should be in rail's favour. The American bus companies attribute much of their success to the freeway system.

Bye bye, baby boom

The birth rate in Britain, which had been falling only very slowly, is now coming down with a bump. What's happened?

When prophecies of doom reach a point of hysteria the hysteria itself creates, sometimes usefully, the changes in technology, attitudes and market incentives that lead to over-correction. The outcry against increasing the world's population has been resounding now for about a decade, and will be heard very loudly at the United Nations Conference on the Human Environment in Stockholm next week. Simultaneously, it has been revealed that births in Britain so far this year have been 8 or 9 per cent lower than had been expected, after falling 1 or 2 per cent below previous expectations for some years.

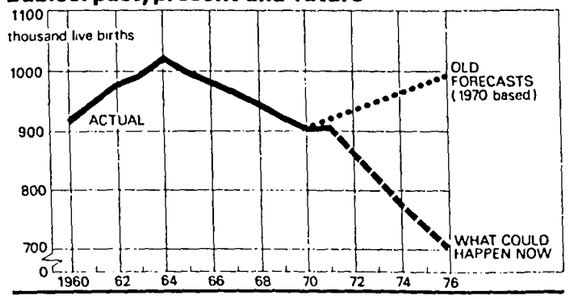
Until the past few months it had been conventional to say that Britain was most unlikely to reach a state of "zero population growth" in this century, but now the signs are that it may reach it next year. All over the developed world girls born in the postwar baby bulge of 1947-50 are at a peak fertility age of 21-25. It is soon going to be discovered that they are breeding less than was originally forecast, although this has been disguised in most countries' figures by the once-for-all factor of the trend towards earlier cohabitation.

Will a drop in births during the 1970s really be so surprising? During the hysteria of the 1960s the growth in birth control technology and changes in attitude have been bigger than any of us would have forecast 10 years ago: the pill, posher abortion clinics, a much higher technology of birth control information, far earlier and more specific sex education, the inculcation of knowledge into even the stupidest and youngest couple of how not to make babies, more than tacit support by governments, new attitudes among Roman Catholic laity (despite their church), and above all replacement of the ethic of don't-talk-about-sex by do-talk-first-about-contraception. Sadly, the troubles of the generation gap, partly caused by the sheer numbers of the boisterous while the postwar baby bulge was passing through teenage, have made some people think that rearing children is not the fun that it is.

Among the working classes the period when a child was an earning asset, from age 15 to about 20, has been shortened by longer schooling, by earlier home-leaving and the evolvement of high spending among the young. It is usual for demographers to say that these trends will not stop a continuing and disastrous increase of population in poorer countries, especially when the children saved during the huge drop in infant mortality rates in the 1950s and 1960s reach reproductive age. But they should note the dramatic, sudden and totally unforecast halving of Japan's birth rate between the late 1940s and early 1950s. It came when the Japanese could first afford contraceptives, because they were moving through a stage of gnp per head at about one-fifth the present Japanese level—which is just about what many developing countries should reach during the present decade. Even in countries like Mexico, where the population is rising at around 4 per cent a year, the size of families has often been halved in a generation, particularly among city types.

If births do drop worldwide, the first results will seem good. Then there will be the worry that a dearth of births in, say 1978-98 will cause a missing cohort of one age group of workers through the next forty years. In a

Babies: past, present and future



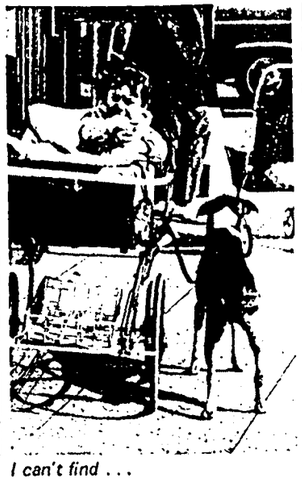
thoughtful article in the Daily Mail this week Professor Michael Abercrombie, a member of Mr Heath's advisory council on population, was quoted as ascribing Britain's recent fall in birth rate (probably wrongly) to unemployment, but he went on:

> . . . if this fall in birth-rate continues at this level, then a different set of calculations will have to enter into our discussions. For the fear will then be: are we going to watch our population dwindle away? And this problem will have to be examined with as much urgency as the original prospect of over-population.

Some might say this with rather more urgency because, as long as great tracts of the world, and even of the British Isles, stand empty, there is always somewhere for the surplus to find room. But there is no such easy solution to the difficulties raised for an industrial country like Britain by a rapidly ageing population, which is the prospect that we could face if the birth rate continues its present downward trend for too long. With people retiring earlier and living longer, the purchasing power of their pensions depends on there being a young, active working population to support them. Automation can, up to a point, close the gap. But a lot of the Government's plans, which are still based on assumptions about an explosive growth in population, will need to be looked at again. And so, perhaps, may its immigration policy. These are problems that no one has needed to consider seriously since the 1930s.



With fewer of us being born . . .



I can't find . . .



anyone to talk to

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Don't write off Northern Ireland.

Progress is being made in a most important area.

Every day tens of thousands of Northern Ireland Protestants and Roman Catholics work together, and, as the record shows, work hard.

In the two years 1970 and 1971 manufacturing output rose 13% (1970: 7.2%–1971: 6.1%).

Productivity in 1971 was up 6.7%.

In 1971 the number of days lost per 1,000 workers because of manufacturing disputes was less than one third of the national average.

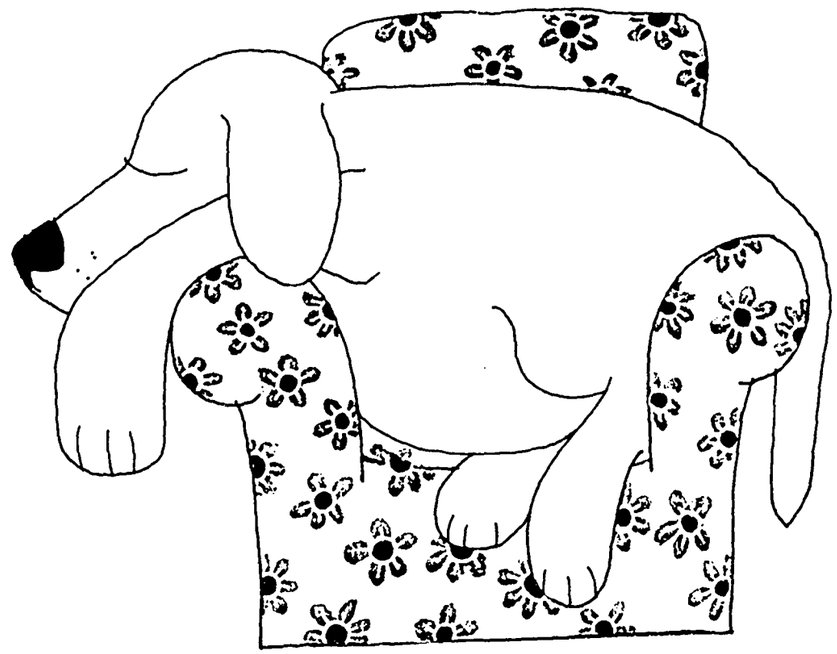
Last year (1971) 7,000 new manufacturing jobs were negotiated in Northern Ireland, largely through the expansion of established firms. This level of job creation, one of the highest ever recorded in Northern Ireland in the course of a single year, was achieved despite the 1971 investment trend in Europe.

These are sound reasons for expecting expansion to continue–so long as industrialists and businessmen continue to look behind the headlines and into Northern Ireland's industrial record.

MINISTRY OF COMMERCE FOR NORTHERN IRELAND

Fido

You know how it is? You get him when he's just a bundle of fur and you give him a name. How were you to know he'd grow the size of a Shetland pony? Something like that happened to Flight Refuelling. At first that's all we did. We refuelled aircraft in flight. We pioneered it and we are still the world's experts. We could have rested on our laurels but we didn't. We moved into other fields, fields as diverse as electronics and nuclear engineering. Now the bundle of fur we called Flight Refuelling is quite a small part of our activities; albeit an important part. The name is misleading. We could change it but we don't think we will. So when you want a contaminometer or a flexible coupling, or any of the many things we make, and discover the best people to approach are Flight Refuelling Limited, don't be surprised. Just remember Fido when he was eight weeks old.



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The ORION Insurance Company Limited

Extracts from the Chairman's Statement for 1971

The forty-second Annual General Meeting of the Company will be held on 14 June in London. The following are summarised extracts from the Statement by the Chairman, Mr. Lucas John Ralli:

It was with great regret that we received the resignation of our Chairman, the Rt. Hon. the Lord Boyd-Carpenter who was required to relinquish his directorship of the Company upon taking up his appointment as full-time Chairman of the Civil Aviation Authority on 1 April 1972. He takes with him our gratitude for his valuable services to the Company and our good wishes in his new appointment.

On the 9 June 1971 Sir Richard Clarke KCB, OBE accepted an invitation to join the Board. His wide knowledge and experience will be of great value to us.

The year under review has not been without its problems but the Consolidated Accounts reflect the successful progress that has been made.

Combined Marine and Aviation Account

The slight reduction of premium income is due to the revaluation of the US Dollar which had the effect of reducing income by some £400,000, and to the increase of some £275,000 in the cost of run off reinsurance.

From the balance resulting on assessment of the 1968 and 1969 underwriting years at 31 December 1971 a transfer of £800,000 has been made to Profit and Loss Account.

1970 Account is confidently expected to produce a profit on assessment at 31 December 1972.

Marine Account

The Marine Account continues to develop satisfactorily both as to spread of business and profitability despite the adverse factors affecting international marine insurance.

Considerably increased competition for business is being experienced following the development of a general view that the London Market has achieved a profitable basis.

A full realisation of the effects of the inflationary trend, of the ever present possibility of a repetition of the 1969 pattern of very large tanker losses and that the improvement in results from containerised cargoes may well be only temporary should lead to a more sober assessment of the factors involved.

The demand for cover for very large units continues to exercise the market. The liquid gas carrier is the latest in the series of large and specialised vessels which add further to the danger of unbalancing a portfolio as it is quite possible that cover for values of up to $100 million will be required.

It is vital to create adequate reserves from underwriting profits if these challenges are to be met adequately. Without sufficient resolution to correct any inadequacy of rating the Marine market could soon return to the period of unprofitability of recent past years.

Aviation

1969 Underwriting Account closed with a satisfactory profit and the open years of account are showing good progress.

The continued good record on major scheduled airlines has given rise to more intense competition, which includes the United States life companies who have entered the field in a substantial way. The experience coupled with the competition have caused a severe reduction in rates on airline business, and the same reductions have carried through to small aircraft business where they certainly are not justified.

Non-Marine (London and Special Reinsurance Accounts)

The overall reduction in premium income entered in the year is a further reflection of the measures taken to improve the content of both these accounts. The satisfactory development of the 1969, 1970 and 1971 Underwriting Accounts to date appears now to confirm the correctness of these measures.

Fire Accident and Miscellaneous Insurance (UK and Overseas)

The improving trend in the part of the Home Fire Account which was continued resulted in a small surplus.

A larger volume of Motor business was accepted in the UK during 1971 which together with rate increases implemented during that year resulted in a much higher premium income. Although motor business is now showing an improving trend, it has still not achieved profitability and with inflation continuing to be a serious problem the Company decided to introduce further increases in motor premium rates on 1 May 1972.

Overseas, the net result of our much reduced operations was a small loss.

Investments

The gross consolidated investment income for 1971 at £1,305,000 represents a rise of 8%. If the Dollar content of both 1970 and 1971 investment income were to be valued at the rate applied to 1971 income, namely $2.55 to the £1, the comparative rise would amount to 12½%.

Total invested assets of £21,375,000 were £6,416,000 greater than at the end of the previous year.

The surplus of market values over balance sheet values increased significantly in 1971 and has continued to improve in 1972.

✲ ✲ ✲

The Directors consider that the results justify the payment of an increased dividend, and accordingly they are recommending a final dividend of 18½% to make a total dividend for the year 1971 of 26% (1970—22½%).

From balances available the opportunity has been taken to provide additional reserves to all trading accounts over and above those held to cover expected future claims, and the General Reserve has also been increased. Despite the problems which are affecting all insurefs, your Company is in a strong position to accept the challenges and to continue to move ahead.

At the Annual General Meeting, proposals will be put to shareholders that, having regard to the development of the business during the last few years and the strong reserve position, the issued share capital be increased to £2,500,000 by capitalising part of the reserves and that each £1 share be subdivided into two shares of 50p.

Copies of the full Report, Accounts and Chairman's Statement can be obtained on application to the Secretary at 70/72 King William Street, London EC4N 7BT

THE ORION INSURANCE COMPANY LIMITED IS A MEMBER OF THE BRITISH INSURANCE ASSOCIATION

THE ORION INSURANCE COMPANY LIMITED

CONSOLIDATED RESULTS

UNDERWRITING

Marine and Aviation	1971 £'000	*1970 £'000*
Premiums	10,844	*11,113*
Transfer to Profit and Loss account	800	—
Transfer of additional reserve from Profit and Loss Appropriation account	400	—
Fund	14,480	*12,408*
	133%	*112%*

Non-Marine (London and Special Reinsurance)	£'000	*£'000*
Premiums	444	*594*
Transfer from Profit and Loss account (loss)	(40)	—
Transfer of additional reserve from Profit and Loss Appropriation account	100	*70*
Fund	1,290	*1,373*
	290%	*231%*

Fire Accident and Miscellaneous (UK and Overseas)	£'000	*£'000*
Premiums	1,455	*974*
Transfer from Profit and Loss account (loss)	(279)	*(246)*
Transfer of additional reserve from Profit and Loss Appropriation account	150	—

INVESTMENT INCOME

	£'000	*£'000*
Income from investments	1,305	*1,210*

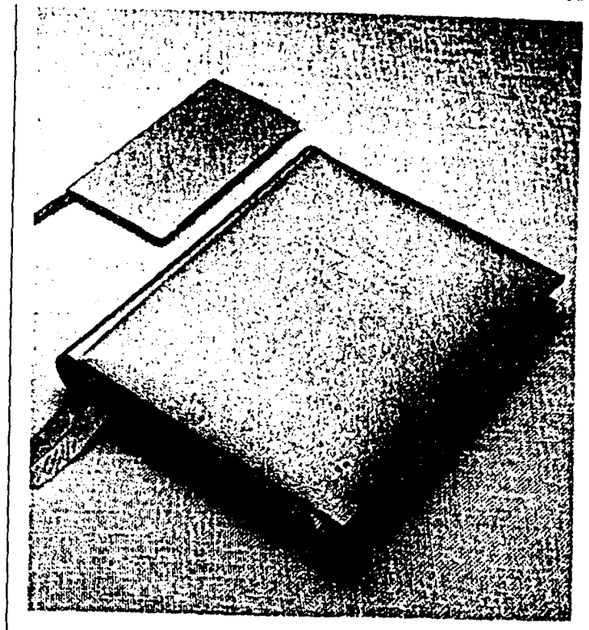
PROFIT AND LOSS ACCOUNT

	£'000	*£'000*
Profit for the year	1,578	*788*
Less taxation	265	*22*
Net Profit	1,313	*766*
Transfer of additional reserve to:		
Marine and Aviation	400	—
Non-Marine (London and Special Reinsurance)	100	*70*
Fire, Accident and Miscellaneous	150	—
Transfer to:		
General Reserve	200	—
Development and Contingency Reserve	31	*200*
	432	*496*
Add balance from last year	657	*498*
difference on dollar revaluation	29	—
Total available	1,118	*994*
Out of which:		
Dividend of 26% (1970—22½%)	390	*337*
Undistributed Profit	728	*657*

NET ASSETS

	£'000	*£'000*
Represented by:		
Capital Issued	1,500	*1,500*
Capital Reserve	1,905	*1,595*
General Reserve	600	*400*
Development and Contingency Reserve	200	*200*
Profit and Loss Account Balance	728	*657*
Shareholders' Funds	4,933	*4,352*
TOTAL ASSETS	£'000 45,974	*£'000 34,205*

NOTE:
Due to a change in the basis of accounting, total assets for 1971 have been increased by approximately £6m.



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Tarmac's continuing story of record results

- Group pre-tax profit up £1·654 million
- Earnings per share show 35·2 per cent increase
- Roadstone Divisjon's pre-tax profits rise 21 per cent
- Better profits for Construction Division
- "Substantial recovery" by Bitumen Products Division—pre-tax profits more than double
- Engineering Division has difficult year, but main loss makers are sold
- Limmer acquisition will mean considerable new outlets for Group's resources
- Tarmac Group to make further progress in 1972

From Mr. Robin G. Martin's Statement 1971

Copies of the 1971 Report and Accounts may be obtained from: The Registrar, Tarmac Limited, Ettingshall, Wolverhampton, WV4 6JP.

Tarmac

Extracts from the Address by The President Brian H. Malyon at the Annual General Meeting — 23 May 1972

A subject which is largely domestic to brokers but certainly affects the whole market, can be summed up in the word *standards*. Every business has to fight to get established and struggle to improve its position. Insurance brokers are no exception. Our forebears who founded the Corporation saw this very clearly and they saw that it was only by setting and maintaining the highest standards that they would win acceptance, first in the insurance industry and later, in the wider fields of government and commerce. I really do believe, provided this course is followed with good judgement, that we have no cause to alter it, nor should we fail to recognise that it has brought us to our present position and steered us through some very difficult episodes.

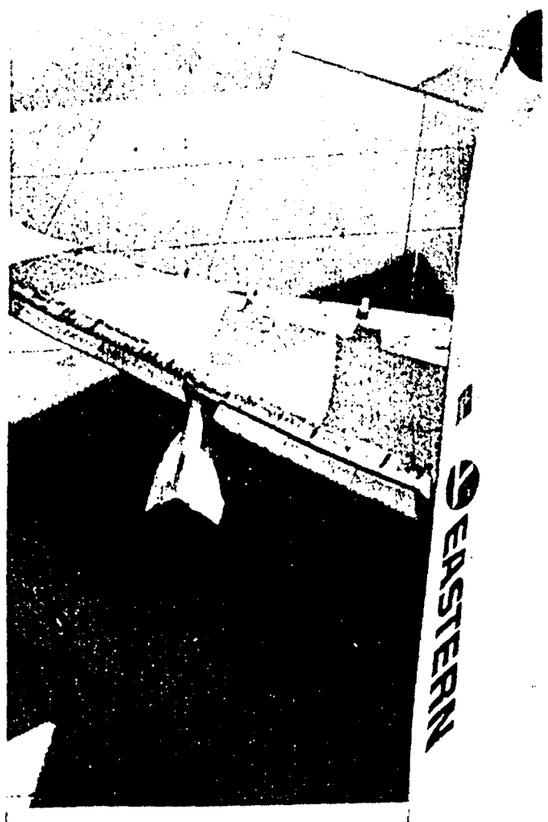
But, having won recognition and having established a position, one is wise to consolidate standards with a view to meeting future challenges and changes. For almost as long as I have been connected with the Corporation the problem of consolidation has faced us and various courses of action have in turn been considered and rejected. A lot of the present difficulty centres round, not so much our position in the market, but our position with our worldwide public and the unfortunate lack of copyright to the title 'insurance broker'.

It is in the field of innovation that the broker does his best work and makes his greatest contribution. Innovation, except on rare occasions, is not always the result of new ideas but the application of a fresh mind to established principles. And it is certainly not the broker alone who can produce the technical innovations. It is the freedom of the brokers working within the framework of the total market that can most likely produce the breakthrough. So if market procedures for the great mass of regular insurance business can be rationalised to the extent which I believe possible, then not only shall brokers have a more positive climate in which to work but there will be a better division of management time.

The Corporation of Insurance Brokers

15 St. Helen's Place, London, EC3A 6DS
01-588 4387

Lockheed just delivered the first six Rolls-Royce engines to Eastern and TWA.



Those engines made our TriStar the quietest jetliner in the world. (The U.S.A.'s Federal Aviation Administration has made it official. The TriStar is the quietest jetliner now flying.)

That's why two of the biggest airlines in the world ordered it. They wanted to get people off the ground with a minimum of noise.

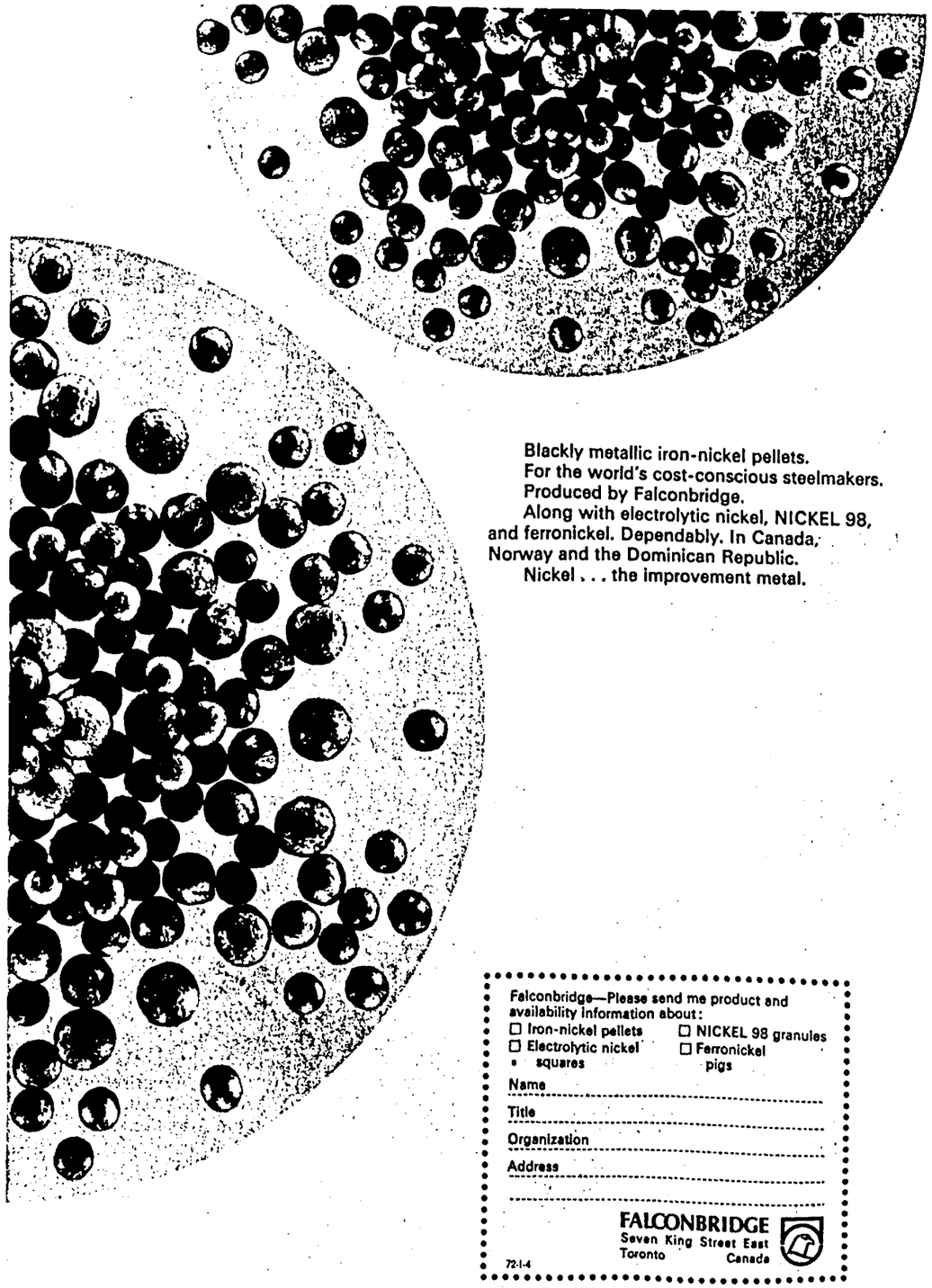
And that's just what the RB.211 engine does. It has fewer moving, noise-making parts. Noise is designed out of the engine. Not just muffled out.

The L-1011 will take off with more than twice the thrust of older jets. And with less than half the annoying jet noise. That's documented by acoustical annoyance studies published in U.S. Government reports.

Eastern and TWA aren't the only leading airlines with orders in for the TriStar. Air Canada, Delta and PSA have ordered it, too. And so has Court Line, the British tour carrier.

Thanks to Rolls-Royce, airports will be quieter all over the world.

The world's quietest jetliner. The Lockheed L-1011 TriStar.



Blackly metallic iron-nickel pellets.
For the world's cost-conscious steelmakers.
Produced by Falconbridge.
Along with electrolytic nickel, NICKEL 98,
and ferronickel. Dependably. In Canada,
Norway and the Dominican Republic.
Nickel . . . the improvement metal.

Falconbridge—Please send me product and availability information about:
☐ Iron-nickel pellets ☐ NICKEL 98 granules
☐ Electrolytic nickel squares ☐ Ferronickel pigs
Name
Title
Organization
Address

FALCONBRIDGE
Seven King Street East
Toronto Canada

72-1-4

BUSINESS *International*

The Japanese say it again. But can they really turn off those exports?

The Japanese arrived at Wednesday's opening of the three-day ministerial meeting in Paris of the Organisation for Economic Co-operation and Development as if they had flown in on angels' wings. Tucked underneath their arms was a new 7-point programme, hurriedly given Japanese government approval, which ostensibly aims at bringing a "more orderly marketing" (ie, reductions) of Japan's exports and a boost to its imports. This, they hoped, would allay the rising indignation of the Europeans and Americans over Japanese trading practices (ie, export resourcefulness and competitiveness). It is galling everyone else that Japan still piles up huge trade surpluses despite the yen upvaluation.

Unfortunately for the Japanese the other 22 member-countries of the OECD had heard it all before. This 7-point Japanese programme is actually rather vaguer than the previous 8-point Japanese programme which it replaces but which was never energetically implemented (May 6th, page 106). The intent is said to be to reduce Japan's official reserve holdings from their $16.5 billion to below $10 billion, but by when nobody has said.

No doubt, the Japanese government will try to do something to stimulate capital outflows and discourage inflows (ie, it will help to finance Japanese economic imperialism, while keeping foreign multinational corporations out of Japan). One of the two positive steps announced this week was that the government will make loans totalling nearly $3 billion, at 3 per cent interest, to Japanese firms that undertake overseas exploration for oil and other natural resources. The other was that the Bank of Japan will require a 25 per cent reserve requirement on funds deposited after June 1st by foreigners in free yen accounts with commercial banks in Japan.

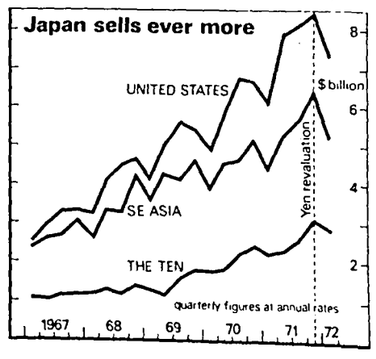
But if the government tries to trim 1972's visible trade surplus—which still looks as if it might reach very close to last year's $8½ billion—it will face strong resistance from businessmen. Carmakers and electronics manufacturers, for instance, have so far successfully undermined any government moves towards quota systems to regulate their exports. The government is talking about untying some of Japan's overseas aid, but there are howls of protest from industrialists to whom no business is like tied aid business. Japanese businessmen think that the best way to stop the export surplus is to inflate the domestic economy; they are asking for a large supplementary budget to pump money into the economy, accompanied by cuts in taxation. Academics are in favour of another upvaluation of the yen; a leading economic research institute has just proposed about a 5 per cent upvaluation of the yen next spring. Both government and businessmen growl unitedly at this.

From Tokyo to Paris

Some of the steam was taken out of this week's meeting by Mr John Connally's disappearance from the American Treasury. His successor, Mr George Shultz, has not yet taken over, and the American delegation was headed by Mr John Irwin, number two in the State Department. But it included Mr William Eberle, President Nixon's top trade negotiator, who has just come back, apparently empty-handed, from a visit to Tokyo. This is not an encouraging sign for Mr John Davies, Britain's trade minister, who goes to Japan next week, taking with him the complaints of British manufacturers who are suffering from a switch in the Japanese export drive, particularly in colour television sets, from the German market to Britain. Mr Davies may have to settle for more trade meetings with the Japanese this summer, which is all Mr Eberle seems to have got.

The trade war is not just being fought by the rest against Japan. Europeans are concerned at mounting evidence of American protectionism. The Americans say they are merely kicking against Japanese practices, particularly in electronic products: but if they impose countervailing duties, European exports will also be hit.

The ministers gathered in Paris this week avoided the danger of grouping themselves into three defiantly opposing trading blocks, but partly because they were also arguing about something else. A lot of their debate was taken up with procedural questions related to future negotiations on trade and monetary reforms. The OECD wants to be responsible for the co-ordination of any such reforms. The multiplicity of international organisations now concerned is likely to make considerable confusion even worse confounded. Somebody has to suggest soon that some institutions should be shut out. The Japanese, who are only just beginning to feel their strength in these forums, could be the ones to say it.



C. E. Heath & Co. Limited

Statement by the Chairman, Mr. D. H. Erlebach

The sixty-third annual general meeting of C. E. Heath & Co. Limited will be held at 11 a.m. on 26th June 1972 at Winchester House, 100 Old Broad Street, London, E.C.2. The following is the full text of the statement made by the Chairman, Mr. D. H. Erlebach, which has been circulated with the Directors' Report and Accounts for the fifteen months ended 31st March 1972.

THE PAST YEAR'S TRADING. The most satisfactory aspect of the past year has been the increase in broking profits. Very little of this increase is attributable to the acquisition of new subsidiaries and the figures represent a considerable advance on 1970. This improvement applied over all the operating companies, indicating progress throughout our broking operations.

Although a good level was achieved, the underwriting profit commission earned did not reach parity with last year's result. Nevertheless, the percentage of profit on the 1969 underwriting account (on which the 1971-72 profit commission is earned) was almost identical with that earned on the 1968 account. However, the premium income expressed in sterling was somewhat reduced as a result of dollar devaluation and, consequently, the total earnings were similarly affected.

Investment income and interest were, as anticipated, less than in 1970. The reduction is almost entirely due to the lower interest rates obtaining during the period under review. The market valuation of the investment portfolio at the 31st March, 1972, shows an excellent appreciation of £1,114,000 over book values and our thanks are due to Messrs. Brown, Shipley & Co. Limited for their skill and advice in this connection.

PROSPECTS. I feel that we are now organised to deal with a further expansion on the broking side and a number of opportunities are presenting themselves to us. In spite of the fact that world markets are becoming considerably more competitive, I am confident that your Company will maintain its share of any increase that is available.

On the underwriting side, the open years of 1970 and 1971 continue to show the favourable trends previously reported and it is reasonable to expect a continuing benefit from the underwriting operations. The 1972 underwriting account is, of course, in its early stages and no real trend has yet emerged. Further, we expect the Australian underwriting agencies to make an increased contribution in the current year.

Present indications are that investment income should be maintained at something very close to the 1971-72 level and, if interest rates move in our favour, it is possible that a small increase may be forthcoming.

DIRECTORS. Following the sale of Excess Insurance Company Limited's holding in your Company, Mr. H. G. Jago resigned from the Board on the 31st July, 1971. We are very grateful to him for his help and advice during his period of office.
Messrs. J. M. Couper-Johnston, R. W. Fielding and J. R. Mikami joined the Board on the 1st May, 1972, and propositions for their re-election will be submitted to you at the Annual General Meeting.

STAFF. I would like to express my gratitude to the staff who have, through their hard work and loyal support, enabled us to present to you such a satisfactory position for the Company.

RECORD OF INCOME AND PROFITS FOR THE FIVE YEARS 1967-1972

	1971-72 £'000	1970 £'000	1969 £'000	1968 £'000	1967 £'000
Income					
Brokerage	**3,307**	2,725	2,644	2,497	2,356
Underwriting Commission	**403**	429	9	20	11
Underwriting Fees and expenses recovered	**939**	630	422	429	347
Investment income and interest	**494**	540	471	387	361
	5,143	4,324	3,546	3,333	3,075
Operating profit	**1,580**	1,358	990	977	944
Other income less expenditure	**96**	(115)	(89)	(15)	(19)
Profit before tax	**1,676**	1,243	901	962	925
Profit after tax	**954**	713	486	532	461
Earnings per share	**14.9p**	11.1p	7.6p	8.3p	7.2p
Gross dividends per share	**10.0p**	7.4p	6.7p	6.7p	6.5p
Dividend cover	**1.5**	1.5	1.1	1.2	1.1

The above mentioned figures do not include extraordinary items and have been adjusted, where appropriate, to take account of the Staff Trust Fund reorganisation, repayment of the preference share capital and corporation tax relief on franked investment income. For 1967 to 1970 the figures are for each twelve months period ending 31st December. For 1971-1972 the figures are for the twelve months ending 31st March 1972.

CEH

Copies of the Directors' Report and Accounts are obtainable from the Secretary, C. E. Heath & Co. Limited, Bankside House, 107/112 Leadenhall Street, London EC3A 4AJ.

tapes. These the Americans have brought with them. Some companies like Mohawk Data Systems are showing advanced equipment for preparing data for computers.

European companies have some reason to be cross that the Americans have allowed this range of technology to be available to the Russians, despite the Nato embargo on such technological trade with the communist countries. Russia's massive demand for computers is not a market that the Europeans can afford to neglect once the Americans have dodged under the accepted rules. American companies are, on the whole, markedly reluctant to talk about what they are doing in Moscow this week. But they should no longer be allowed to try to stop European computer companies from going flat out for all the iron curtain trade they can get.

Gas centrifuges

Lucky seven

There is increasingly good news about the German, British and Dutch project for developing gas centrifuges to enrich uranium, in place of the present huge separation plants. Scepticism about whether the fast-spinning centrifuges would have an economic life is not as strong as it was. The photographs on this page show, in more detail than it is usually possible to get, what the equipment is beginning to look like. The little spinning pots and their bearings are now expected to have an average life of at least seven years, and no one is seriously interested in their lasting any longer. As a production unit will probably consist of banks of up to 4,000 of these pots spinning simultaneously, a short working life and a high rate of replacement would not only have wrecked the economics of the centrifuge process; they would have raised serious difficulties about establishing manufacturing facilities to turn out the spares fast enough.

Britain and Europe are expected to have 90,000 megawatts of nuclear generating plant running by 1980, 17.5 per cent of total generating capacity. If all the fuel for this has to come from America, as it would have to if Europe did not build its own separation plant, the balance of payments implications would be alarming, and the political implications even more so. Europe would need enrichment capacity of the order of 8,000-9,000 tons of separative work units (ie, plant capable of separating this tonnage of uranium a year). The German, British and Dutch tripartite company Urenco (Uranium Enrichment Company) now plans to have enough centrifuges installed by 1980 to handle 3,000 tons of separative work units annually. The balance will come from America for a while, but Urenco will gradually build up its capacity.

The French still want Europe to adopt the gaseous diffusion method: the process developed by the Americans and later by the British, and on which the French have spent huge amounts at their Pierrelatte plant to produce heavily enriched uranium for bombs. But the French have never been able to answer criticisms that gaseous diffusion eats up too much electrical power to be economical in an area such as Europe where electricity is dear. Gaseous diffusion also requires huge amounts of water for cooling, and the nuclear power plants themselves already look like using up all available coolant water.

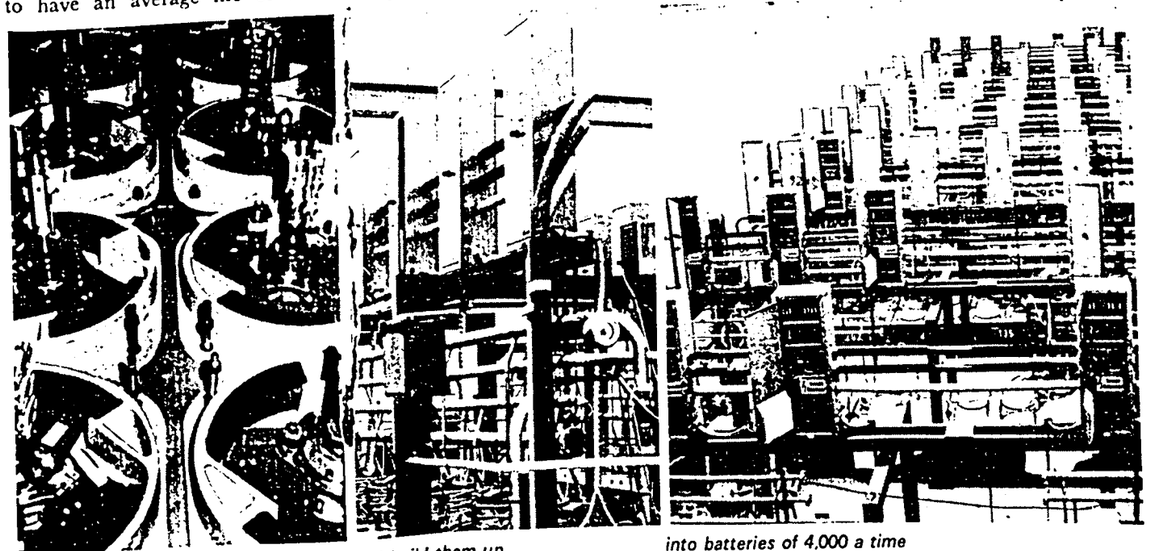
Urenco still faces thorny decisions. Construction of a £20m plant, with a capacity of 300 tons of separative work units a year, should begin in 1973; but a site has not yet been agreed upon. The idea of having two plants, one in Britain and one in Holland, has been dropped. The choice comes down to Britain or Holland; world opinion probably would not tolerate such a plant in Germany, even though the lightly enriched uranium it produces could not be used for bombs. A common design for the centrifuges must also be hammered out eventually. But the initial 300-ton plant could be built using several types, if friction among the three countries prevents agreement being reached soon.

EEC lorries

Axle weighting

Brussels

Transport has always been the Cinderella of the common policies provided for in the Treaty of Rome. Last week's provisional agreement on the maximum weights and measures of goods vehicles has accordingly been



You take the individual centrifuges, and build them up into batteries of 4,000 a time

hailed as a breakthrough by the Six, even if the implementation of the agreement has been put off until 1980 for international traffic and 1985 for domestic. That the Six want a ministerial meeting with Britain on the question—the first meeting since the consultation procedure for new members was introduced last November—shows that London is still very unhappy about it all. Indeed, as the British Minister for Transport Industries, Mr John Peyton, announced on Wednesday, if the agreement goes through as it stands he will ban lorries with axle weights above the present British maximum from trunk routes, and so effectively keep them out.

In community terms the newly-agreed maximum axle weight of 11 tons represents a compromise between the present 10 tons applied by the Netherlands, Germany and Italy (and Britain and Ireland) and the 13 tons permitted in France, Belgium and Luxemburg (though Belgium and Luxemburg were planning to reduce the limit to 10 tons). Equally, the proposed maximum overall weight of 40 tons is a compromise between the current maximum of 38 tons in France, Germany and Belgium and the 50-ton limit allowed by the Dutch, though of course it is much higher than the 32 tons of Britain and Ireland.

The economic argument in favour of the lower axle weights is largely a question of increased road maintenance costs. The deterioration of the road surface increases exponentially with the increase in axle weight. According to studies carried out in America, an increase in the maximum permissible axle weights from 10 to 13 tons would increase road wear by 190 per cent and an increase to 11.5 tons (the original compromise formula proposed by the commission) by 70 per cent.

The decision to delay the introduction of the new weights until the end of the decade was a concession to the French, who pointed out that Berliet lorries have an axle weight of 13 tons and will have to be redesigned with —as is now agreed—financial aid from the French taxpayer to help it do so. It is by no means certain, of course, that the agreement will actually be adopted by the EEC. There are still various technical reservations to be ironed out, while the Germans, whose motorway network takes heavy punishment from international long-distance through traffic, may have second thoughts about accepting the increase to 11 tons. So the Six may yet put off a decision until Britain is in—when the common transport policy will have to be reviewed anyway.

Aluminium

Just keep rolling

An embarrassing and unusual fight has broken out in public between two former friends: the giant North American aluminium producers Alcoa and Alcan. Alcoa has persuaded the American government that aluminium is being dumped across the border from Canada at unreal prices. Alcan denies it. The fight, which comes shortly after President Nixon's visit to Canada in an attempt to soothe that country's growing economic nationalism, now promises to be bitter.

Alcan has begun diverting more of its aluminium production to the United States as its European smelters start to come on stream. Canadian sales of aluminium to America zoomed by 30 per cent last year to 440,000 tons even though industrial demand was way down. Alcan has $500m invested in plant in the United States but not enough to use all the ingot available. Alcoa, which used to own Alcan before anti-trust rules broke the company in two, has therefore suddenly found its own backyard threatened.

There is also the delicate question of price. Alcoa, in common with other American producers like Kaiser, wants to push up prices as the economy recovers. But Alcan, which usually sells at a slight discount in the American market, is keeping prices back. The Administration, anxious to avoid a quarrel with Canada, is in a quandary.

The industry has nominally set its price at 25 cents a lb; nobody, however, is getting as much. Even if prices harden, profits evaporate in the massive electricity bill that it takes to turn bauxite into the finished product. The race is to discover a new smelting technique that can cut down this bill. In the past 20 years the amount of power required has been halved. For purely scientific reasons, it is usually said that it can hardly go lower. But there is a good deal of talk in Alcoa's laboratories of new processes that might, after another year's work, find a way round this problem of high electricity consumption. Such a process would rock the aluminium industry. Rumours of it have already done so.

The obvious way out is to use some other raw material than bauxite. Alcoa, which is now spending $35m a year on research, has been talking about this with the American Administration. America has almost no bauxite reserves, although the mineral is abundant enough: much of it in Australia and the developing world. If Alcoa was to make aluminium from any of the three raw materials that it is currently playing with—clay, oil shale or, the favourite, orthosite—it would be quite a shock to world trade.

Banca Nazionale Dell'Agricoltura SpA

In our issue of February 19, 1972, we published an item concerning the Banca Nazionale Dell'Agricoltura SpA (BNA) and stated that it had been taken over.

This item was published in good faith and also in the light of well publicised negotiations regarding some of the BNA's share capital. We are now informed that no transfer of any part of the Bank's share capital took place. We are happy to clarify the situation.

It has also been suggested that the item contained the implication that not all the assets of BNA were first class investments. We are assured and accept the asssurance that BNA possesses only first class investments and we apologise if any contrary impression was conveyed.

Key indicators: world commodity prices

Coffee cantata

The world's most important commodity pact, the International Coffee Agreement, is on the rocks. After months of haggling over the coffee price after dollar devaluation and over global export quotas, producers and consumers have broken off talks. At a time when other raw material producers are trying to create new pacts, this new quarrel between the rich and the developing world is likely to remain bitter.

	Index 1963=100 May 17	May 24	Percentage change on one month	one year
All items	130.1	129.6*	+ 0.6	+ 8.1
Food	142.1	142.2*	+ 0.7	+ 8.5
Fibres	102.1	101.5*	+ 0.8	+21.8
Metals	183.5	180.5	− 1.5	− 3.8
Misc	116.9	117.2*	+ 4.5	+ 6.8

*provisional

Taylor Woodrow Golden Jubilee... another year of record achievement.



The 37th Annual General Meeting of Taylor Woodrow Ltd. will be held in London on 12th June, 1972.

The following are extracts from the Statement by the Chairman, Mr. Frank Taylor, circulated with the Report and Accounts.

It gives me great personal pleasure to record that our team has again been honoured by receiving the Queen's Award to Industry. It has been conferred this year upon Taylor Woodrow International Ltd. in recognition of outstanding export achievement.

As the year under review was also the 50th Anniversary since the foundations of your company were laid, it is an added pleasure for me to report a not unsatisfactory profit for the year and indeed it was a record profit for the eleventh consecutive year. You will, I hope, agree with me that it is yet again a great achievement and a wonderful tribute to the efforts of thousands of loyal and devoted men and women of different nationalities who make up our Taylor Woodrow Team.

Accounts

The turnover of the Company and its subsidiaries was £121 million for 1971, an increase of 25% over the figure of £97 million for 1970. Overseas turnover in 1971 represented approximately 24% of the total (1970 – 20%), of which the main contributors were Australia and the Far East 9%, Canada 4%, Europe 3% and other areas 8%. The Group's share of the turnover of associated companies was £16 million for 1971 compared with £11 million for 1970.

The profit of the Company and its subsidiaries before depreciation and taxation was £9,035,086 compared with £6,358,338 for 1970. After providing for depreciation, the profit for the year amounted to £5,884,397, an increase of 36% over the amount of £4,320,970 for 1970.

After providing for taxation, deducting profits attributable to minority shareholders and providing for the losses of associated companies the net profit for 1971 was £2,940,243 compared with £2,172,008 for the previous year.

An interim dividend of 1.875p per share (less tax) was paid in September, 1971 on the share capital then in issue. In November, 1971 the capital was increased by a one-for-five bonus issue and your Board now recommends a final dividend of 4.125p per share (less tax) to be paid on 13th June, 1972, on the capital as increased. These dividends for the year are equivalent to 5.69p per share (less tax) on the increased capital compared with 5.0p per share for the previous year after adjustment for the bonus issue.

Good industrial relations continue to be an outstanding need for the future development and prosperity of our country – a goal which will be reached only when all sections of industry realise they have a common interest at heart. Inflation is, as we all know, a real and menacing problem that affects us all. It will require almost superhuman efforts of everyone concerned if it is to be contained – by industry and suppliers keeping prices down to an absolute minimum and by a wise and responsible attitude to wage claims by the Trade Unions. It is most important and essential to remember what really counts is the true value of money and what that money will buy.

It now seems that our country is to join the European Economic Community and I am confident that this will provide British construction and property development companies with ample opportunities for profitable business on their own account or in partnership with local companies. In the property development and housing fields we are already operating in Belgium, France and Majorca, and I believe we have much expertise to offer, gained over many years from our activities at home, in North America, Australia and elsewhere in the world. Europe is an exciting challenge and various sections of our Group are now engaged in searching for suitable profitable activities in this greater market.

Highlights of our Golden Jubilee Year

✳ The 50th Anniversary of the founding of Taylor Woodrow was celebrated by yet another year of record profits.

✳ Turnover was also the highest in the Company's history.

✳ H.R.H. Prince Charles visited the Royal Arms opencast coal site on November 1 during his South Wales tour.

✳ H.R.H. Princess Anne officially inaugurated the B.B.C.'s Midland headquarters at Edgbaston on November 10.

✳ Monarch Investments Limited, our principal Canadian subsidiary, also celebrated its Golden Jubilee.

✳ Taylor Woodrow (Australia) Pty. Limited purchased an interest in E. A. Watts Holdings Limited, one of Australia's largest building companies.

✳ Work began in May on the £15½m. contract for the first phase of Nottingham University Hospital and Medical School, one of the largest contracts of its kind.

✳ A further berth was handed over in September, exactly six months ahead of schedule, at East Lagoon, Singapore (the first feeder berth had been handed over ahead of schedule in 1970).

✳ In September work commenced on the construction of breakwaters for the multi-million pound Brighton Marina project.

1972
Taylor Woodrow International Ltd

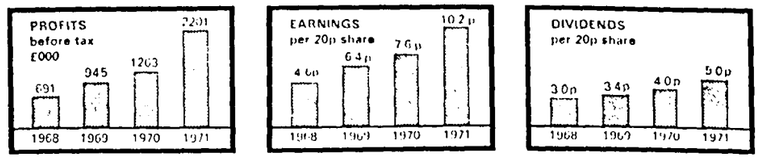
TAYLOR WOODROW

The World-wide Team of Engineers, Constructors and Developers

INTERNATIONAL FINANCE AND INVESTMENT GROUP

Report record profits and sustained growth

- Group pre-tax profits reach record £2·2m.
- Earnings per 20p share at 10·2p increase for fourth successive year
- Final dividend of 3·6p per share proposed, making total for year of 5·0p (4·0p)
- Board have confidence in the continuing growth and profitability of the Group
- Group now poised for further expansion both by the financing of international trade – mostly the movement of goods between countries – and by investment in the equity capital of companies believed to have attractive profit potential



TOZER KEMSLEY & MILLBOURN (HOLDINGS) LIMITED

Copies of the 1971 Report and Accounts can be obtained from the Secretary at Millbourn House, 151 Minories, London EC3

BANCO DI NAPOLI

Founded in 1539

Head Office : Naples, Italy

Balance sheet at 31 December, 1971

The Annual General Meeting of the General Council of Banco di Napoli was held on April 28, 1972.

The volume of Deposits, Savings Accounts, and Current Accounts at December 31, 1971 amounted to Lire 2,558,516,381,063 which represents an increase of 10.91 per cent over the 1970 figures.

Net profits reached the figure of Lire 1,751,740,171. After distribution, the capital and reserves of Banco di Napoli amount to Lire 60,938,478,297.

Board of Directors—Chairman: Mr. Stanislao Fusco; *Vice-Chairman:* Mr. Roberto Laviano; *General Manager:* Prof. Salvatore Guidotti.

LIABILITIES	Lire	Lire
Capital	40,000,000,000	
Reserve	19,837,075,634	59,837,075,634
Deposits & Bonds		928,954,325,663
Current Accounts		1,492,963,166,959
Funds held Third Parties		136,598,888,441
Special Reserve Funds Covering Risks		36,845,754,018
Bills & Cheques		46,491,191,186
Credit Bonds Issued		241,652,302,639
Advances against Securities		26,796,551,556
Assets Rediscounted		99,811,973,906
Acceptances, Endorsements & Guarantees		128,492,199,321
Bills for Collection		36,314,252,293
Sundry Creditors		229,187,902,352
Misc. Liabilities		54,461,928,394
Contra Accounts		5,385,216,029
Profit Balance c/f. to 1972		9,147,672,015
Profit 1971 available for Distribution		1,751,740,171
Banker's Drafts		4,713,270,000
Securities Deposited as per Contra		702,184,171,492
Securities Deposited with Third Parties		380,428,824,552
		4,622,018,406,621

ASSETS	Lire	Lire
Cash		55,553,641,597
Balances with other Banks		190,024,179,265
Government and State guaranteed Securities		493,280,387,820
Securities & Bond	418,235,843,250	
Current Accounts	1,394,719,360,521	
Advances against Securities	81,794,538,157	
Carried Forward	6,829,520,518	
Mutual Credits	395,117,837,029	2,296,697,099,475
Holdings		31,855,136,506
Premises etc		11,570,553,277
Acceptances & Endorsements		128,492,199,321
Bills Receivable		58,825,103,479
Sundry Debitors		231,036,909,234
Branch Accounts		31,971,714,574
Misc. Assets		5,385,216,029
Contra Accounts		4,713,270,000
Banker's Drafts		
Securities Deposited for Third Parties		702,184,171,492
Securities Deposited as per Contra		380,428,824,552
		4,622,018,406,621

BUSINESS *Britain*

North Sea oil ought to be our jam

The Government's decision to commission a consultants' report on how British industry can get a respectable share of the North Sea oil and natural gas construction business would have been a good idea had someone thought of it a few years ago. As it is, British business is doing a fine job supplying coffee and cigarettes to the oil roughnecks who man the drilling platforms but, with a few exceptions, the contracts for sophisticated services and equipment are going to American companies.

They have the advantage, thanks to a large domestic oil industry, of being well-established, but it is hardly a secret that much of British industry has shown a lamentable lack of initiative in latching on to the North Sea bonanza. The Government should be applauded for finally facing up to the situation, but then it must share the blame too. It still insists on grossly underestimating in public the amount of oil in the North Sea, standing by estimates of a possible annual production rate of 75m-100m tons by 1980, although many experts think a highly conservative estimate now would be 150m tons by that time from British waters alone. This would be one and a half times Britain's current yearly oil consumption and, though we would have to be good neighbours and share oil production with Europe, it should save the country between £900m and £1 billion of foreign exchange.

Even on the Government's archaic estimates, there is £350m-£450m worth of business to be done annually in North Sea exploration and production by the late 1970s. What proportion of this will go to British-owned companies? The present trends are not encouraging. A Japanese company won the contract to supply pipe for the underwater part of the pipeline from British Petroleum's huge Forties field. Americans are expected to dominate pipe-laying activities in the North Sea.

The Government's plan to dish out large chunks of cash to British companies interested in carrying out research and development work on underwater technology sounds better than it is, though oilmen admit new techniques are needed to explore and exploit the deeper waters of the North Sea. But companies starting from scratch are unlikely to develop anything soon enough to reap much of the business. The Government would do better to put pressure on American companies to license their techniques to British industry or, at second best, enter into joint ventures with British companies. This is happening to a small extent now but the Government should have the leverage to force through many more such deals. That is now the only way for British companies to get in on the action quickly, and after a few years of working with American companies they would be in a position to strike out on their own, not only for business in the North Sea but for business anywhere. There would be no shortage of potential customers: if there is one thing that is certain in the petroleum industry, it is that the search for oil and natural gas will intensify as the years go by.



Smith: he settled first

Wages

Steelmen melt away

Steel union leaders decided this week not to wait for the outcome of the rail dispute. The whale followed the minnow in accepting terms from the British Steel Corporation, to BSC's pleasure and surprise. When BSC first offered the unions 9 per cent, Mr Dai Davies of the Iron and Steel Trades Confederation did not want to do a deal before the railwaymen. But when Mr Hector Smith, the leader of the 14,000-strong National Union of Blastfurnacemen, who went on strike last year, accepted a bigger offer from BSC, Mr Davies followed suit. No one will say just what the new offer is worth, but it may be more than is being admitted. One estimate puts it at 10.5 per cent. But since the lowest-paid steelmen will get a massive 19 per cent, the average could be well over 11 per cent. Local productivity bonus schemes tend to add a whack on top of any national deal.

On Monday, the teachers learned that the arbitration tribunal had awarded them 9.6 per cent rises. This is well below what the railwaymen are likely to get, but Lord Pearson's tribunal should have awarded the teachers no more than the 7 per cent they turned down. If a tribunal always hands out a compromise figure between the union demand and the employers' offer, the union has an obvious incentive to demand more next time. In some forms of arbitration in America, the arbitrators can opt for either the employers' offer or the unions' claim, but must not split the difference; this encourages responsibility in framing offers and claims, while Lord Pearson discourages it.

There are no other major public sector wage deals pending other than the railways. But building unions,

representing 800,000 workers, are still pressing their ludicrous claim for a 50 per cent rise in basic rates. The employers have offered around 10 per cent. The unions gave strike notice on Thursday for a shutdown from June 26th, muttering the while about possibly making the strikes selective. But when the engineers tried these tactics in Manchester, the results were not impressive. However, since building profits are at an all-time high, the unions reckon they can squeeze a bit more yet.

Ball bearings

Imports create friction

One of the more difficult negotiations that the Secretary of State for Trade and Industry, Mr John Davies, will have to undertake on his Japanese visit will concern the rising tide of ball bearing exports from Japan to Britain. Last weekend 1,500 redundancies were announced by Britain's largest bearing firm, Ransome Hoffman and Pollard, after warnings as far back as January. To some extent the announcement and the linking of it with Japanese imports were done for effect. The redundancies were inevitable because of the low demand at home, and it can be argued that they should have come earlier as part of the shakeup of this offspring of the Industrial Reorganisation Corporation. Certainly, the Japanese have taken business away from RHP, notably in third markets like South Africa ; and Mr Davies showed some signs of sympathising on Thursday with British complaints about what they were doing here.

Japanese bearing sales in Britain, in common with Japanese sales in all other major industrialised countries, are concentrated in the large volume types of small standard bearings. Three-quarters of the imports into Britain in 1971 were in this category, and the Japanese now control the major part of the market in the 10-30 millimetre size range. In the whole small bearing field in Britain, up to 70mm diameter, it is estimated that the Japanese now have 40 per cent of total sales. What makes British manufacturers so mad is that a large slice of the remainder are so-called specials, wanted only in less profitable small batches.

It is easy to get the British industry on the raw by pointing out that the Japanese have virtually taken over the supply of bearings for the lucrative fractional horse-power electric motor field—used in consumer durables like refrigerators, one bit of the economy that is moving ahead respectably. The British say it is much more difficult to make high-quality bearings in small quantities than in long production runs. Yet their own investment in high-volume production lines has been slow, to say the least : RHP's first such line for small standard bearings is not due on stream for 12 months.

Mr Davies has to assess what the Japanese really want. Are they deliberately going all out to dominate one sector of bearings in order to disrupt the total market, which is what the

Railways : it should have been said

The ballot on the railways was held this week, and voting papers had to be back by Saturday. The Chancellor, Mr Anthony Barber, said in a speech this week that "we must mobilise the nation to resist inflation." But the Government made no such effort. Ministers have scrupulously avoided suggesting to the railwaymen how they should vote, chiefly for fear that ministers would lose some face if the railwaymen then rejected their advice. The interests of every person in the country will be seriously damaged if inflation is now pushed beyond the 10 per cent per annum mark. But nobody spoke in this vein, and poor Mr Wilson at a railway union conference on Wednesday felt he had to go to the limit the other way. We show below the sort of advertisement which should have been addressed to the railwaymen.

Railwaymen :

You are being asked by your union leaders to vote to resume "industrial action" —ie, to go back again to *being bullied* by union militants all through your working day—in order to get British Rail to backdate your 14 per cent wage increase from June 1st to May 1st. Even if you won "total victory" in this claim, you would only get a single sum less than five times 14 per cent of one week's basic wage—ie, less than £20 for many of you—in one single pay packet some weeks after your industrial action stops. It is now right to tell you :

(1) Even if you resume industrial action, you are not going to get that lump sum of £20. If we can manage it, not ever. You may not believe this. But you should believe that you most certainly will not get it until long after you have lost much more than £20 in missed overtime and other pay. In any new go-slow you will lose more than £20 very quickly, because British Rail is going to send home without pay any workers-to-rule who flagrantly break their contracts—as about half of you did last time—and it is going to remove the guaranteed week from those for whom there is no work when particular trains are not running.

(2) The effect of the go-slow is to infuriate the railways' customers, turn the country against the railwaymen's case (see all the public opinion polls), increase British Rail's large losses, make sizeable future unemployment among railwaymen quite inevitable, and earn a reputation for railwaymen of trying to hold the country to ransom. The 14 per cent-a-year increase you are already going to get compares with a 2½ per cent increase in national production last year. Wage increases of this sort can only be paid for by over 10 per cent a year inflation (which means that all prices double every seven years), and the reason why you are now going to be resisted is that it is vital for Britain of both today and tomorrow (and especially for your children's Britain) that somebody should now stop your union leaders' policy of trying to fasten on the British people a higher rate of inflation even than that.

(3) In its knowledge of the above facts, one of the three railway unions wanted to accept the present offer. The individual leaders of the other two really wanted to, but were afraid of their totally unrepresentative militants (like the paid-up communist who is London area organiser of ASLEF). The union leaders then spent large sums of your money to plead before a court that you should not be asked whether you wanted to take industrial action or not. If you vote "yes" this time, ballots will be put out of fashion ; and you will be ordered into more and more strikes, without a by-your-leave.

If you do thus vote "yes" you will be voting to lose money for yourselves, and fix more inflation and real hardship on the country, in order to save the faces of your union "leaders," so that they can go on having their bottoms kicked by union sub-bosses whom they cannot control. If you doubt this, ask everybody you meet travelling on the railway tomorrow what they think. Then vote :

yes ☐ **no** ☒

"... profits for 1972 are likely to be around the 1970 level and thereafter poised to continue the previous upward trend."

Sir Val Duncan

Chairman and Chief Executive, at the Annual General Meeting, 17 May, 1972

1971 Results
The Group operating profit was £65·8 million compared with £79·1 million the year before, and after tax profits attributable to RTZ shareholders were £19 million – £27 million in 1970. The average price of copper in 1971 was some 25% below copper prices in 1970.
1971 was an active year of growing business and developments within RTZ, and it is a paradox that lower metal prices over which we have no control should produce this first decline in profits, notwithstanding greater business done than ever before.

Avonmouth
I should like to say a good deal about the overall position regarding this plant, but the Windeyer Committee, set up by the Government to consider plant hygiene, has not yet reported and it would be improper for me to comment at this stage. Though mistakes have been made at Avonmouth, I feel confident that the Windeyer Committee will report this matter in its proper perspective.
Subject to consideration of the implications of the findings of the Windeyer Committee, CRA, through its subsidiary, Australian Mining & Smelting, expect to take over the ownership of Avonmouth on a written down basis during the course of this year. In the RTZ accounts for 1971, we have taken the conservative decision to write off the capital relative to Avonmouth.
In the meantime, Avonmouth – with the concurrence of the Windeyer Committee – has just re-started its operations and preliminary reports are satisfactory.

Churchill Falls
The first electric power has been generated this year and fed into the Eastern Canadian grid.
After 1975 we should expect dividends to start flowing to shareholders.

U.K. Exploration
There is mineralisation at Coed-y-Brenin and your company has been studying this to see whether there are conditions under which it might be reasonable to put forward a proposition for its development which would probably involve the utilisation of around one half of one per cent of the Snowdonia National Park.
Bearing in mind the certainty of very heavy extra costs involved in the protection of an area of natural beauty, I am not at all sure at present as to whether this deposit could prove viable. There is I believe a duty on the part of mining companies to proceed sufficiently far with paper plans to find out whether all the factors involved can reasonably be harmonised in the national interest. It is not in the end for a mining company to determine the national interest; that should arise out of the normal democratic processes, including public debate; but it would be irresponsible for a mining company to put forward plans if they did not feel there was even a *prima facie* case for public consideration.
The situation therefore is that we have not yet reached the stage where we think there is a *prima facie* case. If we conclude there is not, that so far as RTZ is concerned is the end of the matter. If we conclude that there is, then we would proceed to open up the subject with the planning and other authorities in the normal manner.
I must add, however, that we in RTZ have undertaken to abide by the findings of the Zuckerman Commission and this is an important qualification to anything I have to say on this matter. As a mining company with strong conservationist convictions you can rest assured that we will spare no pains in trying to assess this problem sensitively as well as economically.

Finance Bill Proposals
Since 1965, companies with overseas investments have suffered severely by a measure of double taxation not in operation before that date. With other corporations we have made representations to the Chancellor for mitigation of this manifest inequity. I would hope the Government will reconsider the value to the country of overseas investments and remove the U.K. tax inhibitions from which they suffer.

Outlook for 1972
As regards the outlook for 1972, it is obvious that the price of copper is very important in making any assessment. Perhaps the best I can say at present is that subject to any unforeseen circumstances – and based on present commodity price levels – the profits for 1972 are likely to be around the 1970 level and thereafter poised to continue the previous upward trend.

Copies of Sir Val Duncan's full Speech, and the Annual Report for 1971, may be obtained from The Registrar, RTZ, Austral House, Basinghall Avenue, London EC2V 5ES, or The Secretary, 6 St. James's Square, London SW1Y 4LD.

RTZ The Rio Tinto-Zinc Corporation Limited

GUARDIAN ROYAL EXCHANGE ASSURANCE

From Lt.-Col. C. P. Dawnay's Review

We anticipated at the time of the merger that with two companies of the size and complexity of the Guardian and the Royal Exchange it would take us three years to integrate our operations completely and this has proved to be the case. A merger is never a simple operation, with the problems of changes in management and underwriting methods in all the areas in which we transact our business. It does not always lead to immediate profitability, but if it is well handled it should lay the foundations for future growth and long-term prospects. I am confident this is the case for Guardian Royal Exchange.

Results for 1971

The principal items in the accounts are :–

		£'000
Premiums written :		
Fire, Accident, Marine and Aviation	..	236,223
Transfers to Profit and Loss Account :		
Fire, Accident, Marine and Aviation	..	929
Life	..	1,993
Investment income	18,018	
Less: Interest payable	2,748	
		15,270
		18,192
Less: Pensions, Minority interests, etc.	..	3,829
Profit for the year before taxation		14,363
Less: Taxation		3,479
Profit after taxation		10,884

Our earnings per share have increased from 11.6p to 14.2p and we are recommending a final dividend of 5p (4.5p in 1970).

Home

In our Home operations we increased our premium income by 29%. Our Fire experience has been more favourable but we have found it necessary to apply a further increase in our Motor rates from the 1st January. On the Accident account we made a modest profit.

Overseas

Our Overseas business on the Fire, Accident and Motor Accounts showed an increase of over 14%. Whilst we had satisfactory Fire results from the majority of our interests world-wide these were off-set by heavy losses in Germany and Canada. In Motor we nearly achieved break-even position and the Miscellaneous Accident produced favourable results.

Life

It is pleasing to be able to report a striking increase in the total of new world-wide business in the first year following the complete rationalisation of our Life operations. Our net new sums assured were £845m. compared with £674m. in 1970.

Prospects

Insurance is an industry where we offer a fixed price contract at the beginning of a period of insurance without knowing the cost factors which may well affect the liabilities under the contract when we are called on to pay claims at sometimes a much later date. For this reason it is not easy for any Chairman in the industry accurately to predict the underwriting prospects for the future. However, we should over a period show steadily increased earnings per share and therefore increased dividends to our shareholders.

Our success depends very largely on our ability to recruit and train staff of the right calibre for our work, to develop their skills and to reward them for their contribution to our results. As always, I send the staff both Home and Overseas the warmest thanks of myself and the Directors for their work in the past year.

British makers seem to believe ? Do they really sell at the amazing 20-30 per cent discounts—and more—that are quoted again and again, even though they are often working in association with British producers or distributors ? If they do, it is an amazing waste of potential profits.

Concorde

Five sold already

The British and French governments had long been expected to order, when it suited them, their national airlines to sign on for Concorde, and it happened to suit Mr Heath to bring the British Overseas Airways Corporation to the dotted line on Thursday, before Concorde was to be sent off on a mainly British-directed sales drive in the Far East. The French government, which has no major selling campaign on its hands at the moment, was able to let Air France off the hook for a little longer.

The number of aircraft, five (at £21½m each) is dictated by the manufacturers' convenience rather than by BOAC's. Concorde is now talked of as an aircraft for the first-class market only, and three Concordes would be sufficient to take all the first-class passengers carried by all airlines on the North Atlantic last year. Mr Fred Corfield, who until the Government reshuffle was the minister in charge of Concorde, recently put probable sales at 30, which was the figure going round Whitehall while he was there. How ministers reconcile a figure as small as this with the £1 billion that it will take to develop the aircraft has never been explained. Concorde's latest redesign involves modifications to the air intakes that, like so much else, are proving more extensive and more expensive than ministers were first told.

Concorde's tepid reception by the major airlines is because of the fares they may have to charge unless they are prepared to subsidise their supersonic services out of revenue. Mr Michael Heseltine, when he announced the BOAC order in the Commons, also said that the capital of the British Airways Board, the holding company for the two air corporations, would be reconstructed so that a rising proportion of their Treasury capital would pay not a fixed, but a fluctuating equity dividend, which opens the door plainly enough for BOAC to trim or pass that dividend whenever costs become intolerable. This is, presumably, the price BOAC extracted for its Concorde order.

The rule of thumb is that a Concorde ticket should cost one-third more than the ordinary first-class service in order to break even. First-class flights now cost 50-100 per cent more than economy tickets but the International Air Transport Association's iron front on fares has begun to crumble and prices are beginning to break. This week the Government, or rather its new Civil Aviation Authority, allowed BOAC to go ahead with a new, £196 fare to Australia, without waiting any longer either for Iata to approve it, or, indeed, decide what to do about fares to other points along the Far East routes that are going to be affected by it. The Australians, who are already selling the new tickets, had not even bothered to ask for Iata's views.

These tickets represent a reduction of about a third, which is the sort of cut that should be feasible on most routes for any well-run airline. It is not as low as the rates offered on charter flights which, on the North Atlantic, are generally only one-quarter the normal economy fare. But if a reduction of a third becomes standard, then a Concorde ticket, which might now cost rather more than twice the normal economy ticket, would be costing three times as much by the time BOAC puts the aircraft into service.

Vat

Triple on car hire

Car-hire firms will find that the value-added tax is more like a cascade tax for them. To avoid this they will need changes both in the Finance Bill during the committee stage and in the Customs and Excise department's intentions as expressed in the Vat white paper about the orders to be made under the bill. The white paper says that tax on business purchases of cars is to be disallowed as a Vat deduction, which is an attempt to get at firms that provide cars as a staff perk. But it is particularly bad for car-hire firms. The Vat on the cost of the car will not be rebated, and Vat will be charged on the car-hire charges. It will be assessed on the part that represents the cost of the car, thus double-taxing it, and on the part that represents the Vat on the cost of the car.

On top of this, the sale of second-hand ex-hire cars will probably not attract the relief in clause 14 of the bill that will allow certain second-hand sales to be charged on the dealer's mark-up only. In general, Vat applies

Key indicators: British economy

Retail prices
Sharp rise in April despite purchase tax cuts

Employment
Down again in March

Cars
New registrations, seasonally adjusted, well up in April, first full month after budget, but figures still below record levels

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	March	125.7	+11.8	+1.5	+2.5
employment*	March	88.8	−0.4	−0.2	−5.7
productivity*	March	141.6	+12.2	+1.7	+8.7
Export trade*‡	April	148	+4	nil	−8
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	March	106.8	+0.8	−0.3	+3.6
Unemployment*	May	164.8	−7.0	−5.0	+15.5
Average earnings*	March	196.0	na	+3.6	+10.4
Retail prices	April	156.2	+0.9	+1.8	+6.3
Export prices	March	150	+1½	+1½	+8½
Import prices	March	135	+½	+1½	+5

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.6 per cent.
**Seasonally adjusted ‡Provisional*

to the full value of second-hand sales, but, in response to the protests of secondhand dealers who deal with the public and not just other traders (particularly art and second-hand car dealers), clause 14 was put in the bill. But it appears only to enable the Vat base to be reduced to the mark-up, instead of the full value of the sale, "where no tax was chargeable on a previous supply of the goods." In a sale by a car-hire firm to a dealer, all transactions over the car will be taxable, so it will not be possible to apply clause 14. This means that where, for instance, a car-hire firm sells one of its cars to a dealer for £500, and the dealer resells it for £550, the tax due from the dealer will be £55, instead of the £5 he would pay if he had bought the car from a member of the public. So the dealer will offer less.

There are two ways out. One is to allow such purchases where the business is a car-hirer, which would open the way to numerous anomalies—not to mention avoidance. The other is not to disallow car purchases at all—as previously suggested in *The Economist* (December 25, 1971). All private motoring in company cars is caught for income tax purposes now by the Inland Revenue. These assessments should be used for Vat, and a 10 per cent rate charged before they are added to income. The refusal of the Customs to do this is an example of the kind of nonsense that could be avoided by merging it with the Inland Revenue.

Down among the barrows

Barrow boys handle one-third of all fruit and vegetable sales in some parts of the country, and they probably do at least 2 per cent of the entire retail trade in Britain. Since many consumer goods are either too bulky or too highly priced to be sold off market stalls—£20 per item seems to be about the upper limit—this suggests that street traders do a much higher proportion of business in the goods that they can handle than they are usually given credit for, and certainly enough for manufacturers and wholesalers to take barrow boys seriously.

Because the established shops hate them, the barrow boys' volume of trading, backed up by evident customer-loyalty, has been played down, and three investigators from the marketing division of London University's Wye College have had a rough time even to find out how many barrow boys there are*. They put the number of market stalls in Britain at 86,612. Roughly one-third of these are under cover and the rest stand in the open in market squares, along street curbs, in car parks, or on pieces of waste land. Some of these markets are open on only one day a week, which explains why there are fewer traders than there are stalls. The researchers' guess is 57,276 dealers, many of whom do a day's business and then move on to the next market.

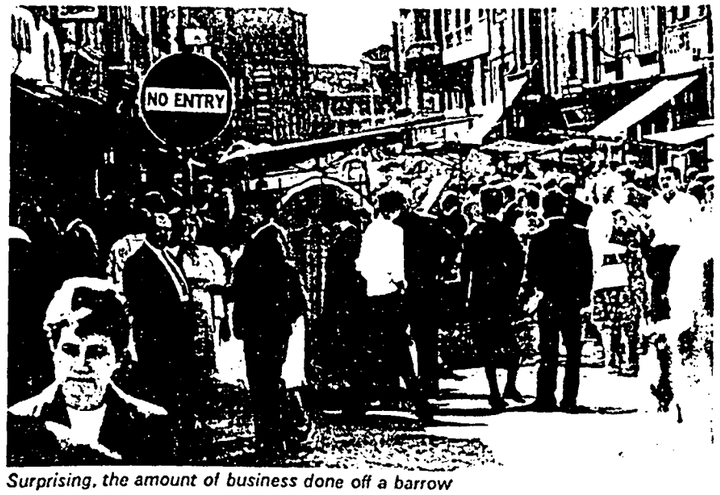
The profits from a street trader's licence cannot be bad, because some licences change hands for several thousand pounds. This suggests that local authorities do not provide anything like enough room for stalls and barrows, and that they interfere too much with the sort of trade that the stalls may handle even when they do. The survey attributes this to pressure from the local shopkeepers, who usually bulk large on local councils and persuade them to keep the number of licences down in areas where people obviously like this form of shopping. When Leicester considered redeveloping a street market on a valuable site in the town centre, the conclusion was that the market gave the best return.

London, Lancashire and Yorkshire between them account for nearly half Britain's street trading. In Lancashire well over one-third of fruit and vegetables are sold in this way. In fashionable parts of London some councils that planned to withdraw licences of individual barrow boys have been forced to change their minds by the flood of petitions from well-heeled residents. London's barrow boys are a class of street trader on their own, and they cater for a large population of commuters. The suburban housewife, on the contrary, does not like them, and there are few street markets in the London suburbs. Distribution may have something to do with it, although the survey does not explore this very far. But it does point out that one of the strengths of the London barrow boy is his nearness to the wholesale markets, where he can pick up job lots and still maintain quality.

Market stalls are probably on the increase. There has been a spurt of private markets recently, particularly in holiday resorts along the south coast. Of nearly 800 street markets in Britain, only 135 are privately-owned, the majority of them being in London and the south-east. But they are already doing 11½ per cent of all market business, and if local authorities continue to restrict licences, the private markets are bound to grow. Rules about hygiene and food handling have driven virtually all the meat and fish stalls off the streets and into the covered municipal markets that abound in Yorkshire and Lancashire. The trouble, as the Wye College inquiry sees it, is that so many local authorities want their markets to make a profit.

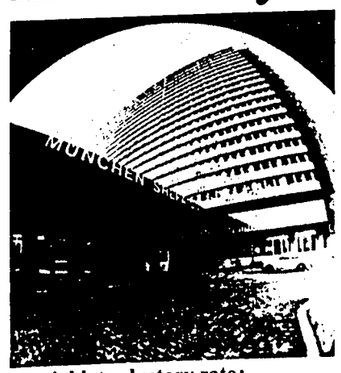
In France, street markets are deliberately encouraged, even if this means subsidising their running, because they are a valuable way of introducing an element of competition. The stalls provide a service that the shops refuse to give. A little more of this attitude in Britain would probably be no bad thing. But it is not as easy as that. Some new glass-and-formica covered markets are thriving in Liverpool and Sheffield, but Ipswich is having a disastrous time with its new market and has had to cut rents severely in an attempt to let the stalls.

*Retail Stall Markets in Great Britain. By J. H. Kirk, P. G. Ellis and J. R. Medland. *Wye College*. £1.



Surprising, the amount of business done off a barrow

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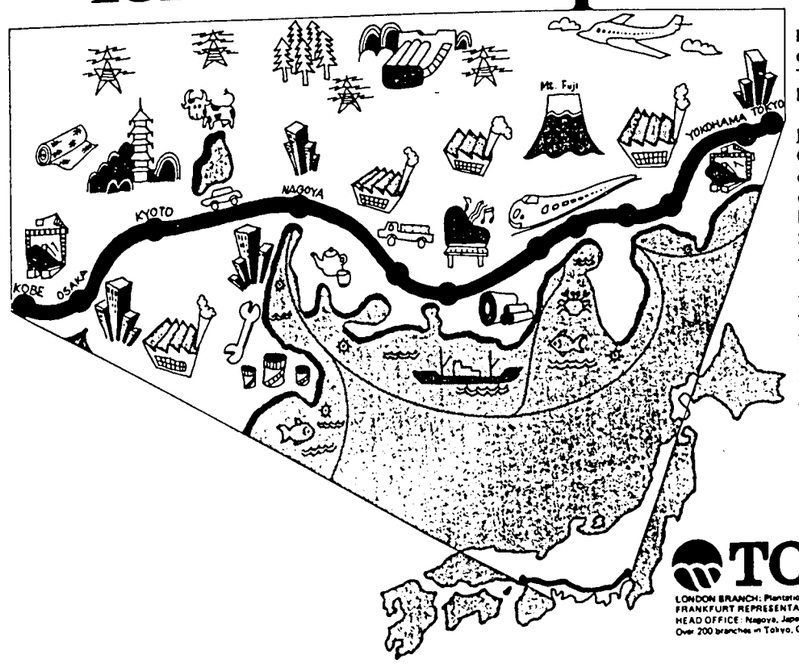
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BUSINESS *Investment*

The Mann with the gong ?

The biggest bid spectacle of the year has now moved into 3-D. On Thursday the **Rank Organisation** launched its expected counter-bid for **Watney Mann**; Watney Mann unexpectedly turned it down; and **Grand Metropolitan Hotels** sat and thought what to do next. Now that the season is hotting up, perhaps some other names will come and vie for a place at the top of the merger bill. After all, logic has little enough to do with the show. Rank claims that the extension into brewing accords with the policy of developing its leisure interests. Leisure is a conveniently broad category of activities, and the tobacco companies could easily claim the same rationale for a brewery bid. In fact, beer and fags make a much more compelling story than beer and duplicators and movies.

The Rank bid is reckoned to be worth around £450m, and is launched by a company with a market capitalisation of £750m, three times larger than GMH. The size matters. Rank has been able to offer a higher price, and more equity (although voteless) than GMH, and claims that there will be no dilution of existing Rank earnings—which presupposes an implicit forecast of Rank profits of around 25%. The stated value of the bid is 290p, taking Rank "A" ordinary shares at £10.50, but they have slipped back to £9.80. Watney shares have remained obstinately below the bid price, at 258p, and GMH, which is now being valued, with a sigh of relief, on a failed bid basis, has risen to 263p.

Rank trading profits	1967 £000	1971 £000
Films	5,440	6,128
Dancing, bingo, bowling	786	1,505
Motorports, restaurants	− 124	62
Manufacturing	895	1,052
Other	− 403	1,491
	6,594	10,238
less central costs	579	646
	6,015	9,592
Share of Rank-Xerox pre-tax profit	7,300*	29,187

*Estimate

The curiosity of the price movements is such that both the Rank and the GMH bids are now within sight of the 270p range. The reaction of Wall Street, where Rank has many shareholders, to the attempt at diversification is awaited with interest. In the United States breweries are not regarded as much of a growth sector, and heavy selling would push the value of the Rank bid even further down leaving GMH very much in the running —though Rank has more financial scope to upstage GMH if it wants to in a later act.

Financial considerations aside, Rank reckons that its marketing expertise, and its international strength, will help it to exploit the Watney potential. Looking at the record of the Rank Organisation outside Xerox, that is questionable. Film activities—production, exhibition, processing and the studios—still provide the bulk of the non-Xerox profits, and the other leisure areas have not flourished greatly; hotels are making a meagre profit after years in the red.

Anyway, as the latest defence document from Watney Mann makes clear, the company is fully aware of its potential. The document pulls no punches and sticks Watney directors' necks right out into 1973 with a profits forecast 16 months ahead. Having already forecast a rise of 27% for the current year, Watney sees another 24% to £35m in 1973—a figure in line with the expectations of GMH. As an added inducement for the shareholders to remain as loyal as the workers, there is a scrip issue and a dividend increase. Shareholders in Watney should stick around until the battle ends, and then sell out sharply, whoever wins.

ICI and Courtaulds

Tweedledumb and Tweedledee

The three months' figures for Imperial Chemical Industries and the year's figures for Courtaulds both came out on Thursday. ICI's pre-tax profits were fully in line with the chairman's gloomy warnings, and the disappointing £21m compares with £41m a year ago. To be fair, one should add back £5m from the miners' strike, £2m for redundancy payments, and something for depreciation which has leapt up by £6m to £36m. The share price had been drooping in anticipation but rose by 10p to 279p when the figures reached the stock exchange.

Of several headaches, the one of migraine proportion was, and remains, the world slump in the prices of man-made fibres. There is still precious little sign of any firming, and ICI will not look like a recovery stock until demand starts picking up substantially. The Japanese fibre companies, partly responsible for the oversupply, have themselves been hit, and the six leading producers have reported falling sales and profits and have even cut dividends.

That makes the Courtaulds results shine by comparison and shows the wisdom of having integrated fibre-making and fibre-using. Luckily, Courtaulds still has a long way to go in its polyester production—and even further since the bomb blasts at the Irish plant —and so it has been protected from the most dramatic of all fibre price falls. Unlike most of British industry, Courtaulds has not been able to push prices up much, and so the slight profits increase to £45.5m is a creditable performance. The most outstanding item in the profit and loss account is the





Werner Stange, seated, heads Morgan Guaranty's Zurich office. Other officers include, from left, Gaetan Bucher, Rolf Sellge, Curt Schibli

If your company's international banking needs go beyond the commonplace, consider Morgan Guaranty

Consider, for example, the whole problem of expanding your company's operation into another country. Should you buy an existing company or start from scratch? If you decide to acquire a company, how do you analyze its current value? What's the best way to finance this acquisition in relation to (a) the exchange control regulations of the country as well as your own, (b) the economic and investment climate there, and (c) the location of your available capital? Will you develop a foreign-exchange exposure problem? Would a joint-venture partnership be more advantageous?

These are just some of the many complex questions on which you must make a judgment. Morgan Guaranty, with years of experience in international banking, is uniquely qualified to help you make these judgments. In fact, we've been in international banking since the 1860's when J. Pierpont Morgan started



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Whatever your banking needs, consider Morgan Guaranty. You'll be in good company. Our experts in international banking already are helping 96 of the world's 100 largest corporations solve their financial problems.

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Morgan Guaranty - the corporate bank



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Vila (est. pop. 3,400; 1,200 miles N.E. of Brisbane; main port and business centre of the New Hebrides) is fast acquiring a special significance in the world of international business – as an off-shore investment base for the growing economies of Australia and the Far East.

And, since Barclays International aims to offer an on-the-spot service to meet the demands of finance, commerce and industry wherever they appear, we recently opened our newest branch there.

It is this kind of ambitious spirit that has given us more overseas offices than any other bank in the world: over 1,700 with our associates and subsidiaries.

It has also given us hard-won experience and skill in *every* side of international banking – whether it be corporate financing abroad, administrative and financial help for importers and exporters, or large-scale currency and investment operations.

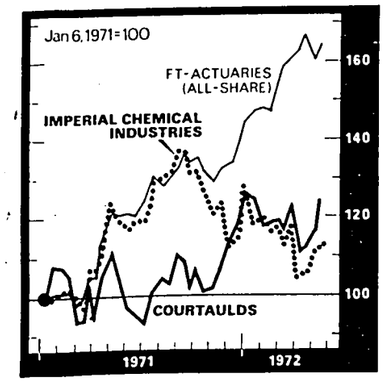
Our initiative, experience and ability are three good reasons for you to get in touch with us, to find out how we can put our international services to work for you.

You may never need us in Vila. But Barclays International is a whole world of banking.

And it's yours for the asking.

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tax charge, a mere £5.7m against £15.6m, thanks to some intelligent shuffling around of assets in the group and the benefit of the investment incentives. It looks almost too good to be true, and when the accountants have formulated some standard principles for dealing with such tax bonanzas, changes in presentation might be necessary. But the addition to cash resources will be useful. If spending power finally gets through to the manufacturers of consumer goods, Courtaulds will be in a good position to bump the profits up again. The market, realising this, marked the shares up 15p to 163p.

Wall Street

Our non-mutual friends

New York

Whatever the ultimate outcome of American-Soviet summitry, Wall Street did not hesitate to beam its approval. While President Nixon was still en route to Moscow, the Dow Jones industrial average rallied by a total of over 20 points, erasing over half the loss incurfed since the mid-April outbreak of new Vietnam hostilities. Although the rally was subsequently slowed by profit-taking, the Dow at mid-week closed at 965.46, up over 24 points from the previous Wednesday.

The market held its gain, moreover, despite the disclosure—which has sometimes had a devastating effect in the past—that mutual fund shareholders again cashed in more shares than they purchased (the latest figures are for April). The funds have been plagued on and off over the past year by net redemptions. The reasons seem to be that many contractual plans taken out for 10 years are currently expiring, there are fewer firms at present engaged solely in selling fund shares, and many holders have been baling out in the generally rising market in past months as soon as share prices reached levels at which they had been initially purchased.

Net redemptions in April rose to a record level of $250m, up from the previous record of $194m the month before. And partly as a result of sizeable payouts, the ratio of cash to total assets dwindled to 4.8%, the lowest in nearly seven years.

The spectre of the decline of the mutual fund industry no longer holds the terror it once did for the market. The reason is that while the industry still accounts for the greatest dollar amount of purchases and sales among institutional investors on the New York stock exchange, private non-insured pension funds (principally corporate trusts managed by banks) have been gaining rapidly in market impact. Last year, the mutual funds registered $42.7 billion in total transactions, up 30% from the year before. But the volume of the non-insured pension funds in the same period rose 50% to $34.4 billion. The pension funds' holdings of shares have actually exceeded those of the mutual funds from the early 1960s, and the gap, if anything, has been widening lately at an accelerating clip: at the end of 1971 pension funds had $79.3 billion invested on the New York stock exchange against $51.4 billion for the open-end and closed-end mutual funds.

Airlines

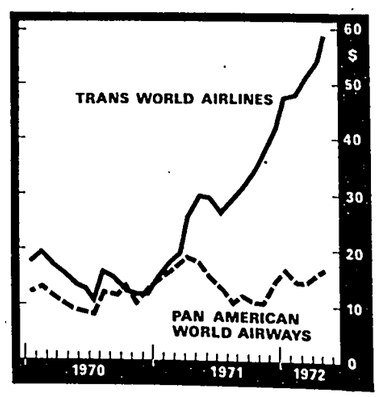
Pan Am's dumps

There are six new faces in the Pan American World Airways management team, recruited mainly from other airlines and expressly charged with getting Pan Am out of the red. It is unlikely that they will succeed in doing so much before 1974. They have taken over a depressed and demoralised airline in which the successive losses of the past three years have run at $28.9m, $48.4m and $45.5m. The accounts now show that the heavy cash drain has been stemmed by one windfall (the repayment of deposits on the cancelled American supersonic transport) and one property sale-and-leaseback which have improved working capital by $70m. Even the company talks about it being doubtful whether the airline could break even this year. It almost certainly will not, and might not next year either.

There seems to be something much more seriously wrong than the traffic slump through which all airlines have been going. Pan American's loads in 1971 were nearly 56%, and they were nearly 60% the year before. This is high by airline standards. **Swissair** sold only 52% of its seats last year but turned in a net profit of more than $10m, its highest in 10 years. It may not look all that big a figure, but Swissair is a relatively small airline, with a revenue of about $3½m compared with Pan American's $1.2 billion. And since air fares are quoted in American dollars, the revaluation of the Swiss franc 12 months ago clipped $6m off net profit.

American airlines with their huge resources can carry several years of losses, but bankers and shareholders become understandably restive if these losses go on when others are making profits. In 1970, **Trans World Airlines** made a net loss of $63½m, which was larger than anything Pan American has ever lost within so short a period. But TWA turned in a net profit of $3.3m last year. Without the Hilton hotel profits this could not have been done, but Pan American has its profitable hotel chain too. The significant thing about TWA's turnround was not so much its speed, although that was spectacular enough, as the fact that it was done on passenger loads of less than 50%, substantially below those of Pan American.

The two airlines had much the same operating revenue, of just over $1 billion last year, and TWA's operating costs were actually the higher. The real difference between the two is that TWA's financing is under much better control. It may be luck that concentrated the bulk of TWA's capital outlay in 1969 and 1970 while Pan American was still taking delivery of



Boeing 747s last year. But Pan American's gearing is now about 66%, or about a half higher than the average for American industry. There was a breathtaking period earlier this year while its bankers considered whether or not to renegotiate the $270m revolving credit. They did, but under "much more restrictive" conditions.

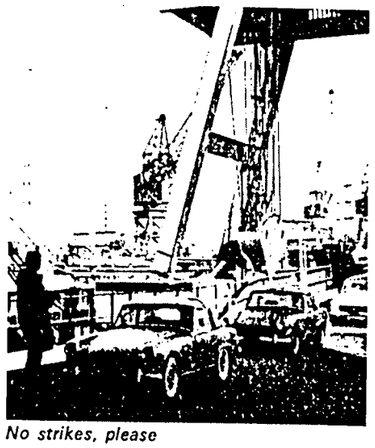
With no new aircraft to purchase, Pan American can live again, if not very comfortably, while the new management settles in under a new chairman. But if it is then asked to firm up its Concorde orders, and start making progress payments towards them, things could look sticky. The share prices of the two airlines show how the market has read the omens. But Pan American is a good spec for anyone who thinks it has sunk so low that it can only move up—and who is prepared to wait until 1974 to see it happen.

British Leyland

Tomorrow and tomorrow . . .

The British Leyland Motor Corporation should earn £100m profit by 1975. That is the rosy forecast of a special report published this week by J. and A. Scrimgeour, the stockbrokers. It expects a 17% drop in earnings this year. But earnings should double in 1973 and soar again in 1974 and 1975.

This assumes that the demand for cars in Britain will not ease up as it did in 1965-70, when there was nil growth in the car market. The Scrimgeour argument is that there is a lot of pent-up demand, and the Government is unlikely to clamp down on credit as it used to, having accepted the Crowther report recommendations.



No strikes, please

The main area for profit growth, highlighted by Scrimgeour, is further rationalisation. The report predicts extra profits of £15m-£20m from improved labour relations, £30m from cheaper designs and £20m-£30m from improved manufacturing methods. Add to this a new top quality management team, mainly taken from Ford, and a tough pricing policy and you get those £100m profits.

The problem is that the City has heard it all before. Take the labour relations situation, which is so crucial. Despite promises of a better tomorrow, the strikes do not seem to cease. In fact, some progress is being made by slowly switching from a piecework payment system to measured daywork. This cuts down dramatically on disputes and also ensures steadier production. Strikes have dropped at plants where daywork payment has been introduced. At Cowley, for example, only 9,000 man-hours were lost in the year after daywork came in, against 5½m the year before. Some 68% of men in the Austin-Morris division are now on daywork, and this could reach 100% by the year's end.

This switch suggests that the endless pinprick strikes will be replaced by occasional mammoth strikes that Detroit knows so well. Most car firms prefer it that way. However, British Leyland has suffered even more from outside strikes than from internal ones. Its new policy of double and even triple-sourcing makes it less vulnerable to the strikes from component makers that hit it so badly in 1970. But the miners' strike cost BLMC some £8m in lost profits, and a railway strike would hit it badly again.

The interim results, due next month, will be grim. The shares are still a speculative buy. Those £100m profits may never be realised. But the possibility is there, and as such the shares at 38p, on what would be a prospective p/e ratio of 4 for 1975, seem excessively cheap.

Key indicators: world bourses

	Stock price indices May 24	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London	533.0	543.6	470.4	− 0.9	+ 0.7	+38.1	− 1.4
New York	965.5	968.9	889.2	+ 2.6	+ 2.0	+ 6.5	− 3.0
Canada	214.4	214.4	187.5	+ 4.0	+ 4.6	+20.2	−
Australia	587.9	589.0	490.1	+ 2.3	+ 3.2	+18.6	−11.4
Japan	258 6	258.6	199.9	+ 1.4	+ 5.6	+42.0	−
H'kong	400.7	400.8	324.0	+ 0.5	+ 4.2	+62.4	− 1.4
Belgium	109.8	110.7	96.9	+ 0 6	+ 0.5	+ 8.7	− 0.8
France	82.5	82.5	67.6	+ 1.5	+ 3.1	+ 4.7	− 4.2
Germany	118.1	119.3	97.1	− 1.0	+ 6.0	+13.7	−15.8
Holland	141.3	141.3	105.4	+ 2.9	+10.7	+16.1	−
Italy	48.9	49.7	43.9	+ 1.5	+ 0.6	− 4.1	−58.1
Sweden	340.3	350.9	308.7	− 0.4	− 2.1	+23.3	− 9.4

London quiet, but Wall Street shows its approval of the Moscow talks. Tokyo goes to new high.

Stock prices and yields are on pages 137 and 138

SECTOR ANALYSIS

Which to go for?

The London market is in the mature stage of a bull market, when an astonishing number of people ring up their brokers and say they have just borrowed £15,000 from the bank and want to know where to put it. They do not usually talk in terms of individual companies; but they like to cast their eyes over the horizon and ask about golds, or financials, or property or construction.

There are three things to get right about investment timing: the market, the sector and the individual company. The market is the most important. There are some periods when it is better to go liquid. London has not reached that. The next thing to look at is the sector, and *The Economist* will, from time to time, take a particular slug of the market and examine it closely. This week we look at the "whole sector approach."

The theory behind it is simple. The economy may grow (or decline), but some industries in it grow faster than average, for all kinds of reasons including: the way that demand on an aggregated level flows down to particular groups of industries; long-term shifts in the structure of the economy (such as that from manufacturing to the service industries); technological progress which transforms the prospects for a particular industry (harder

Matthews Wrightson Holdings Limited

Insurance Broking · Lloyd's Underwriting Shipping · Air Broking · Land Use

FURTHER EXPANSION IN 1971:
all sides of the business contributed

Some points from the Statement of the Chairman, John Eldridge

Group Profits. Pre-tax profits have risen by 28% to £2.01m. compared with last year's figure of £1.57m. adjusted to take into account the acquisition of Bray Gibb.

Insurance Broking. Bray Gibb Wrightson had a most successful year in spite of the increased costs incurred in order to obtain for the future the full benefits of the merger with Bray Gibb. By international standards the company is now one of the major insurance broking firms.

Ship Broking. Galbraith Wrightson again produced substantially increased profits in 1971. There has, however, been a severe reduction in shipping activity and freight rates and there is no sign of a recovery yet. Nevertheless, the company is in a favourable position to exploit opportunities and to react rapidly to market changes.

Insurance Underwriting. Improved results at Lloyd's on the 1968 account has meant increased earnings for Matthews Wrightson Pulbrook in 1971. A further substantial rise is expected in 1972.

Land Use. The Group's forestry management has been widened in the past year and increased profits have resulted. A new company, Fountain Farming, extends these services to investors in agriculture.

Air Broking. Instone Air Transport had a very busy and successful year.

Outlook. By 1973, the expansion of the other sectors of the Group should produce a satisfactory advance in profits even if the shipping recession continues, but in 1972 the decline in income from shipping activities could more than offset the growth from other sources.

Statement of Profit Year ended 31st December 1971

		Appropriation of profit	
Turnover	£10,738,960	Dividends	£636,577
Profit before tax and extraordinary items	£2,007,746	Reserves	£305,000
Attributable to shareholders (after extraordinary items and pre-acquisition profits)	£941,577	Total dividend	45% gross
		Earnings per share	15p

Copies of the full Report and Accounts and Chairman's Statement are available on request from the Secretary, Matthews Wrightson Holdings Limited, Fountain House, 130 Fenchurch Street, London EC3M 5DJ.

Parents prefer Prova

Tens of thousands of mothers buy Prova infants clothing in our stores every year, and go on making purchases for their families as they grow up: they know they are quality tested and excellent value.

B.H.S. keep on growing

Salient Figures - 1971/72	52 weeks to 1st April 1972	52 weeks to 3rd April 1971
	£000	£000
Group Sales	82,910	71,819
Trading Profit	11,311	8,298
Profit before taxation	9,456	6,780
Taxation	3,937	2,870
Profit after taxation	5,519	3,910
Cost of ordinary dividends (Gross)	3,857	2,883
Dividends per ordinary share (Gross)	8½p	6.36p†

†*as adjusted for July 1971 Scrip issue.*

- The much larger proportionate increase in net profit than in sales was accomplished partly by a small overall increase in profit margins but just as much by a strict control over operating costs.
- There is a tendency in many retail organisations to cope with mounting operating expenses by reducing the numbers of staff and resorting to various forms and degrees of self service. We ourselves do not believe in this policy. We are trying to create a situation in all our stores where every customer can obtain personal service at every counter in the business, including the food counters, and we are employing new techniques to make that service more effective and more efficient.
- The year marks the largest increase in volume ever achieved by the textile departments. The food department has continued to make steady progress, while restaurants have been exceptionally busy throughout the year and made a very significant contribution to profit.
- We believe that, with the improvements taking place in the quality and range of our merchandise and its presentation in the stores, the higher turnover will include a satisfactory increase in unit sales and that shareholders can look to the future with confidence.

Average Sales and Net Profit Per Store 1962 to 1971/2

Year	Stores Operating	Sales	Profit before Tax	Average Sales per Store	Average Profit per Store
		£000	£000	£000	£000
1962	82	28,106	2,151	343	26
1963	81	30,926	2,596	382	32
1964	85	34,948	3,050	411	36
1965	87	39,675	3,539	456	41
1966/67	89	43,152	3,737	485	42
1967/68	91	46,667	3,855	513	42
1968/69*	95	56,974	5,286	600	56
1969/70*	95	62,053	5,620	653	59
1970/71	95	71,819	6,780	756	71
1971/72	95	82,940	9,456	873	100

**Excluding Henry's Stores Limited units, which were operating up to August 1969.*

BRITISH HOME STORES

Prova

YOUR SYMBOL OF QUALITY AND VALUE

GILL & DUFFUS

In his Annual Statement,
The Chairman, Mr. R. G. McFall reports:

- **Record results—a further step in long period of steady growth.**
- **Improved trading throughout the Group with profits and dividends increased by nearly 20%.**
- **Substantial increase in reserves—proposed 1 for 4 Scrip Issue.**
- **Reorganisation of Gill & Duffus Ltd. to separate trading activity from role of parent company.**
- **Renewed emphasis on processing and manufacturing.**
- **Confidence in the future.**

Summary of Results Year ended 31st December	**1971**	1970	1969
	£,000's	£,000's	£,000's
Profits before Tax	**2,862**	2,447	2,284
Profit available for Ordinary Stockholders	**1,626**	1,365	1,182
Capital and Reserves	**9,132**	8,605	7,664
Earnings per Ordinary Stock Unit	**12.83p**	10.43p	9.33p
Dividends per Ordinary Stock Unit	**8p**	6.75p	5.625p

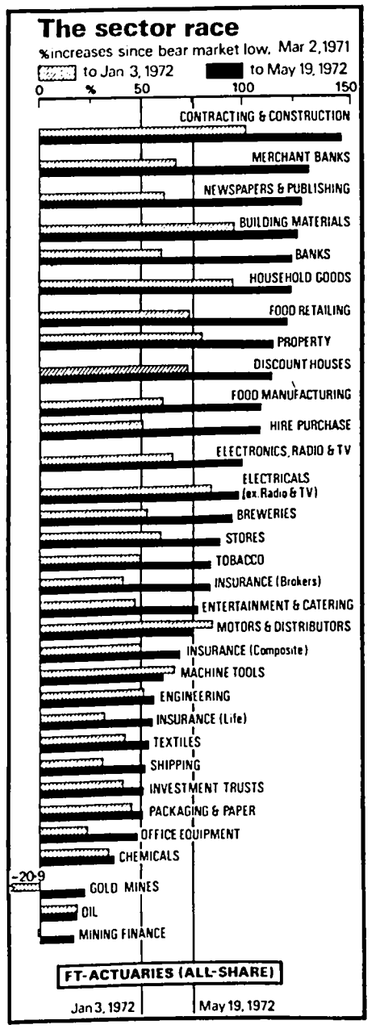
The Gill & Duffus Group carries on an international business as merchants, brokers and processors of a wide range of primary commodities.

SUBSIDIARY COMPANIES IN:

U.S.A. · CANADA · BRAZIL · FRANCE

to find an example of that) ; the resistance of some kinds of companies to inflation (such as property companies) ; and the influence of government aid (shipbuilding).

Awkwardly, the groups into which the Financial Times-Actuaries indices are arranged do not always easily mesh with the categorisations of industry. The indices are built up of companies, and companies are likely to be spread across many industry subgroups. Some sectors are homogeneous —like oils, breweries, mining finance. Others are not, like engineering. Moreover, market sentiment is not a reflection of what is going on so much as a statement of belief of what will be going on. Thus the market thought that engineering was a recovery sector, but too far in advance of any evidence.



Since the beginning of 1972, some of the rise has been given up.

The chart shows how sub-groups have done since the 1971 market low on the all-share index: measured first to the beginning of the year, and then to May 19th, to illustrate how much of the rise has come in the past four months. Practically all of them have continued running as strongly through 1972 as they did in 1971.

Which have run out of steam ? The argument that those showing the highest gains have least to offer is not necessarily true. Many City pros are shaking their heads at the impossible task of running a factory through inflation and industrial disputes, and are still firmly convinced that the financials are the best and safest sectors. But they need to be watched carefully ; the sectors that rise fastest in the bull market tend to fall first in the bear market. Newspapers and publishing, and contracting and construction, do not seem to have much more going for them. In recent weeks the latter sector has stopped outperforming the market.

At present, the sectors which have risen least are being tipped round the City for the ride to the end of the bull market. This is a natural tendency when the investor with a borrowed £15,000 rings up and asks for a bargain. So oils and mining finance are moving strongly, especially as the latter has had the added momentum of the recent gold rush. This is a movement to be wary of ; jumping into speculative stocks in a mature bull market is not usually wise. But, among topical tips in the consumer sectors, food retailing and tobacco still look attractive.

Critics of the sector approach say, quite rightly, that the performances of individual companies in a sector vary far more than the sector averages compared with the market. But in the United States it has been calculated that 10% of the rise in a share can be traced to the influence of being in a sector favoured by the market ; and Mr Michael Hoare of Phillips and Drew has calculated an equivalent figure for Britain of about 20%. Two warnings. First, the heavier the industry, the harder the sector approach is to apply. Secondly, in some sectors the difference between good and bad managements shows up in the profits much more strongly than in others. The companies in textiles, shipbuilding and light electricals have a much greater diversity of performance than breweries, banks and investment trusts.

Shareholder power

No ! No ! Patiño !

British minority shareholders in **Consolidated Tin Smelters,** and two other companies controlled by the Patiño family through Patiño NV, have something to grouse about. CTS made a loss in 1971 of £1m ; its subsidiary, **British Amalgamated Metal Investments,** lost £615,000 before special items ; and BAMI's subsidiary, **Amalgamated Metal Corporation,** lost £1m. And the minority shareholders in CTS were denied the opportunity of a let-out takeover by **Ralli International** at 300p last November when the Patiño family said no. The shares are now 188p.

Mr Erskine Carter, the chief executive of Patiño NV tells shareholders that CTS made a profit for the first four months of the year (against the losses of last year). If the Patiños have the pride to make the effort, they could pull the company round to justify a share price for CTS of 300p, making it an interesting speculation. But perhaps they won't, or can't.

Gilts

Bear not there

The gilt-edged market has been heading down all May. The pessimists are saying that the bull market in gilts has ended. The optimists are pointing out that the gilts market of 1972 is a new experimental one. The government broker is no longer standing by to keep the market orderly, and so any change in sentiment was bound to lead to a more dramatic shift in prices than in the good old days.

The immediate bears of gilts have a poor argument. They must demonstrate that yields over the 9% mark are unattractive and that the Government is now willing to see long rates creep up even further. The only evidence for the latter was a piece of rather inept timing by the government broker. Even though one tap stock was not being sold very readily, he opened up two other ones.

The latest Bank of England figures show the money supply still increasing at 20% a year. The Government will try to slow this, but it will try to slow inflation too. With yields on gilts now showing an almost clear 6% gap over equities, jobbers should recover their nerves.

CHAIRMAN'S STATEMENT

CO-OPERATIVE INSURANCE SOCIETY LIMITED

C.I.S. LIFE POLICYHOLDERS SHARE

£25 MILLION

At the 104th Annual General Meeting of the Co-operative Insurance Society Limited held in Manchester on 24th May, 1972, Mr. H. A. Toogood, Chairman, reported:

I am pleased to be able to begin my review of the Society's operations during the past year by reporting a premium income of over £100 million and a further increase in the profits distributed in both the life and non-life branches. For the first time, the profits distributed to the life policyholders have exceeded £25 million. Our thanks are due to all members of our staff who have helped to achieve this progress.

Before I come to a detailed account of the Society's progress last year, I would like to make some comments about matters that affect the whole of the insurance industry in this country and which therefore are of concern to the Society and its policyholders.

Further insurance legislation is under consideration by the Government. As I said in my report last year, it is my view that the present legislation, if acted upon early enough, can protect non-life policyholders. It appears, however, that there are sometimes difficulties in deciding at what point of time the power given by this legislation should be used, and there is therefore a case for improving it on the lines indicated by the Secretary of State to the House of Commons on 1st May, although care will be necessary to ensure that any further legislative safeguards do not unreasonably restrict the freedom of insurance companies to transact their business in the way they consider best suited to the needs of their policyholders.

Whilst legislation on the lines suggested by the Minister, provided it is not too restrictive, may well be helpful, the same can certainly not be said of the suggestions from other quarters that legislation should require the insurance industry to guarantee in whole or in part the losses suffered by policyholders in an insurance company which fails. The C.I.S. was established in order to provide insurance facilities on a co-operative and mutual basis at minimum cost to policyholders, consistent with absolute security. We have transacted insurance on sound lines for over 100 years so that we now provide insurance facilities for one-sixth of the households of this country, and a high proportion of our policyholders are naturally amongst the lower income groups. It would be grossly wrong if the C.I.S.—which means C.I.S. policyholders—was required to cover deficiencies arising from the recklessness of another insurance company.

I also drew attention in my report last year to the need for further legislation to safeguard the interests of life assurance policyholders. Life assurance is much the biggest item of personal saving in this country for many millions of people, and the life assurance funds of the insurance companies are therefore very large.

These life assurance funds are invested widely and form one of the most important sources of capital for industry on which the economic life of this country depends. The freedom to invest this money widely has been one of the strengths of British life assurance and the main reason why life assurance policies give such a good return to policyholders—and, moreover, a return which in the overwhelming majority of British life offices has been combined with complete security.

It is therefore of the greatest importance that this freedom of investment should not be restricted more than is absolutely necessary. However, during recent years many new life assurance companies have been set up or existing life assurance companies purchased by organisations unconnected with life assurance. If in such a case the parent organisation gets into financial difficulties then the position of the life assurance policyholders could be imperilled, especially if a substantial part of the funds of the life office has been borrowed by the parent organisation. Under the present law there is nothing to prevent such borrowings.

Legislation is therefore needed to prohibit the investment of life assurance funds, except with stringent safeguards, in other organisations under the same control, and also to prevent the "milking" of life assurance funds by the charging of unreasonable management fees by associated organisations, or by the payment of excessive dividends to shareholers out of moneys which should be retained within the life assurance fund for the benefit of policyholders. I sincerely hope that legislation covering these points will be included in the insurance legislation which the Secretary of State has at present under consideration.

In the Finance bill now before Parliament it is proposed as part of the changes in personal taxation to charge individuals (except for those with high incomes or high capital gains) tax at 30% on the interest or dividends from their investments and tax at 15% on capital gains. If, however, individuals invest through the medium of a life assurance policy it is proposed that the insurance company should have to pay tax at 37½% on the interest or dividend income from many of their investments (and at 30% on the dividend income from the remainder) and tax at 30% on capital gains. It would, in my view, be deplorable if this is passed into law in the present form because it would have the effect of levying tax on a small saver—who may not even be liable to income tax as an individual—at a substantially heavier rate than the tax levied on a person with sufficient income to be able to invest direct on the Stock Exchange or through the medium of a unit trust. It does not seem to have been sufficiently realised that life assurance, and especially industrial life assurance, is much the biggest medium of saving for people in low income groups. I sincerely hope that these provisions in the Finance Bill will be altered before the Bill is carried into law so that justice can be done to those who save through the medium of life assurance policies.

Investments

At the end of the year, the total assets of the Society amounted to £595 million as compared with £554 million at the end of 1970. Of this increase of £41 million, £6 million is due to the writing-up of the value of the investments in ordinary shares to which I shall refer later, and £3 million arises from loan arrangements that we entered into during the year to add to our investments overseas.

In the investment field the main feature of 1971 was the large increase in market prices of stock exchange securities that took place during the year. All types of securities shared in this recovery, the increase being particularly marked in ordinary shares where the rise in prices was about twice as big as amongst British Government and other fixed-interest securities, and where, at the end of the year, the price level, measured by the broadly-based indices, was at its highest ever. One effect of this large rise in prices is that the excess of the market values of our assets over their values shown in the balance sheet is at a record high level, despite the substantial writing-up of the balance sheet values that has taken place over recent years.

Our concern about the high rate of inflation and the need in the investment of the funds to try to maintain the real value of the long-term savings of our life assurance policyholders has again led us to concentrate our investments during the year in ordinary shares and property, including, as already mentioned, some addition to our overseas portfolios of ordinary shares. We did not entirely neglect the fixed-interest market, but the additions to our holdings of British Government securities were to a large extent offset by reductions in debentures and loan stocks, where throughout the year prices were high in relation to the prices of British Government securities. The increase in mortgages was entirely due to commitments under long-standing arrangements.

CHAIRMAN'S STATEMENT

After allowing for the effect of the writing-up of the value of investments, the gross rate of interest earned on the life assurance funds has fallen by 0.05 per cent to 6.90 per cent. The fall in the interest rate was due mainly to the heavy emphasis on ordinary shares, where the commencing dividend yield is materially lower than the return being achieved on the existing assets, but where there is the expectation of growth of dividends in future.

Life

On 15th February 1971, the country changed officially to decimal currency. The Society had planned for this over many years and the transition went very smoothly indeed, although our staff were involved in a certain amount of non-productive work in the early part of the year, mainly in connection with small Industrial Section policies. Despite this 1971 was a record year for new business. In the Ordinary Section the annual premium income on new assurances was £4.3 million, securing new sums assured, including the capital value of income benefits, of £259 million. In the Industrial Section the new annual premium income was £6.1 million and the new sums assured £145 million. These figures are considerably higher than those for 1970, when the dispute with our agents depressed our new business production, and the figures for new business in the first quarter of 1972 indicate that we should reach new all-time records this year.

The rates of reversionary bonus declared in the Ordinary Section (£3.40 per cent for assurances and £5.25 per cent for annuities) and in the Industrial Section (£2.15 per cent on the main tables) are the same as last year. I am pleased to announce that the rates of terminal bonus declared on policies becoming claims by death or maturity before the next bonus declaration takes effect have been substantially increased. In the Ordinary Section the terminal bonus varies from £0.30 per cent of the participating sum assured for assurance policies with 4 complete years' premiums due and paid to £56.50 per cent for policies with 44 or more complete years' premiums due and paid. In the Industrial Section the terminal bonus under the main tables varies from £0.20 per cent to £45.00 per cent. In order to cover the cost of the terminal bonuses now declared, the value of our investments has been written-up by £6 million, of which £2.5 million has been transferred to the Ordinary Life Fund, £3.3 million to the Industrial Life Fund and the balance to the Collective Life Fund and the Profit and Loss Account.

Motor

The increase in premium income from £13.7 million to £18.2 million was due to the increases in rates during 1970 and 1971 and also to an increase in the volume of motor insurance underwritten. In my report in 1970 I indicated that the Society was not prepared to enter into competition for motor insurance at inadequate rates. Now that premiums are related more realistically to the heavy liabilities undertaken by motor insurers, the Society is extending its motor insurance account through the medium of our 7,000 Home Service agents. Our statistics, built up over a period of years, enable us to calculate premiums with more precision than hitherto and thus to achieve greater fairness as between one policyholder and another.

With the continuing increase in wages and salaries it is inevitable that the cost of repairing damaged motor vehicles will rise, awards to injured third parties will increase and, despite the use of modern management techniques, the expenses of administering the business will become more difficult to contain. The introduction of V.A.T. in 1973 will lead to an additional cost on repairs to vehicles. The comparatively mild weather experienced in 1971 led to a slight fall in the frequency of accidents and consequently the overall cost of claims. It would, however, be unwise to regard 1971 as a normal year, and a return to more typical weather conditions could lead to a claims frequency on a higher level.

Taking all these factors into account an increase in motor insurance premiums later this year is inevitable. The Society will continue its policy of providing cover to the private motorist at rates justified by statistical information and taking into account the paramount necessity of complete security for its policyholders.

The underwriting loss on the Motor insurance in 1971 was £440,000, and after taking into account interest earnings, the net loss of £5,000 has been covered by a transfer from the profit and loss account.

Property

The premium income in this account increased from £8.0 million in 1970 to £8.40 million in 1971. Householders' insurance and domestic fire insurance forms a large part of this account and in the absence of abnormal weather conditions a satisfactory result was achieved. In previous reports I have stressed the importance of fire prevention and the need for managements to become involved in ensuring that adequate steps are taken to minimise the outbreak of fire. I am pleased to report that in 1971 our experience in industrial and commercial fire insurance has been satisfactory and that the serious fires which occurred in 1969 and 1970 were not repeated. I sincerely hope that the vigilance of the managements will continue and that, where appropriate, approved sprinkler installations will be introduced, thereby reducing the risk of extensive fire damage and consequently the cost of insurance cover.

Losses arising from theft continue at an alarming rate both in domestic and commercial properties and owners would be well advised to check regularly the security of their premises with a view to effecting improvements and thus helping to combat criminal activities. With the continuing increase in values it is imperative that sums insured are kept up to date to avoid inadequate protection in the event of a serious loss.

Other Classes of Non-Life Business

The premium income from the remaining classes of non-life insurances increased from £3.2 million to £3.5 million.

The results were generally satisfactory apart from Liability insurance where an underwriting loss was sustained. Increased wages and salaries are reflected in the higher cost of claims settlements and an increase in premium rates will be necessary to bring the account into profitability. The Employer's Liability (Compulsory Insurance) Act came into effect on 1st January, 1972, and although most employers already held this cover prior to the implementation of the Act, it is too early to judge the effect of the Act on the cost of operations.

United States of America

The Rochdale Insurance Company (our wholly-owned American subsidiary) which undertakes reinsurance in the United States, benefited from the improved underwriting results generally experienced and the policyholders' surplus was increased by $1 million.

Profit & Loss Account, Reserves, Distribution of Profit

After taking interest earnings into account and providing for taxation on the non-life business, the net surplus in the Profit & Loss Account amounted to £1,524,000 (compared with £594,000 in 1970), which, together with the transfer of £218,000 from the Investment Reserve Account, has produced a disposable surplus of £1,742,000.

In order to maintain our reserves at an adequate level in relation to our premium income we have transferred £1,080,000 to the General Business Reserve, which now stands at £6,080,000. The dividend to Co-operative Societies on the non-life premiums paid by them for their own insurances remains unchanged at 17½p per £1 of premium.

Board Changes

On 30th June 1971, Mr. S. J. D. Dawson retired from the Board and was replaced by Mr. J. S. Greig, and on 9th November 1971, Mr. G. L. Armitage relinquished several appointments, including his directorship of the C.I.S., in order to devote more time to his remaining duties. He was replaced by Mr. K. A. Noble. Our best thanks go to Messrs. Armitage and Dawson for their services to the Society and we welcome the return to the Board of Messrs. Greig and Noble.

Conclusion

During 1971 the most serious factor influencing our operations has been the continuance of a high rate of inflation. Notwithstanding a useful rise in new business and increased premium rates in Motor and Employer's Liability insurance, costs have continued to rise proportionately more rapidly than premium income. There can be little doubt that the effect of inflation was one of the fundamental reasons for the very high wage claim submitted on behalf of our Chief and Branch office staffs, which led to a period of industrial action in late 1971 and early 1972. The dispute was eventually settled when the majority of the staff accepted the Society's offer. In resisting the claim the C.I.S. Board were looking at the overall interests of the Society, that is, the interests of our policyholders and of all sections of our staff.

We feel, particularly as the Directors of a co-operative organisation, it is important that we should continue both to sell policies which are fairly priced, and to pay fair wages to our staff for the work done. I hope that even in these difficult times we shall be able to reach negotiated settlements which do justice to the various sections of our staff, but there has to be a recognition by all of us the simple truth that it is only by the twin factors of improving efficiency throughout the Society and expanding the premium income that the earnings of the staff can increase without adding to the costs that have to be borne by the policyholders.

I am pleased, therefore, to be able to report the continuing co-operation of our field staff at all levels in the rearrangement of agencies and in other measures designed to improve our efficiency, and also that the new business production is now progressing to a more satisfactory level.

If we continue to work together in this way and to maintain the present momentum in expanding the Society's business, we can all of us, policyholders and staff alike, face the future with confidence.

The report and accounts were adopted.

APPOINTMENTS

University of Edinburgh

DEPARTMENT OF ACCOUNTANCY AND FINANCE

Applications are invited for for the post of LECTURER in this Department. The appointee will contribute to undergraduate courses and have opportunities for furthering his personal research interests.

Salary scale : £1,641-£3,999 per annum, together with superannuation benefits.

Applications, by letter (two copies) together with the names of two referees, should be sent to the Secretary to the University, Old College, South Bridge, Edinburgh, EH8 9YL, from whom further particulars may also be obtained. The closing date for applications is 14th July 1972. Please quote reference 1044.

University of Durham

DEPARTMENT OF ECONOMICS

Applications are invited for the post of TEMPORARY LECTURER IN ECONOMICS specialising in either econometrics or economic statistics for appointment for 1 year only from 1st September, 1972.

Salary on the scale £1641-£3999, plus F.S.S.U. benefits.

Further particulars from the Registrar and Secretary, Old Shire Hall, Durham, DH1 3HP, to whom applications (3 copies), naming three referees, should be sent by 16th June, 1972.

Heriot-Watt University, Edinburgh

DEPARTMENT OF ECONOMICS

Lectureship in Business Economics

Applications are invited for a lectureship in Business Economics. The person appointed will be expected to teach applied microeconomics to students enrolled for the B.A. degree in Business Organisation and to teach and undertake research in Business Economics in the Department of Economics.

Salary will be on the scale £1,641 to £3,999 per annum. F.S.S.U.

Further particulars and application form may be obtained from the Secretary, Heriot-Watt University, Chambers Street, Edinburgh, EH1 1HX, with whom applications should be lodged *not* later than Friday, 16th June, 1972. Please quote reference 32/1/3047.

University of Essex

Directorship of the S.S.R.C. Survey Archive

Applications are invited from suitably qualified applicants for the Directorship of the S.S.R.C. Survey Archive at the University from 1st October, 1972, or as soon as possible thereafter. Duties will include actively encouraging the deposit and use of data in the Archive by social scientists and some teaching in the University in social studies or computing or both.

Appointment will be to the University's academic staff and will, depending on the qualifications of the person appointed, be at *Readership* (£3,852 to £4,734) or Professorial level; the appointment may carry tenure until retiring age or may be initially for five years. Further particulars from the Registrar, (Room 6.014), University of Essex, Wivenhoe Park, Colchester, CO4 3SQ, to whom applications (ten copies) should be sent by 26th June, 1972.

For further appointments see pages 5, 128 to 135

CHAIRMAN'S STATEMENT

COURAGE



In his circulated statement, Mr. R. H. Courage, Chairman of Courage Limited, reports:

- Group beer sales growth again exceeded the average increase for the industry as a whole, the continuing gain in the Free Trade market being particularly satisfactory.
- Sale of Courage Tavern was extended to cover the North of England, and made highly satisfactory progress. Courage Light Ale became established as a leading national brand and 'take-home' favourite. Harp Lager sales continued their strong growth.
- Record wine and spirit turnover and profits achieved by Charles Kinloch & Co and by the Arthur Cooper off-licences.
- Production and distribution system further improved.
- Anchor Hotels and Acorn Hotels continued their development programmes and increased their profits.
- Earnings per share have increased from 3.5p for 1966 to 7.5p for 1972, representing a compound annual growth rate of 13.5%.
- Continuation of growth is foreseen in current year and increased dividend of 17% expected to be maintained on the enlarged share capital.

Summarised Group Results

	1971/72	1970/71 Estimated Annual Basis
Turnover	£171,027,000	£152,725,000
Profit before tax	£14,813,000	£12,696,000
Profit after tax	£8,887,000	£7,552,000
Earned per Ordinary Share	7.5p (30%)	6.38p(25.5%)
Interim and proposed final dividends per Share	4.25p (17%)	3.75p (15%)
Ordinary share scrip issue proposed	1 for 10	—

Copies of the report and accounts and accompanying Chairman's Statement may be obtained on request from The Secretary of the Company, Anchor Terrace, Southwark Bridge, London, S.E.1.

CHAIRMAN'S STATEMENT

BTR 1971 Further Growth

Mr. D. L. Nicolson, Chairman, reports

Further growth in sales and earnings per share.
Expansion and rationalisation plans implemented.
Continuing progress expected.

Summary of Results

	1971 £M	1970 % Change
External sales	50.41	+33
Earnings for year	1.88	+39
Earnings per share	7.3p	+21

BTR LIMITED

Silvertown House, Vincent Square, London, SW1P 2PL

APPOINTMENTS

economist

English Calico Ltd is a major textile manufacturing and marketing group working on a world-wide basis. Other interests include departmental store trading, multiple retailing, printing, packaging and paper making.

The Group is now seeking the services of an economist to join a small Head Office team working on group forward strategy, with particular reference to marketing and commercial implications.

The duties are stimulating and largely non-repetitive requiring a high standard of analytical and interpretative skill and needing a large measure of initiative.

The successful candidate will probably have had several years' experience in this type of activity with minimal supervision. A degree in Economics or a related discipline is necessary for this appointment which will lead to wider opportunities within the Group.

Salary and related benefits will be commensurate with the importance of the post.

Applications with career history should be posted to:

Group Appointments Manager,
English Calico Ltd.,
56 Oxford Street,
Manchester M60 1HJ.

International Planned Parenthood Federation

Two Assistant Information Officers

Latin America and Middle/Far East

to work in the Information Section of the Information and Education Department based in London as part of a small team providing a quick reference information retrieval system on the work of the IPPF, with particular responsibility for the appropriate geographical area in order to assist Central Office field and programme staff, other institutions and agencies. The work includes the review, processing and synthesising of a wide variety of incoming information, preparation of periodic reports, handling internal and external enquiries for reference background material, statistical and other data and information on programmes. The AIO will maintain personal contact with staff members visiting IPPF personnel and other visitors in order to keep abreast of current developments. Membership of the team requires responsibility, accuracy, imagination and initiative to contribute to a rapidly developing field of activity. The person appointed to the Latin American post will have a reading knowledge of Spanish and writing ability would be a strong asset. Working experience in the developing countries would be an advantage. Salary £1,500 p.a. minimum subject to qualifications and experience; plus luncheon vouchers and valuable fringe benefits.

Apply in writing giving full details of qualifications and previous experience, including names of two referees to:

Office Manager,
IPPF,
18-20 Lower Regent Street,
London SW1.

IPPF is a non-governmental organisation consisting of family planning associations or agencies in 100 countries. There are about 95 professional, technical and support staff of 14 nationalities at Central Office in London

INTERNATIONAL PLANNED PARENTHOOD FEDERATION

P.P.B.S.

CORPORATE PLANNING AND RESEARCH

Two key posts are vacant in the Council's multi-disciplinary team responsible to the Chief Executive for Corporate Planning. In conjunction with Heads of Services, this central group is responsible for the development and operation of this management system.

Corporate Planning (P.P.B.S.) is a new and rapidly growing field. It involves:

Specifying objectives
Research and analysis of problems and needs
Evaluation of alternative policies
Preparation of 4-year corporate plan and budget
Setting of targets to be achieved
Monitoring progress against targets and objectives

Both posts offer practical experience in an advanced application of this system in a progressive authority. The system is already in operation, but much remains to be done to refine the planning process and to research important issues.

SENIOR PROGRAMME PLANNER

(£3,387—£3,837)

This post requires someone with demonstrated ability to work successfully with many professions in preparing plans and implementation programmes. Under the Programme Planning Manager he will be responsible for refining and co-ordinating the planning process, and monitoring progress towards objectives. The person appointed will be either professionally qualified or a graduate. His background can be any field where his practical ability has been demonstrated. Experience in the public sector will be useful but not essential.

SENIOR RESEARCH OFFICER

(£3,078—£3,495)

An important function of this central team is research and analysis into planning issues spanning the breadth of the Council's services. This involves surveys to assess needs and problems, the development of alternative plan policies and the use of advanced techniques for analysis.

The Senior Research Officer will join three Research Officers, all graduates, already in post; will be responsible for research assignments in the central group; will be involved in research elsewhere in the Council; and will foster links with universities and other local authorities.

The person appointed will have a good honours degree, will be well qualified in his field and have a background of practical research. Local Government experience is not important.

Over 5 weeks' leave, staff restaurant, removal expenses and mortgage facilities in approved cases.

Application forms from the Chief Executive and Town Clerk, Town Hall, Woolwich SE18 6PW. (Telephone 01-854 8888 ext. 227.) Closing date: 9th June.

LONDON BOROUGH OF GREENWICH

APPOINTMENTS

University of Durham

COMPUTER UNIT

invites applications from a
Social Scientist

to encourage new and improved computer applications in social sciences. The vacancy is for a PROGRAMMING ADVISER from 1 October 1972 in the salary range: £1641-£3558 per annum, and affords ample opportunities for original research using the 1-megabyte 360/67 time-sharing computer. Further particulars and application forms (returnable by 26 June 1972) can be obtained from the Registrar and Secretary, Old Shire Hall, Durham, DH1 3HP.

The University of Lancaster

Two Lectureships in Marketing

Applications are invited for two posts of Lecturer in the Department of Marketing. The required fields of specialisation are research methods, with special emphasis on consumer market research; and behavioural studies, with special emphasis on the psychology of consumer behaviour. Initial salary, according to qualifications and experience, on the scale £1641-£3999 with FSSU membership.

Further details may be obtained (quoting reference L.673/D) from the Deputy Secretary and Establishment Officer, University House, Bailrigg, Lancaster, to whom applications (five copies) including the names of three referees, should be sent not later than 30 June 1972.

KUWAIT AIRWAYS CORPORATION

Kuwait Airways Corporation has a vacancy for a

PLANNING DIRECTOR in Kuwait

Applicants must have the following qualifications:

1. University Degree in Economics or Planning
2. Minimum experience of 6 years in the airline industry.

Interested applicants may submit their detailed applications to: **Personnel Manager, Kuwait Airways Corporation, PO Box 394, Kuwait.**

IRELAND

STATISTICIANS

There are 3 vacancies for Statisticians in the Central Statistics Office at present. Further vacancies may be filled from this competition.

Starting salary (at present under review) in the range **£1,624 to £2,254** a year (married man) or **£1,624 to £2,109** a year (single man or woman). Subject to certain conditions Statisticians may be granted special additional increments after completion of three years' and six years' service.

Non-contributory pension scheme. Widows and Orphans pensions scheme.

Essential:
(I) An Honours University Degree in Mathematics or Mathematical Physics, or Mathematical Statistics; **or**

(II) An Honours University Degree in Economics **and** satisfactory evidence of having shown in your educational course a special aptitude for Mathematics; **or**

(III) An Honours Degree in any Faculty, **and** satisfactory evidence of having shown in your educational course a special aptitude for Mathematics **and** of having had experience in practical statistical work.

Persons who expect to qualify in 1972 are eligible.
Upper age limit: 35 years.

Closing date: 7th June, 1972

For application forms and further details write (on a postcard) to The Secretary, Civil Service Commission, 45 Upper O'Connell Street, Dublin 1.

City of London Polytechnic

DEPARTMENT OF ECONOMICS, MANAGEMENT AND MARKETING

Research Assistant in Marketing

Applications are invited from graduates with a good Honours Degree in Economics or Business Studies to work on an investigation into the relationship between price competition, incentive promotions and advertising.
Some business experience would be desirable. Applications will however also be considered from students taking their final examinations this year.
The person appointed will be required to undertake 6 hours teaching per week and will be expected to register for a higher degree.
Salary: £1,200 x £50(2)—£1,300 p.a.
The appointment will be available from 1st September 1972. Applications should be made to Head of Economics, Management and Marketing Department, City of London Polytechnic, School of Business Studies, 84 Moorgate, EC2M 6SQ.
Closing date for applications is 19 June 1972.

University of New South Wales

Lecturer—
Agricultural Geography

SCHOOL OF GEOGRAPHY

Salary: $A6697 range $A9286 per annum. Commencing salary according to qualifications and experience.

To commence duty in 1973. Applicants should preferably have interests in agricultural economics or rural settlement. Qualifications in agricultural economics or agricultural science acceptable if allied with experience in geographical analysis. Experience in applied geography or quantitative analysis advantageous.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close in Australia and London on 19 June 1972.

University of Waikato

HAMILTON, NEW ZEALAND

Academic Appointments for 1973

The University of Waikato invites applications for the positions listed below all of which are to be available from 1 February 1973. The schools of study system in the University promotes strong contacts between related subjects. The development of postgraduate work, and research is encouraged.

ACCOUNTANCY: two positions are available as *senior lecturer*, *lecturer*, or *junior lecturer* for persons with suitable academic qualifications and interests in (a) information systems and quantitative techniques or (b) management accounting, or (c) accounting theory.

BUSINESS ADMINISTRATION: one position is available as *senior lecturer*, *lecturer* or *junior lecturer* for a position with suitable academic qualifications and interests in (a) analytical techniques or (b) marketing, or (c) production administration, or (d) business policy.

Salaries are currently as follows: Junior Lecturer—a scale $NZ3899-$NZ4940: Lecturer—a scale $NZ5589-$NZ7149: Senior Lecturer—a scale $NZ7278-$NZ8579-$NZ9358.

The conditions of appointment, details of the procedure for application, and in some cases, further particulars of the vacancies, are available from the Registrar at any University in New Zealand, and from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on *15 July 1972*.

University of Cape Town

Senior Lecturer and Lecturer in Business Finance

DEPARTMENT OF BUSINESS SCIENCE

Applications are invited for appointments as Senior Lecturer and Lecturer in the Department of Business Science. It is hoped to fill the vacant positions as soon as possible in the current academic year.

Applicants should have good academic qualifications and relevant business, teaching or research experience in Business Finance. A strong background in Economics is essential and ability to participate in the teaching of other areas of Business Administration, such as Business Policy, Organisation Theory, Economic Statistics, Marketing, Operational Research, etc., would be an advantage.

The Department of Business Science conducts general courses for the degrees of Bachelor of Business Science (4 years of study) and Bachelor of Commerce (3 years). Specialised courses at the honours level are provided for B.Bus Sc. students in the final year. These presently include Business Finance, Economic Statistics, Personnel, Marketing and Statistics and Operational Research. The successful applicant will be expected to participate in the general courses and in special field courses in Business Finance. The applicants will also be required to supervise postgraduate students undertaking research for the degree of Master of Business Science and Doctor of Philosophy.

The salary scale applicable to the post of Senior Lecturer is R6,300 x 300 — R8,100 per annum, and that to the post of Lecturer is R4,800 x 300 — R6,900 per annum. The commencing salary will be determined in accordance with the qualifications and experience of the person appointed.

Applications should give full particulars of age, marital status, academic qualifications, publications and research interests, together with the names and addresses of at least two referees (preferably persons with knowledge of the applicant's academic qualifications and experience) whom the University may consult.

Two copies of the application should reach the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (from whom memoranda giving the conditions of service, including transport expenses on appointment, and information on the work of the Department may be obtained) not later than *15 July 1972*. A third copy of the application with a medical certificate should be sent direct by airmail to the Registrar, University of Cape Town, Private Bag, Rondebosch, Cape Town, South Africa, by the same date.

The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

APPOINTMENTS

University of Reading

Professorship of Economics

In the near future the University will invite applications for a Professorship of Economics which will become vacant when Professor J. H. Dunning takes over a Professorship of International Investment and Business Studies. There will be no restriction on the field of interest of candidates, although other things being equal it would be desirable for applicants to have interests in the general area of public sector/environmental economics.

Persons who are interested are invited to write to the Registrar, (Room 208, Whiteknights House), The University, Whiteknights, Reading, RG6 2AH, so that he may send them further information when it is available.

Committee on Invisible Exports

Research Assistant

Applications are invited for the post of Research Assistant to the Committee on Invisible Exports. The Committee has a continuing programme of research into problems relating to the foreign earnings of Britain's service industries.

Applicants should have at least *an Honours* Degree in Economics, and preferably a post-graduate qualification or research experience. Competence in international trade and finance is particularly relevant. Salary will be in the range of £1,500-2,000 a year, *depending on* experience and qualifications.

Candidates should send full details of curriculum vitae to the Director, Committee on Invisible Exports, 18th Floor, 23, Fenchurch Street, London EC3M 3DD.

Government of the North-Western State of Nigeria

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Applications are invited from suitably qualified candidates for appointment as:

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APPOINTMENTS

University of Cambridge

Librarian-Secretary of the Faculty of Economics and Politics

The Appointments Committee of the Faculty of Economics and Politics wish to appoint a Librarian-Secretary of the Faculty to take office as from 1st October, 1972. The appointment will probably be for five years in the first instance.

Candidates should have an Honours degree (not necessarily in Economics). The main requirement for the post is administrative ability including the ability to take charge of the staff of the Faculty Office. Some experience of library work would be an advantage but professional qualifications in Librarianship are not necessary.

The pensionable stipend of the post is £1,811 a year, rising by eleven annual increments to £3,264. The starting salary on the scale of stipends will depend on age and experience.

Further particulars can be obtained from the Librarian-Secretary, Economics Building, Sidgwick Avenue, Cambridge, to whom application (nine copies) should be sent so as to reach her not later than 28th June. Candidates should give particulars of their qualifications and the names of two referees

University of St Andrews

DEPARTMENT OF ECONOMICS

Applications are invited for the ESMEE FAIRBAIRN LECTURESHIP in BUSINESS FINANCE, tenable initially for five years from 1 October 1972. Salary scale £1641-£3999, starting salary not exceeding £2823. F.S.S.U. Applications, with the names of three referees should be lodged by 3 June 1972 with the Deputy Secretary of the University, College Gate, St. Andrews, from whom further particulars may be obtained.

The Queen's University of Belfast

Lectureship in Economics

This post is tenable from 1st October 1972 or such other date as may be arranged. The appointment may be subject to a period of probation up to three years in duration. Initial placing, which will depend on experience and qualifications, will be made at one of the first three points on the Lecturers' scale £1,641 x £147 (2) - £1,935 rising to £3,852 (extended to £3,999 from 1st October 1973). Applications should be received by 12th June 1972. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland (Please quote ref. 72/E).

The British Institute of Recorded Sound (the national archive of sound recordings) proposes to appoint an Assistant Director to act as Deputy to the Director with special responsibility for administration including finance. Salary in the range £3000-3500. Pensionable. Applications should be addressed to the Director, BIRS, 29 Exhibition Road, London, SW7.

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Application forms and further particulars may be obtained from the Staff Officer, Portsmouth Polytechnic, Ravelin House, Alexandra Road, Portsmouth PO1 2QQ, to whom completed applications should be returned by 12th June, 1972. Please quote reference C15.

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BUSINESS NOTICES

GOVERNMENT OF KENYA
Feasibility study for a Central Tourist Accommodation Registry or Central Booking Office

The Ministry of Tourism and Wildlife plans to call for tenders for a feasibility study to be prepared for a self-financing Central Tourist Accommodation Registry or Central Booking Office, hereafter referred to as Central Booking or Accommodation Registry System. The objectives of the study will be :

1. (a) To obtain returns of beds sold and unsold per day by the various hotels and lodges, and to sell on behalf of these establishments any residual beds ;
   (b) From the returns mentioned above, to assist the Government to keep better track of foreign exchange earnings ; and
   (c) To harmonise and regulate terms and conditions of hotel bookings and cancellations practice.
2. The consultants' study will be concerned with the following :
   (a) To examine the country's existing laws as they relate to booking contracts and to recommend what, if any, rules and regulations should be made in support of the central booking or accommodation registry system to permit it to discharge its responsibilities as efficiently as possible ;
   (b) To demonstrate how each of the objectives in (1) above can be achieved ;
   (c) To advise on the appropriate organisational structure of the central booking office and to detail the institutional set-up ;
   (d) To provide a report on the mechanics of the central booking or accommodation registry system, with particular reference to communications between the system and hotels and lodges.
   (e) To work out a budget for the central booking or accommodation registry system on the basis of a self-financing organisation under the Kenya Tourist Development Corporation ; and
   (f) To identify and report on the inter-relationship between the central booking or accommodation registry system and the travel trade in general in the field of travel contracts, commissions, etc.
3. Consultants interested in being considered to undertake the said study are requested to submit a detailed application which should include the following :
   (a) Name of firm and location of head office ;
   (b) Description of the organisation of the firm and its associates ; and
   (c) Details of previous experience and/or feasibility studies of similar nature undertaken.
4. Applicants should also :
   (a) comment on the terms of reference and suggeset any amendments considered necessary ;
   (b) provide a schedule showing timing of the study and earliest date at which they expect to complete the study, and
   (c) provide, in a separately sealed envelope, an approximation of the fees to be charged, the schedule for payment and itemisation of costs. Plans and budgets for the proposed study should be based on the assumption that consultants shall arrange their own transportation, accommodation, local staffing, office space, etc.
5. Applications, marked CENTRAL BOOKING OR ACCOMMODATION REGISTRY SYSTEM, should be addressed to : Permanent Secretary, Ministry of Tourism and Wildlife, P.O. Box 30027, Nairobi, Kenya, with a copy to : General Manager, Kenya Tourist Development Corporation, P.O. Box 42013, Nairobi, Kenya, to arrive not later than the 24th June, 1972.

AN ANNOUNCEMENT

Energoprojekt completes Kafue Gorge Project in Zambia

The Kafue Gorge Hydroelectric Power Project in Zambia, completed on time by the Yugoslav Company Energoprojekt and its Subcontractors, has been put into commercial operation.

At the beginning of April 1972, the fourth and final generating unit of the Hydroelectric Power Project Kafue was put into operation in Zambia, this being a completion of the gigantic power project on the River Kafue, about 100 kms from the capital, Lusaka.

Against very hard international competition, Energoprojekt, a Yugoslav Contracting Company with a large international reputation, was awarded construction of HPP Kafue in 1968. Work on this vast project, which included electromechanical erection works commenced in November 1968, and went on for three and a half years. This represents a unique world record ; not only because of the volume and variety of work but also because of the conditions under which the works were carried out.

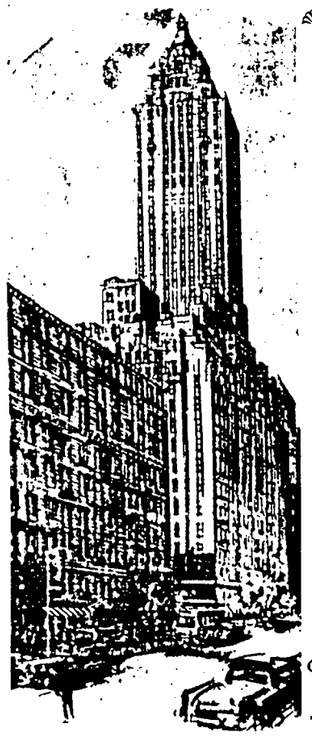
Such results were possible only with mass application of modern mechanical plant and organisation, the application of new techniques and with the co-operation of Energoprojekt as the Main Contractor and its Subcontractors.
Some data :

- The earth rock-filled dam—height 56m.
- The headrace tunnel—length about 10kms.
- Tailrace tunnel—length 1,400m.
- The underground Machinery Hall—134m x 15m and height 30m.
- Four turbines each with the rated output of 150MW.

The sponsor of this Project was the Ministry of Transport, Power and Communications of the Republic of Zambia. The Consultants and the Engineer of this project was SWECO. Swedish Consulting Group. The project as well as contracted quantities were altered during the construction period. The Consultants considerably changed the amount of excavations on dam and spillway, so that the excavations actually undertaken were two and a half times greater than those originally contracted.

The second stage anticipates erection of two more generating units of the same capacity as the previous ones, so that the total installed capacity on completion will amount to 900MW. The civil works for the new units are already completed.

THE ENERGOPROJEKT
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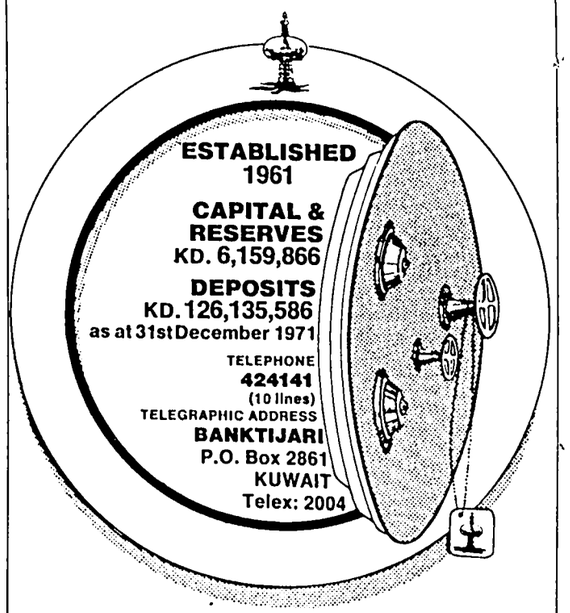
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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds		Price, May 17 1972	Price, May 24 1972	Net red. yield, May 24 1972§ £p	Gross red yield, May 24 1972 £p
98[23/32]	98	British Electric 3%	1968-73	98[23/32]	98[23/32]	2 725	4·545 *t*
89½	84	British Electric 3½%	1976-79	84¼	82¼	4 985	6 555 *t*
109	105¼	Treasury 8½%	1980-82	107½	105	4 600	8 145 *t*
108⅜	104	Treasury 8½%	1984-86	106¼	103¾	4·915	8 430 *t*
96⅜	88¼	Funding 6½%	1985-87	88¼	86½	5 240	8 125 *t*
66⅜	61½	British Transport 3%	1978-88	62	58*	5 845	7 510 *t*
86⅛	78	Funding 6%	1993	79	76½	5·550	8 525
111¼	102¼	Treasury 9%	1994	102½*	99½*	5 445	9 070
58	52¼	British Gas 3%	1990-95	52	50¼	5·735	7 655 *t*
89⅝	81¼	Treasury 6¾%	1995-98	82	79¼	5·595	8·850 *t*
73⅜	66½	Treasury 5½%	2008-12	66¼	64½	5 560	8 840 *t*
43½	39⅝	War Loan 3½%	after 1952	39¼*	37⅛*	5·575	9 290 *f*
30⅛	28¼	Consols 2½%		28½	27½	5 495	9·210 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	106-¾	106-¾	7·93
Barclays 8¼% *	1986	103¾-4	103¾-4	7·62
Borg Warner 8%	1979	101⅛-2	101⅛-2⅛	7·38
Commercial Union 8½%	1986	102⅛-3⅛	102⅛-3⅛	7·95
Esso 8%	1986	102⅛-3⅛	102-3	7·51
Ford 8½%	1981	103-¼	103⅛-4⅛	7·15
General Motors 8¼%	1986	107⅛-8⅛	107⅛-8⅛	7·60
General Telephone & Electric 8¼%	1986	102⅛-3	102⅛-3	7·73
Shell 8%	1986	101⅛-2	101⅛-2	7·61
Hill Samuel 8½%	1986	101⅜-2⅛	101⅜-2⅛	8·03
Rank 8¼%	1986	103⅛-4⅛	103⅛-4⅛	8·17
Transocean Gulf 8%	1986	102⅛-3	102⅛-3	7·50
Firestone (DM) 7½%	1986	105⅛-7	107⅛-8⅛	6·65
Prov. of Nova Scotia (DM) 7½%	1986	104½-5⅛	105-⅜	6·95
ICI (£/DM) 8%	1986	106-⅜	106-⅜	7·07

Prices, 1972 High	Low	Ordinary stocks	Price, May 24, 1972	Change on week	Yield May 24
		Banks, other financial			
347	268	Algemene Bank	Fl 331	+8	5·1
78	57·8	Amsterdam-Rot	Fl 74⅛	+0·4	4·6
367	257	Aust & NZ Bank	330p	−25	3·0
44¼	37¾	Bank of America	$41¾	+1¼	2·7
500	370	B of Ireland	460p	−20	3·0
113[1/4]	886	B of Montreal	1000p	−12½	3·1
116¾	84	B Nac de Mexico	P 84	...	8·9
455	308	B of NS Wales	440p*	+25	2·1
740	525	B of Scotland	675p	+5	2·9
2625	2310	B Bruxelles	Fr B 2625	+35	4·5
274·7	221	B de Paris Pays Bas	Fr 274·7	+0·7	4·9
64¾	54⅛	Bankers Trust	$59¼	−⅛	4·8
480	298	Barclays	432p	−2	2·2
15⅛	11[15/16]	Can Imp Com	£13½	...	2·0
121½	78	Charterhouse Group	119p	−1	3·5
60⅜	52	Chase Manhattan	$56⅜	−⅛	3·6
59½	51⅞	Chemical Bank NY	$53¼	−⅜	5·3
257	233	Commerzbank	DM 236	−8·3	3·6
174	148½	Credit Commercial	Fr 167	−2½	4·9
435	370	Credit Foncier	Fr 418½	−13½	5·1
4225	3695	Credit Suisse	Fr S 4045	+10	2·0
350	313⅞	Deutsche Bank	DM 338·9	−2·6	2·2
289	262	Dresdner Bank	DM 275	−1·4	3·3
57¼	43¼	First Nat City	$57⅛	−3½	2·3
492	355	Fuji	Y 491	−1	1·2
490	335	Hambros	440p	−16	1·7
208	142	*Hill, Samuel*	192p	−7	2·3
1⅞	1¼	IOS Mgnt	$1¼	...	...
18½	13¾	Hongkong & Sh	£17⅛	−⅛	2·0
209	130	Kleinwort Benson	196p	−6	1·9
7000	5830	Kredietbank	Fr B 6900	−90	2·7
395	330	Kundenkredit	DM 364	+1	2·7
2250	1840	Lambert L'ind	Fr B 2170	−50	3·7
457	320	LBI	400p	+2	2·5
850	601	Lloyds	761p	+11	2·1
36⅛	30	Manuf's Hanover T'st	$33⅛	−⅛	4·6
81000	62670	Mediobanca	L 80000	+1750	1·4
293	216	Mercantile Credit	261p*	−11	2·9
256	176	Mercury Secs	234p	−2	1·3
796	522	Midland	727p	+5	2·4
327	202	Mitsui	Y 300	−1	1·7
327	205	Montagu Trust	297p	...	1·2
92⅛	71½	Morgan J P	$92⅛	+⅛	3·0
585	355	Nat & Grindlays	565p	...	2·9
4·30	2·80	Nat Australasia	$A4·30	+0·23	2·0
250	176	Nat Com Grp	230p	−8	2·2
462	300½	Nat West	430p	+16	2·1
144	120	Norsk Creditbk	%121	...	7·4
17	13⅞	Royal Canada	£16¼*	...	2·2
915	608	Schroders	860p	...	1·3
412	324	Slater Walker Secs	375p	−9	2·9
3135	2910	Soc Gen de Banque	Fr B 2945	+10	4·8
2800	2640	Soc Gen de Belgique	Fr B 2685	+25	5·5
450	328	Standard & Chart	451p	+30	2·7
384	280	Suez	Fr 379·9	−4·9	4·9
510	365	Sumitomo	Y 510	+10	1·2
4440	3710	Swiss Bank Corp	Fr S 4150	−290	1·9
4500	3885	Union Bank Switz	Fr S 4470	−30	2·2
637	490	Union Discount	595p	−8	4·0
297	237	United Dom Tst	283p	+7	2·3
		Insurance			
69⅛	58	Aetna Life & Cas	$65	+⅜	2·5
437	388	Allianz Versich	DM 487	+9	1·3
260	223	Comm Union	258p	+4	3·2
618	496	Eagle Star	575p	+8	2·6
234	164	Gen Accident	226p	+11	2·9
57250	48350	Generali	L 55450	+500	0·8
312	252	Gdn Royal Exch	274p	+7	3·3
420	326	Legal & General	408p	+6	2·6
90	65·8	Nat Nedrlandn	Fl 71½	+0·4	2·8
400	308	Pearl	392p	+12	2·9
310	252	Phoenix	276p	−4	3·4
224	171	Prudential	205p	+1	2·9
452	394	Royal	430p	+8	3·5
640	502	Sun Alliance	620p*	...	3·0
362	285	Taisho Mar & F	Y 338	+8	1·6
550	476	Tokio Marine	Y 550	+7	1·0
6300	4775	Zurich Ins	Fr S 6200	−100	2·9

Prices, 1972 High	Low	Ordinary stocks	Price, May 24, 1972	Change on week	Yield May 24
		Breweries, etc.			
116	89	Allied Breweries	114p	+4	3·0
69	55	Anheuser-Busch	$66⅞	+2⅞	0·7
188	148	Bass, Charrington	183p	+1	2·7
155	132·8	Bols NV	Fl 149	+4	2·4
184	117	Courage	171p*	+8	2·7
202	153	Distillers	194½p	−4½	3·3
38	33⅜	Distill Seagrams	$37¼	+⅝	1·9
470	420	Dortmund Union	DM 435	−2	2·3
244	184	Guinness	238p	−1	3·0
299½	239½	Heineken	Fl 295·6	+3·4	1·2
288	234	Kirin Brewery	Y 288	+10	2·6
18⅛	15⅜	Nat Distillers	$15⅝	−⅛	5·6
114	88½	Scottish & Newc	108½p	+3	2·6
97	70	Sth African Br	92p	−1½	3·6
264	163	Watney, Mann	252p	+13	3·6
110½	84½	Whitbread 'A'	107½p	+4½	2·9
		Building, building materials			
520	419	Assoc Portland	496p	...	2·8
246	178	BPB Industries	229p	−6	2·8
20⅛	14¼	Boise Cascade	$14¼	+⅛	1·8
364	252	Bovis Ltd	350p	−7	1·7
258½	195	Ciments Lafarge	Fr 258½	+9	5·4
2760	2100	Cimenteries Briq	Fr B 2760	+90	4·7
408	233	Costain	408p	+18	2·8
143	105	Eng China Clays	124p	−6	2·1
23750	19050	Italcementi	L 23500	+750	2·1
230	179	Laing 'A'	220p	−8	1·4
182	115	London Brick	175p	...	2·9
232	158	Marley	222p	+1	2·5
375	325	Pilkington Bros	341p	−16	2·9
170	124	Redland	148p	−10	2·0
182	149	Rugby Portland	154p	−1	2·4
174	151	Steetley	163p	+3	3·2
310	250	Tarmac	300p*	+11	3·0
360	308	Taylor Woodrow	340p	+38	1·7
275	212	Wimpey	270p	+4	0·9
		Catering, hotels, entertainment			
173	43	ATV 'A'	156p	−1	4·6
57⅛	45½	CBS	$53¼	+2¼	2·7
280	202½	Granada 'A'	260p	−7	2·2
275	200	Grand Metropolitan	259p	+12	1·4
55⅝	43⅜	Holiday Inns	$53¼	+⅝	0·5
714	600	Lyons 'A'	688p	−8	2·0
243	167	Trust Houses-Forte	237p	−2	4·2
		Chemicals			
77·1	62·8	AKZO	Fl 71·6	+0·1	6·0
815	700	ANIC	L 700	−2	...
40¼	33⅛	Amer Cyanamid	$38	+1¼	3·3
183·3	137	BASF	DM 180·2	−3·1	4·2
152	129·2	Bayer	DM 149·9	−2·9	4·3
2940	2580	CIBA-GEIGY	Fr S 2935	+5	0·8
93½	78	Dow	$91⅝	+3	1·8
175½	144¼	Dupont	$165¼	+4½	2·9
403	327	Fisons	402p	+6	2·9
30⅛	25⅜	W R Grace	$26⅛	...	5·7
176·9	146	Hoechst	DM 171	−0·7	4·4
305	238	ICI	269p	−6	5·1
101	83	Laporte	88p	−3	2·3
55	46	Montanto	$55½	+1½	3·2
751	639¾	*Montecatini-Edison*	L639¾	-23¼	...
1030	875	Norsk Hydro	Kr 940	−20	1·2
199	156	Rhone Poulenc	Fr 181	−3·8	6·6
2710	2370	Solvay 'A'	Fr B 2660	+30	5·8
184	136	St Gobain	Fr 178·8	+2·8	5·2
230	198	*Takeda Chemical*	Y 230	+19	3·7
49⅝	41⅞	Union Carbide	$49⅝	+2⅛	4·1
		Coal & steel			
4645	3875	Arbed	Fr B 4420	+70	5·7
34⅛	26¼	Bethlehem	$31⅝	−⅞	3·7
12·80	11·65	Broken Hill Pty	$A 12·55	+0·20	...
171·9	136·6	Denain Longwy	Fr 168	−1·9	8·0
321	286	Finsider	L 305	−⅞	12·3
148	134	Fried Krupp	DM 146	−2	6·8
168	151	Granges A B	Kr 162	−2	7·4

Prices, 1972 High	Low	Ordinary stocks	Price, May 24, 1972	Change on week	Yield May 24
74·9	58·7	Hoesch	DM70	−4·9	4·3
79·7	60·9	Hoogoven	Fl 76·8	−2·9	5·2
219·8	145½	Mannesmann	DM 219·8	+3·8	4·6
60	52	Nippon Steel	Y 55	+1	9·1
104·8	65·2	Rheinstahl	DM 102·8	−1·2	4·9
85·8	68	Thyssen Huette	DM 83	−1·2	4·2
34⅛	30⅝	US Steel	$31⅞	−1¼	5·0
114·9	85·9	Usinor	Fr 107	−0·1	8·4
52·2	40	Wendel-Sidelor	Fr 44½	−1	11·0
		Electrical, electronics			
185½	132½	AEG Telefunken	DM 171·8	−3·7	2·9
295	260	ASEA	Kr 259	−4	3·9
218	169	BICC	209p	−2	3·7
546	402	CGE	Fr 546	+28	3·7
189	162	Chloride Electric	174p	+2	2·6
75⅝	56⅛	Comsat	$68⅛	+4⅜	0·7
403	260	Decca	388p	+1	2·3
232	195	EMI	202p	−9	3·1
270	181	*Electrolux 'B'*	Kr 265	−4	3·8
295	263	LM Ericsson 'B'	Kr 277	+2	2·0
70⅛	46⅞	General Electric	$70	+2⅛	2·0
195	170	GEC	180p	−6	2·1
33	28⅛	Gen Tel & Elec	$30⅛	+⅞	5·2
131	106	Hitachi	Y 129	−2	4·7
160	127⅞	Honeywell	$151	+4⅜	0·7
37⅛	16	*Hoover*	$34⅜	+⅛	1·7
402	331⅛	IBM	$402	+12½	1·0
155	135	Int Computers	127p	−17	8·9
91	76·2	Machines Bull	Fr 79½	+0·4	...
769	509	Matsushita	Y 717	−15	1·4
810	537	Philips	800p	+35	2·5
162	133	Plessey	156p	...	3·2
45	34⅛	RCA	$37⅛	+1⅞	2·7
129	104	Rediffusion	129p	+4	3·2
122	73	Reyrolle Parsons	96p*	−2	1·0
283½	204·3	Siemens	DM 281·9	−1·6	2·5
4880	3240	Sony	Y 4790	−20	0·3
40⅜	29⅛	Sperry Rand	$40⅜	+3⅛	1·7
167⅞	117¼	Texas Instruments	$167⅞	+15½	0·5
158·9	95	Thomson-Houston	Fr 158·9	+11·9	3·8
552	458	Thorn Electrical	530p	−1	1·1
80	68	Toshiba	Y 79	−1	6·3
68⅛	41⅞	Western Union	$68⅛	+3⅛	2·0
54	43	Westinghouse	$51¾	+⅜	1·8
		Engineering, shipbuilding			
237	200	Acrow 'A'	202p	−2	2·5
245	214	Atlas Copco	Kr 232	...	2·2
45	30½	BSA	34p	−1	...
417	297	Babcock & Wilcox	382p	−9	2·8
187	154	John Brown	164p	−1	7·0
1460	1150	Brown Boveri 'A'	Fr S 1360	+10	3·7
100½	79	Cohen 600	84p	+½	5·4
71	49½	Davy Ashmore	66p	+3½	1·9
236½	167	Demag	DM 234	−2½	3·4
60	36	B Elliott	52p	...	1·2
166½	109	Firth Cleveland	138p	...	5·1
425	349	GKN	414p	−1	3·1
186	148½	Gutehoffnungs	DM 183	−2	3·8
72	21½	*Harland & Wolff*	51p	−12	...
82	65	Head Wrightson	80p*	+1½	3·7
71	40	Alfred Herbert	59p	+5	...
93	76	IHI	Y 82	−3	7·3
25½	17⅛	Inter Combstn	22p	...	...
152	129	Inter Comp Air	128p	−5	2·7
99½	42½	Laird Group	93p	−5	2·7
214	169	MAN	DM 212	...	4·3
111	76½	Mather & Platt	106p	−5	2·9
415	376	Metal Box	393p	−9	3·2
87	75	*Mitsubishi Heavy*	Y 84	...	7·1
156	107	Morgan Crucible	143p	−2	3·7
425	369	SKF 'B'	Kr 415	−1	2·9
77	62	Serck	64p*	+2	3·1
136	108	Simon Enging	108p	−6	6·9
93	71½	Stone-Platt	80p*	−6½	4·1
169	49	Swan Hunter	142p	−6	7·0
3675	3200	Sulzer	Fr S 3570	+95	3·7

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‡ Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*l*) To latest date (*n*) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £

Prices, 1972 High	Low	Ordinary stocks	Price, May. 24, 1972	Change on week	Yield May. 24
500	418	Tube Investments	444p	−2	4·3
28¼	23⅛	US Industries	$24¾	−⅛	2·5
121	82	Vickers	113p	+1	3·5
142	93	Weir Group	142p	+6	3·8
123	103½	Thos W Ward	111½p	−1½	3·8
		Food, pharmaceuticals			
88½	69½	Assoc British Foods	84p	−3	2·1
81	68	Assoc Fisheries	80p	−2	4·7
126	94	Avon Products	$123½	+3⅛	1·0
340	281	Beecham Group	333p	+4	1·9
205	139 1	Beghin	Fr 202½	−2½	5·2
108	73	Brooke Bond 'B'	90½p	−5	3·0
132	87½	Cadbury Schweppes	116p*	−1	3·5
333	187	Cavenham	312p	−3	1·1
69¼	57½	Colgate-Palmolive	$65⅛	+2	2·1
5 56	4 80	Col Sugar Ref	$A5·24	+0 08	...
162	115½	Fitch Lovell	145p	−12	2·1
36¼	27½	General Foods	$25⅝	−1⅜	5·3
51¾	38⅝	General Mills	$51⅞	+1⅜	1·9
528	437	Glaxo	518p	+4	2·0
47½	40⅝	Heinz	$45½	+1¼	2·2
205000	176500	Hoffman La Roche	Fr S 205000	+4000	0·5
47⅝	42¼	Krafteo	$42¾	−⅛	3·9
2175	1605	L'Oreal	Fr 2140	−35	1·1
3095	2595	Motta	L 2930	+30	...
4035	3000	Nestlé	Fr S 4035	+65	1·8
47⅜	36¼	Pfizer	$41¼	+⅝	1·5
97	76⅛	Procter Gamble	597	+2¼	1·4
251	155	Ranks-Hovis	218p	−8	3·7
373	270	Reckitt & Colman	350p	+16	2·7
5250	4180	Sandoz	Fr S 5250	+80	1·2
91	60½	Spillers	89½p	...	3·5
38¼	30¼	Swift	$34¼	+⅜	2·1
209	179	Tate & Lyle	197p	−6	5·1
185	138¼	Unigate	178p	+21	2·3
406	318	Unilever	392p	−4	2·9
143·6	79 4	Unilever NV	Fl 141·1	−1·9	4·3
124	81	United Biscuits	121p	−2	2·2
		Motors, aerospace			
56	37¼	BLMC	37¼p	−1	5·3
26½	19	Boeing	$23⅛	+1⅜	1·8
56¼	46¾	Caterpillar Tract	$56¼	+2¼	2·5
36	28	Chrysler	$33½	−⅛	1·8
96	79·1	Citroen	Fr 88	−0·9	...
453½	323	Daimler-Benz	DM 453½	+3½	1·9
199	167	Dunlop	160p*	−9	5·1
2440	2068	Fiat	L 2342	+5	5·1
27	24⅛	Firestone Tire	$25	+⅜	3·3
76⅛	67½	Ford	$65⅞	−2	3·8
32	22⅝	General Dynamics	$31½	...	...
84⅝	76¼	General Motors	$76⅛	−⅛	4·4
33⅛	29¼	Goodyear	$29¾	−⅛	2·8
402	317	Hawker Siddeley	365p*	−10	4·1
379	254	Honda	Y 342	−5	2·6
217	155	Komatsu	Y 216	−1	3·9
15⅜	10	Lockheed	$12	+⅛	...
438½	383½	Lucas	396p	−8	2·5
15⅛	11⅝	Massey Ferguson	$C 15⅛	+⅝	...
45⅜	34¼	McDonnell Douglas	$43⅞	+1⅝	0·9
1520	1229	Michelin 'B'	Fr 1499	+23	1·3
500	246	Nissan Motor	Y 478	+2	1·7
36⅝	30¼	N Am Rockwell	$32⅛	...	4 3
392	242	Peugeot	Fr 392	+3	2·7
1870	1540	Pirelli-Spa	L 1780	−32	6 1
231	200	Smiths Indust	210p	+3	3·0
225	186	Steyr-Daimler-Puch	%210	−6	4·8
630	405	Toyota Motor	Y 638	+30	1·3
42⅛	28⅝	United Aircraft	$42⅞	+2¼	4 4
163·8	133¼	Volkswagen	DM 152½	−2	3·0
273	226	Volvo	Kr 231	−2	1·7
73½	57	Westland	63½p	+1	4·7
120	92	Wilmot-Breeden	118p	+1½	3·0
		Office equipment, photographic			
228	180	Canon	Y 243	+30	3 1
126½	93¼	Eastman Kodak	$126½	+6	1·0
427	358	Fuji Photo	Y383	+11	2·0
1750	1600	Gevaert Agfa	Fr B 1555	−10	3 9
183	150	Gestetner 'A'	168p	−9	1·9
381	349	Nippon Optical	Y 382	+8	2 0
2065	1439	Olivetti	L 1980	−10	3 5
262	228	Ozalid	249p	−1	2 5
145½	86⅝	Polaroid	$145⅛	+6½	0 2
1100	825	Rank 'A'	1050p	−25	1 1
153	120½	Xerox	$153	+14	0·6
		Paper, publishing			
110	99	Borregaard	Kr 107	+1	...
197	151	Bowater Paper	180p	+4	2·8
124	110	Bunzl Pulp	111p*	−3	4 0
34½	27¼	Crown Zellerbach	$31⅞	−⅛	3 8
179	149	DRG	170p	−1	4 4
28	23¼	MacMillan Bloedel	$C 25⅝	+⅛	...
20⅞	15⅛	McGraw Hill	$19¼	+⅛	3·2
315	207	News International	293p	−5	3·2
244	174	Pearson Longman	244p	+6	2·3
332	274	Reed Int	326p	+15	3·9
157	78	Thomson Org	154p	−3	4 6
		Property			
135	96	Capital & Counties	118½p	+⅛	2·2
615	530	Hammersons 'A'	570*	−5	1·1
230	181	Land Securities	205p	−5	2·1
147	107½	LMS	133p	−2	1·7
274	225	MEPC	254p	−4	2 1
234	180	St Martins	209p	−3	1 4
314	293	SG Immobiliare	L312½	+13	1 2
398	259	Star (Gt Britain)	338p	−16	2·7
845	735	Stock Conversion	720p	−30	0·9
220	150½	Trafalgar House	203p	−15	2·0

Prices, 1972 High	Low	Ordinary stocks	Price, May 24 1972	Change on week	Yield May 24
		Transportation			
49½	39⅛	American Airlines	$48⅛	+1	...
298	229	Brit & Comm	296p	−2	2·7
15⅝	14⅛	Canadian Pacific	$C14⅛	−⅛	...
382	318	Furness Withy	330p	+7	4·6
23¼	18⅛	Greyhound	$18	−¼	5·5
2200	1580	Japan Air Lines	Y 1920	−30	2·1
131½	115	KLM	Fl 122½	+2½	...
79	63·7	Lufthansa	DM 75	−4	3·3
173	138½	Ocean Steam Ship	143p	+5	5·3
17⅜	13¼	Pan American	$16⅝	+1½	...
272	186	P & O Defd	269p	+3	4 5
740	575	Swissair (Bearer)	Fr S 740	+21	4·0
58¼	39⅝	TWA	$58¾	+4¼	...
54	39⅝	UAL	$53¼	+3½	...
		Stores			
293	216	Boots	272p*	−11	2·0
350	260	Brit Home	328p*	−5	2·6
305	225	Burton Group	260p*	−5	2·3
350	234	Debenhams	333p	+1	3·4
185½	119·8	Galeries Lafayette	Fr 182	+5	...
390	341	Galerias Precdos	%366	+11	3·1
343	255	Grattan Ware	328p	...	2·3
22	18	Great Atlantic	$19	+⅜	7·1
340	259	GUS 'A'	315p	−7	2·2
304	223	House of Fraser	302p	+12	2·7
2100	1460	Innovation	Fr B 2080	−20	4·3
110½	82·3	KBB	Fl 109½	−1	3 2
458	330	Karstadt	DM 442	−16	2·3
338½	243	Kaufhof	DM 326	−10½	3·1
622	484	La Redoute	Fr 581	−18	2·3
275½	227	La Rinascente	L 264	−1½	3·0
31⅜	27	Marcor	$27	...	3·0
308	277	Marks & Spencer	288p	−7	2·7
483	410	Mitsukoshi	Y 479	+1	1·9
2·45	1·70	Myer Emporium	$A2·42	−0 03	...
146	107	Neckermann	DM 140	−6	2 2
172	114	Nouvelles Gals	Fr 155	−½	...
80¼	67¼	JC Penney	$80	+4¼	1·1
186	130 7	Printemps	Fr 184	−1·2	...
397	281	Prowid Clothing	387p	−7	2·2
242	162	Sears 'A'	215p*	−13	2 9
116¼	97⅜	Sears Roebuck	$115⅞	+5⅛	1·2
830	643	WH Smith 'A'	802p	−10	1·8
87	75½	Tesco Stores	79p	−3½	1·8
177	138½	United Drapery	169p	−8	3·4
47¼	37½	Woolworth	$36⅛	−1¼	3·2
		Textiles			
40	33½	Burlington	$34⅝	...	4·1
186	132	Carpets International	178p	−7	3 8
80	68	Coats Patons	76p	−1	4 7
152	129½	Courtaulds	148p	+1	4 6
110	80	Dollfus-Mieg	Fr 110	+1½	4 8
63½	48½	English Calico	59p*	−3	4·2
1813	1245	Snia Viscosa	L 1315	−26	...
31¾	25½	Stevens, JP	$26⅛	−1⅝	5·3
84	71	Teijin	Y 83	−1	7·2
121	95	Toray Ind	Y 121	...	7·0
67	43	Woolcombers	67p	+16	...
		Tobacco			
348	286	Brit Amer Tobacco	322p	...	3 9
219	172	Gallaher	219p	+1	4 8
123	94½	Imperial Tobacco	116p	−4	4·5
76⅛	58¼	RJ Reynolds	$72⅛	+1⅛	3 4
		Utilities			
47⅛	42¾	AT & T	$43½	+⅞	6·1
895	790	Chubu	Y 895	+45	5·6
880	780	Chugoku	Y 880	+35	5·7
27½	25⅛	Cons Edison	$24¼	−⅛	7·2
2875	2600	EBES	Fr B 2685	+25	5 8
2415	1995	Intercom	Fr B 2415	+80	5·0
841	780	Kansai Electric	Y 864	+23	5 8
191	171½	RWE	DM 172 7	3 8	4 6
900	795	Tokyo Electric	Y 900	+50	5·6
105	89	Tokyo Gas	Y 101	+2	6·0
		Investment trusts			
279	234	Alliance Trust	248p	+8	2·4
181	146½	Atlas Electric	168p*	−2	2·4
180	137	BET Deferred	175p	−5	3·1
98½	83	British Assets	92p	+4½	1·7
180	151	Cable Trust	168p	+2	2·5
192	157	Foreign & Col	173p	...	1·7
189	154	Globe Investment	176p*	...	2·3
167	133	Industrial & Gen	149p	...	2·9
71	58¼	Mercantile Inv	65p	−1	3·3
259 3	225½	Robeco	Fl 259·3	+5·3	4·5
199½	167	Rolinco	Fl 199½	+5	1·5
122	100½	Witan Investment	109p	−1½	1·6
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 388	−6	3·7
1393	1009	BSN	Fr 1383	−5	2·3
203	142	Bookers	184p	−6	3·5
230	171	British Match	210p	+14	4·5
75½	66	British Oxygen	67½p	−2	4·4
132	111	British Ropes	128p	+2	3·5
77	53½	Cope Allman	59½p*	...	4·7
227	161½	Dalgety	226p	−1	3·7
244	188	De La Rue	235p	...	4·8
28¼	21¼	Engelhard Minerals	$28¼	+⅞	1·4
44¼	28	Gulf & Western	$41	+⅛	1·5
100⅜	67¼	Halliburton	$100	−⅜	1·0
482	388	Hays Wharf	444p	+14	1·7
1062½	806	Hudson's Bay	820p	+5	2·6
64½	52¼	IT & T	$57⅛	+3¼	2·0
545	404	Inchcape	545p	+20	2·4
416	345	C Itoh	Y 392	+8	1·5
14¾	9¾	Ling-Temco-Vought	$12	−⅛	...
26⅛	16⅜	Litton Industries	$16¼	−⅛	...
155½	129¼	Minnesota Mining	$155½	+7⅜	1·1

Prices, 1972 High	Low	Ordinary stocks	Price, May 24 1972	Change on week	Yield May 24
266	202	Mitsubishi Shoji	Y 258	...	2·7
305	219	Mitsui	Y 292	+3	2·4
285	240	S Pearson & Son	268p	−2	2·3
36⅛	30	TRW	$36⅛	−2¼	3·1
27	23⅛	Tenneco	$24	−⅜	5·3
36¾	30¼	Textron	$32¼	...	2 8
151½	114	Thomas Tilling	149p	−⅛	2·3
245	204	Turner & Newall	223p	−3	4·8
		Oil			
614	545	Aquitaine	Fr 576	−4	3·1
610	498	BP	552p	+10	3·7
450	363	Burmah Oil	444p	+18	3·3
229½	205	Cie Petroles	Fr 211½	+11·3	5·7
93½	83·6	Gelsenberg AG	DM 88½	−2	...
30	24⅛	Gulf Oil	$24¾	+⅜	6·2
56¾	49⅛	Mobil Oil	$53¾	+2⅛	5·0
4690	3650	Petrofina	Fr B 4560	−25	2·4
30⅜	25¼	Phillips Petroleum	$28⅞	+⅛	4·5
125	111½	Royal Dutch	Fl 124·3	+3·1	5·8
359	298	Shell Transport	325p	...	4·5
60⅜	54⅛	Standard Oil (Calif.)	$56⅜	−1	4·9
70½	61	Standard Oil (Indiana)	$64⅛	+⅜	3·6
77½	69⅛	Standard Oil (NJ)	$72⅜	+1⅛	5·4
87¼	80	Standard Oil (Ohio)	$79¼	−2⅛	3·4
36	29¾	Texaco	$31	+⅛	5·2
		Gold mines – finance			
376	255	Anglo-American	368p	−7	2·7
295	220	Charter Cons	287p	+1	2·5
276	206	Cons Gold Fields	275p	+7	2·7
1150	790	General Mining	1150p	+75	3·8
1725	1100	J'burg Cons	1650p	−121½	2·6
880	535	OFSit	860p	−20	4·8
705	505	Rand Selection	700p	+5	3·1
287	150	Union Corp	278p	−5	2·4
		Mines, metals			
22½	17⅜	Alcan	$C20⅛	−1⅜	...
70	37⅜	Alcoa	$54	+3¾	3·4
2260	1875	Alusuisse	Fr S 2230	...	2·8
32¼	27⅛	Amer Met Clim	$29⅜	+⅜	4·8
20⅜	15¾	Anaconda	$21¼	+⅛	...
205	152	CAST	178p	...	2·4
310	223	De Beers Defd	310p	+4	2·5
150	120	Delta Metal	134p	−5	3·7
99⅛	72¼	Falconbridge	$C74	−1	...
35¼	29¼	Inter Nickel	$32⅞	+2⅛	3·2
378	288	Johnson Matthey	365p	−8	3·4
29⅜	23⅛	Kennecott	$23⅝	−⅜	7·3
109	70	Lonrho	99p	+9	3·0
3·90	2·35	MIM Holdings	$A3·47	+0·10	2·6
353	275	Metallgesellschaft	DM 340·2	+0 2	...
169·6	135	Pechiney	Fr 161·3	+0·8	4·4
75	52⅛	Penarroya	Fr 66⅛	+0·7	4·6
22⅛	17⅛	Reynolds Metals	$19	−⅛	3·1
269	196	RTZ	251p	+2	2·4
242	175	Roan Cons	238p	+6	(n)
655	540	Selection Trust	655p	+5	2·7
1600	1426	Union Miniere	Fr B 1595	+50	4·9
5·24	2·10	Western Mining	$A3 45	+0·30	0·6
220	182	Zamanglo	198p	+4	(n)
		Plantations, etc			
340	210	Consolidated Tea	215p	+5	...
308	267	Guthrie	308p	+19	5·2
48	40	Highlands & Low	45½p	+⅛	6·7
70	43	Jokai	68p	+3	3·8
164	118	Longbourne	135p	...	(n)
38⅛	30	Plantation Hldgs	37p*	...	5·4

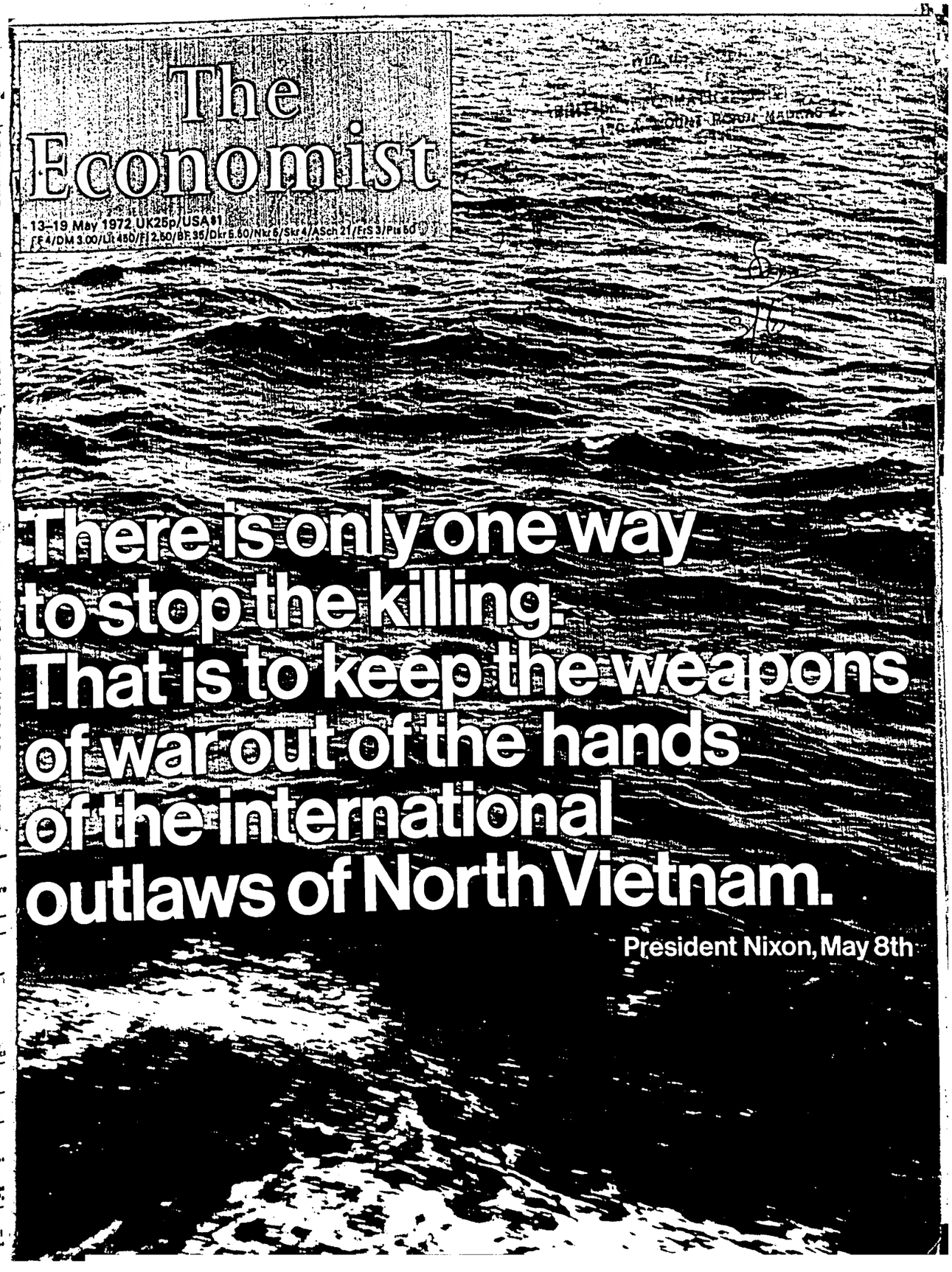
Money Market Indicators

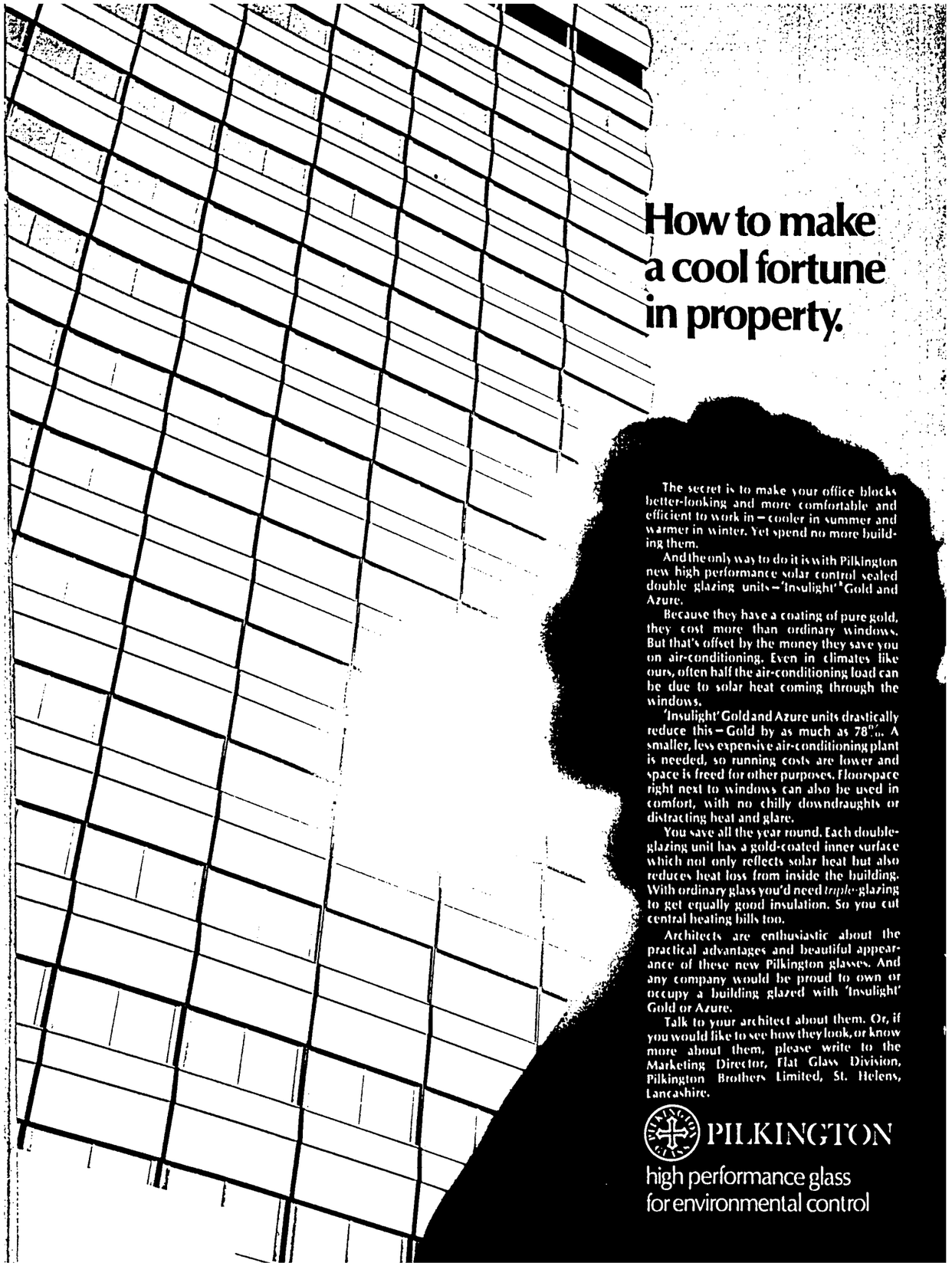
The increase in American Treasury bill rates was a main feature this week Eurodollar rates were little changed

Bank Rate 5% (from 6%, 2/9/71) **Base Rate 4¼%**

Deposit rates		**Eurosterling deposits** (*in Paris*)	
7 days' notice:		2 days' notice	4⅜
Clearing banks	2½	3 months'	5⅜
Local authorities	4⅜	**New York**	
3 months' fixed:		Treasury bills	3·83
Local authorities	4⅜	Certs. of deposit	4 38
Finance houses	5	Sterling: Spot rate $2·6132	
Interbank rate		Forward discount	
7 days'	4 15/16	(*3 months'*)	0·42 cents
Treasury bills		**Forward cover** (*3 months'*):	
3 months'	4·27	Annual int. cost	0·64%
Eurodollar deposits		**Investment currency:**	
7 days' notice	3⅞	Investment $	24¾% prem
3 months'	4⅞		

Covered arbitrage margins (*3 months'*)	In favour of Last week %	This week %
Treasury bills	London ⅜₃₂	N. York ⅝₆₄
Eurodollar/UK local authority loans	N. York 11/32	N. York 17/32
Eurodollar/Eurosterling	N. York ⅜₃₂	London ⅛
Uncovered arbitrage margins (*7 days'*)		
Eurodollar/UK local authority loans	London ⅛	London 1
Eurodollar/Interbank	London ⅝	London 15/16





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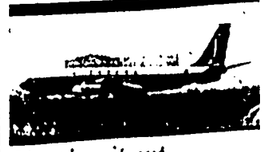
May 13, 1972



Banking on Brezhnev

Mr Nixon is staking his whole relationship with Russia on mining the waters off Haiphong. If the Russians value the relationship as much as he thinks they do it might, just possibly, work, page 11. What the Americans hope the blockade will do, page 31. The pleasure in Saigon and the balance on the battlefronts, page 32. The dilemma in Peking, page 33.

The Nixon plan to dissuade the North Vietnamese from having another round has got the Democrats in Washington in two minds, page 55. In the primaries Governor Wallace is running well in the border states, page 56, but the Democrat now showing greatest potential is Senator McGovern, the winner in Nebraska, page 58.



Shooting it out

The Israelis rescued all the passengers of the hijacked airliner at Lydda and killed or captured the hijackers, but five passengers were shot in the process—which is why most governments, and all airlines, prefer the kid-glove treatment, page 109.

Voting for Europe

Ireland's prime minister, Mr Jack Lynch, has won a crushing victory against his anti-marketeers, page 48.

To the buffers

The right policy for the Government in the rail dispute is that Mr Macmillan should make it quite clear to the railwaymen that a go-slow will lose them money instead of gain it. A ballot would have been better after this point sinks in, page 13. The railway negotiations, page 94; the tussles in the docks and in the industrial court, page 103.



Still on the knife's edge

Nobody—Willy Brandt, Rainer Barzel or the Russians—comes very well out of the confusion that left the Ostpolitik debate stuck for another week, page 15. A bungled job in Bonn, page 37.



The forgotten ones

Who'll remember the Biharis?, page 14.

Same again in Italy

So the Italian parties did all that running about to stay in the same place, pages 38 and 47.

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Letters

Ireland

SIR—In "What is Willie up to?" (April 29th) you quite properly and fairly spelt out the apparent options facing Mr Heath and Mr Whitelaw. These were the eventual handing over of the province to Eire, the carving out of an independent Ulster Protestant state and finally the complete integration of Ulster into Britain.

In my opinion, however, in Irish politics the reality is always much more elusive than the sum of the parts and I believe that the Westminster solution is more imaginative, positive and subtle than has been appreciated. The key to the problem is the acceptance by Mr Heath and his advisers that the unique religious divisions in Ulster, which have led to an overriding obsession with the border issue, make traditional parliamentary democracy irrelevant and unworkable. In this situation where compromise is unthinkable a Protestant theocracy is just as unpalatable to Catholics today as, presumably, despite all possible manipulation with electoral boundaries, a Catholic theocracy would be to Protestants in 30 years' time.

Against this background the intention of holding referendums to determine the future of the border will be the first and most vital step towards the new future all sections of the community desire. The fact that this previously was exclusively under parliamentary control at Stormont prevented the development of an acceptable, progressive and efficient parliamentary institution. In fact, both communities have suffered for 50 years from a constitutional compromise, which encouraged sectarianism and direct action rather than a constructive and effective democratic parliamentary system.

Given that the future of the border is removed directly from Stormont, we can then review impartially electoral boundaries and, from the basis of unquestioned fairness in electoral representation, candidates will be selected who have the appropriate policies to solve pressing economic and social needs. In this context the border will remain, and present politicians and parties will remain, only if this challenge is effectively met.

Unionism, for example, will probably emerge as a genuine right-wing Conservative party, the Alliance as an orthodox Liberal movement and those sections of the left that are willing could combine to form a constitutional but radical alternative.

A non-sectarian Ireland could then emerge from the economic and social pressures exerted from a free, prosperous and united Protestant and Catholic Ulster. With religion relegated to a non-political role, a united Ireland could then be a dignified and acceptable possibility and Catholics and Protestants could enjoy their birthright. Logically from this situation federation with England, Scotland and Wales would be probable, necessary and welcome.

Let us hope the British public has the patience and generosity, the Ulster people the tolerance and good sense, and the Eire government the integrity and courage to back Mr Whitelaw.—Yours faithfully,

Co Antrim M. H. STEVENS

SIR—I think there is a fourth distinct policy option in Northern Ireland to be added to the three which you discuss in "What is Willie up to?" (April 29th). I also think that this policy is more realistic than any of the others, because, mirabile dictu, it offers to both communities so much of what they really want.

It is to set Northern Ireland apart from both Britain and the Irish Republic by making it an Anglo-Irish condominium with a system of dual nationality, which would enable members of both communities to exercise the nationality of their choice.

Though the dispute has a clear territorial aspect (and obviously territorial adjustments, perhaps at a later stage, must not be excluded), it is even more a nationality issue, and on a point of this nature virtually no community in the world has ever been known to budge. In an Anglo-Irish condominium Union Jacks and Irish tricolours would both fly: either on all public buildings, or else predominantly in the respective areas. Police and military forces would be composed of both British and Republic of Ireland personnel. Ideally, both elements would patrol the whole territory.

The condominium would remain "integrated" with Britain in one respect only: economically. Residents in the republic would not have access to condominium or British social services.

This solution guarantees the Protestants continued British nationality and the Union Jack. It allows the nationalists to be legally what they already are in their hearts, namely Irish citizens. No solution failing to recognise or to give satisfaction on the nationality question has any hope of lasting success.—Yours faithfully,

London, SW1 WILLIAM STODDART

Indochina

SIR—You say in "The burnt-out place" (May 6th) that the evidence of what has happened in almost every war since 1940 has been that when aircraft meet infantry and tanks, they win. With respect, this is not so.

The evidence is that when two forces of infantry and tanks fight and only one is supported by air power the additional arm is usually decisive. The heresy which you, sir, appear to embrace is to think that air power can win battles—other than in the air—on its own, without need of the other arms. Generations of airmen with a vested interest in this proposition have preached it, from Billy Mitchell and Trenchard, through Chennault down to some American air strategists of today. To politicians who wanted to hold outposts of empire or who want now to fight wars against communist aggressors without committing large ground forces, the theory has always been deeply attractive. But, as the latest Vietnamese disasters demonstrate, it never works. To win you have to get down on the ground and fight it out, as the survivors of Iwojima, the Korean battles or any other desperate contest can testify. The Vietnam experience will have confirmed—not confounded—the assumptions of most other countries' military powers.—Yours faithfully,

London, EC2 ANTHONY RUDD

SIR—I am astonished at the lack of candour of certain of our political leaders throughout the free world in explaining to their constituents the meaning of collective security and the vital service which the United States has been and is performing in fulfilment of guarantees within that system in what has been going on in south-east Asia at least since February, 1962. We see and hear nothing but criticism and condemnation of the United States despite the fact that western Europe in general, and the United Kingdom, depend for their own safety and survival on the collective security system and American fulfilment of guarantees to Nato.

The collective security system was erected after the second world war to deal with the kind of problem which arose between 1931 and 1945, during the course of which small nation-states too weak to defend themselves were left to go it alone in face of the threat of, or actual, attack upon them by greater powers. Ethiopia and Albania come to mind. Manchuria and the *Anschluss* with Austria, not to say the shameful abandonment of Czechoslovakia, also come to mind. These events led not to peace but rather to world war, the ultimate result of which was the death of more than 55m people and the destruction of much of western Europe. To prevent this ever happening again collective security was created, rooted in the principle that "an attack upon one shall be an attack upon all." Until recently this system has succeeded in preventing world war for 27 years and in Lebanon, Korea and Berlin, not to say Vietnam, has fulfilled its purposes. Now suddenly there are those who wish to abandon the successful system, to do away with it and return to the failures of 1931, 1935 and 1938. That cannot bring peace. Has tormented mankind learned nothing from two world wars?

The United Kingdom has, as western Europe has, a vital stake in the success of the defence of Laos, Cambodia and South Vietnam. If the United States fails in Indochina to fulfil its guarantees under the Manila treaty of September 8, 1954,

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For further management appointments see page 7

can anyone believe that it will fulfil guarantees under Nato? Would Nato remain credible? The British people had best now begin looking again at these matters, and call upon their leaders in government for some meaningful explanation of the issues involved.—Yours faithfully, H. READ MCGRATH
Los Angeles

Inflation

SIR—Your article "Stand or deliver" (May 6th) is surely rather optimistic. As soon as a 10 per cent inflation becomes the target, everyone will discount it. It will fail as a stimulant (as all drugs do in the end). We shall have more stagnation and calls for "reflation." The speed will increase. Another circle will be completed. The velocity of the price-rise will climb continually in geometrical progression, but rather exponentially.

For some time it may be possible to conceal this from the public, but not for too long. Finally, there must be a flight from money, a reversion to barter and the use of foreign currencies. In a country dependent wholly on imports this would produce an interesting situation.

I cannot agree that this sort of crisis would require a right-wing government. It seems to me that the only people able to cope would be our trade union leaders armed with (temporary) dictatorial powers. Who else could control the hungry and rioting unemployed?

It won't be too long now.—Yours faithfully, JOHN H. WEDGWOOD
London, WC2

Strike ballots

SIR—It is inaccurate to say, as you did (April 29th), that American union members support their leader's actions when a secret ballot is taken because they have been kept well-informed of the reasons for the actions. The secret ballot, required by law only when a strike has been enjoined on grounds of a national emergency, does not encourage American union leaders to be more candid with, or representative of, their members; it is an aberration of little utility, since those goals are accomplished by other features of American labour law.

The vote on whether to accept the employer's last offer is taken if no settlement is reached 75 days after the no-strike injunction is granted; regardless of the vote's outcome, the injunction must be dissolved on the 80th day when the men are once again able to strike. The men therefore realise, whether or not they have been kept fully informed by the leadership, that a negative vote is likely to force a higher offer from the employer, who will then be facing, once again, a credible strike threat. They, in any event, thereby do no harm to their union's bargaining position, since it is still possible for the leadership to settle on the rejected terms if no better offer can be obtained after the strike, or its threat, is renewed.

A vote for the employer's offer is regarded as an attack on the existence of the union itself, since it encourages management in the future to deal directly with the men, bypassing the union's role as the exclusive agent in the collective bargaining process. The check on arbitrary union leadership is contained in provisions ensuring that the union chosen is representative of the men and in guarantees of the rights of union democracy.—Yours faithfully, DONAL F. HOLWAY
New York

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Saving

SIR—I find it difficult to accept either the Prime Minister's interpretation of increased savings as "an affirmation of faith in the future" or your "spectre of a rainy day" (April 29th). Market research constantly shows that only a very small proportion of saving is for a vague distant future; the vast majority of it is for specific purchase in a near future—a house, car, holidays. That is, it is consumer credit in reverse.

The choice between consumer credit and saving to spend is sometimes voluntary, based either on old-fashioned prejudice against borrowing, or new-found realisation of the high cost of personal loans and hire purchase. In other cases, the decision to save is forced on people who find it difficult to get credit. This may explain the increase in savings in heavy unemployment areas, for some credit controllers become wary of a whole district, and make their fences higher there, even for those who are in steady employment.

One wonders whether all this deferred spending is good for the economy. Does it postpone expansion to a time when the reverse may be needed?—Yours faithfully, E. J. ORNSTIEN
London, W1

Euroentry

SIR—Is it not excessively paradoxical to suggest that in the European community (the euphemism EEC is now out of date) Parliament could have "more influence on the decisions taken in Brussels than it now has on many decisions taken in Whitehall" (May 6th)?

Every decision taken in Whitehall is resultant on parliamentary legislation, and such decisions may, if members wish, be overturned by them. By contrast, the community is supranational and need not, in many cases, listen to parliamentary representations, and even where it does we would be in a small minority. If Parliament cannot even keep us out, can assurances of its future role in a community dedicated to "an ever-closer union" be anything but soothing syrup directed at those parliamentarians who have not already followed Mr Jenkins's lead and abandoned Westminster for Brussels or Strasbourg?—Yours faithfully, G. J. A. STERN
London, N6

SIR—When Europe agrees some day on a common currency and is casting about to decide whose image to put on its most commonly used coin or piece of paper money, let it consider the one person common to all of Europe, its first great poet, Homer.—Yours faithfully, DANIEL SOLER
O'Hare, Illinois

Hungary

SIR—A factual error has crept into your long and interesting report on Hungary (April 22nd). The number of Hungarians living in Czechoslovakia is not 100,000 but well over 600,000; official 1970 figures put it at 573,000. Also, it is only fair to point out that while "potential irredentist feeling" could exist in almost any European country vis-à-vis a neighbour who speaks a different language and has different traditions, there is remarkably little resentment in Hungary towards those countries where the Hungarian minority is well treated and enjoys (at least on paper) equal civil rights (for instance, Jugoslavia). The amazingly strong reappearance of national conflicts in central Europe cannot be separated from the mistreatment of national minorities, from the infringement of their human rights which, in my opinion, certainly include the right to use freely one's mother tongue both in speech and writing.—Yours faithfully, GEORGE GÖMÖRI
Cambridge

Piccadilly Circus

SIR—"Good-bye Piccadilly, Farewell Leicester Square"—thus ran the marching song of the old British army. It concludes: "my heart's right there." But hardly with the architectural and planning foetus of the future Piccadilly Circus as now presented pictorially to their descendants (May 6th).—Yours faithfully, JOHN NORTH
London, SW1

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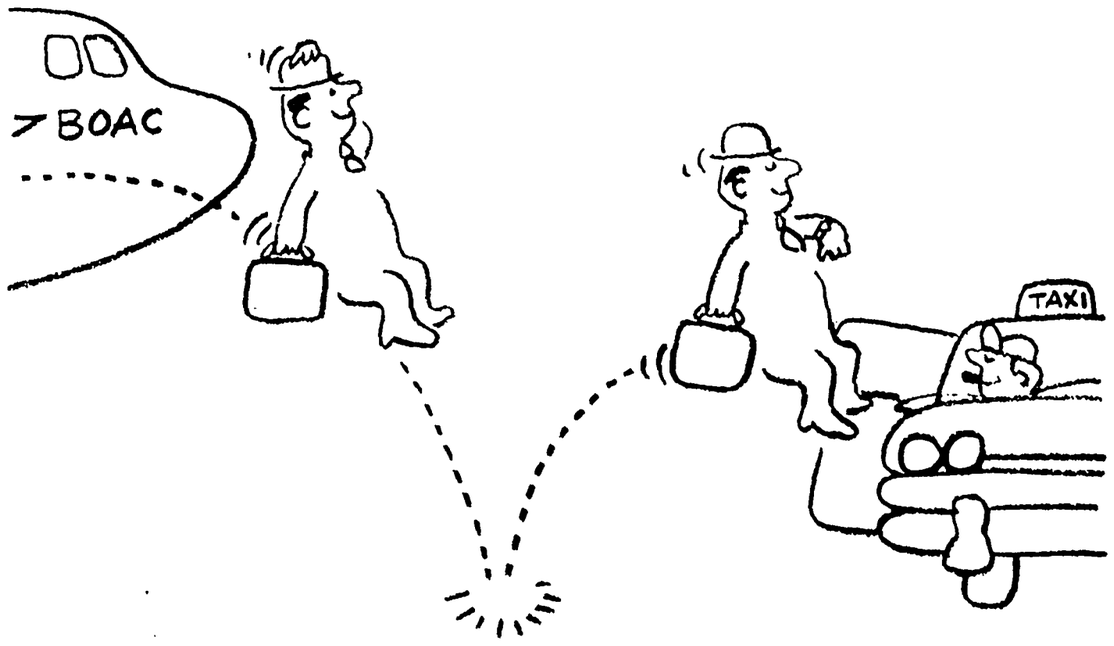
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The Economist

May 13, 1972



Banking on Brezhnev

It is a gamble : a calculated one, and not an impossible one, but a gamble. President Nixon has now added the hopes he attaches to his relationship with the Soviet Union to all the other capital he has committed to the Vietnam war. It has improved the chances that he may yet succeed in doing what he wants to do in Vietnam, although the improvement is very far from a decisive one ; but he knows that if he fails the failure will be all the greater.

There were three ways in which the Soviet Union could respond to the blockade of North Vietnam that Mr Nixon announced on Monday. It could show that it intended, by one means or another, to beat the blockade. It could make it clear that it did not propose to challenge the blockade, except by making the most of the loopholes that can be found in it, but then tell Mr Nixon that it would do no further business with him on any other subject while the mining continues. Or it could take no action at all. That would mean that the Russians had accepted the limitation the blockade imposes on the flow of arms to the North Vietnamese, and that they were prepared to carry on with the rest of their relationship with the United States as if nothing had happened.

The limits on the Russian response

It has been almost as difficult a decision for Mr Brezhnev as the order to lay the mines around North Vietnam was for Mr Nixon. This week Mr Brezhnev has had to face the possible failure of two major parts of his foreign policy : the treaty with Germany (see page 15), and his determination that his North Vietnamese allies should win their war. His own position could be in danger if he gets it wrong on both fronts. But at noon on Thursday, when the mechanism that activates the American mines came into action, it seemed plain that he was not going to choose the first, and most dangerous, of the courses open to him. At least one of the Soviet ships heading for Haiphong had changed course; some of the vessels inside Haiphong had sailed out ; and it has been left to the North Vietnamese to say that they will do their best to clear the mines away. The Russians have yet to confirm that Mr Nixon will still be welcome in Moscow on May 22nd, and that the negotiations they intended to have with him then can still proceed. But they may have accepted the fact of the blockade.

In fact, there are not all that many things that the Russians can do about it. They cannot sweep the mines up as fast as American aircraft can lay new ones, unless they send their own air force into North Vietnam to keep the Americans away from the harbours. They do not have the sort of naval force in that part of the world that could beat the Americans in a naval action on the blockade perimeter. They might hope to get the United States to call the mining operation off if they could retaliate in another part of the world, but it is not easy to see where they could retaliate successfully : the one obvious place where they command the necessary local superiority of power is central Europe, and Mr Brezhnev's whole European policy depends on persuading the west Europeans that he no longer wishes to use his military superiority there. It is partly like the Cuba missile crisis of 10 years ago. The Russians have spent a lot of money on their armed services since then, but they are still weaker than the Americans where it matters. They may try to slip the occasional ship through the patrols, and test their latest mine-evading devices in the process. They may put in the most important equipment by air. They can ask the Chinese to let the rest of the Russian-made arms come in through China instead, but the Chinese have not been very co-operative about that in the past, and although they cannot afford to make North Vietnam their enemy for ever they also do not want to see a victorious North Vietnam sweep the whole of Indochina into the Soviet sphere of influence; China is in a box too. The Russians may have to reckon that they cannot substantially break, or evade, the blockade itself.

What they could still do is to say that they will not negotiate with the Americans about anything else so long as the blockade continues. But even this involves at least as many problems for the Russians as it does for

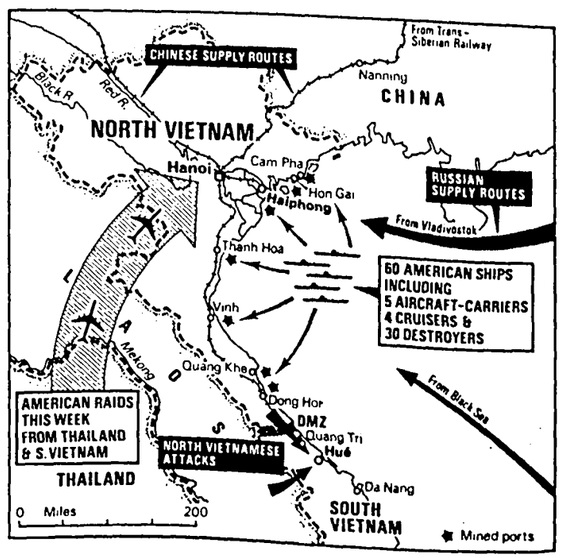
the Americans. It is true that Mr Nixon has invested a good deal of political capital in his negotiations with the Soviet Union. He wants a missile agreement. He would like to persuade Senator Mansfield and his friends that there is still at least a theoretical possibility of mutual troop cuts in Europe, to stop them insisting on a unilateral American one. Above all, he wants Mr Brezhnev's signature on some sort of agreement—almost any piece of paper would do—to help him get re-elected in November. This is what Mr Nixon is putting at risk. But the United States, as distinct from Mr Nixon himself, stands to lose less from a complete breakdown of the negotiations than the Soviet Union does. The Russians need American co-operation to get the sort of settlement they are hoping for in Europe, because the west Europeans want to know that the Americans will underwrite it. They want to avoid a continuation of the missile race, which they can afford even less than the United States can. They do not want to face the loss of the economic and technological aid they had eventually been hoping to get from America if things went well.

Nixon's two major concessions

The truth of the matter is that the Soviet Union, with its weaker economy, and its unsolved problem with China, has an even bigger stake in Mr Nixon's "era of negotiation" than the United States has. That is what Mr Nixon was counting on to persuade Mr Brezhnev to help him to get out of Vietnam without losing the war. And it is why Mr Brezhnev might still prefer not to ignore the other half of what Mr Nixon said on Monday night. The President's announcement of the blockade of North Vietnam was accompanied by two important concessions. The North Vietnamese are now being told that if they accept a supervised ceasefire, and release their American prisoners, they will not only get the blockade called off ; they will also get all the remaining American troops out of Vietnam within four months, and they need not even pull back from the territory their army has captured since March 31st. For almost anybody but the North Vietnamese, that would be a very tempting offer. They know they have got the better of South Vietnam's army in the past six weeks, and that American air power has not given the South Vietnamese as much help as it was expected to. They are within striking distance of Hué and Kontum, and they know how ineffective that ceasefire would probably turn out to be if they renewed the attack next year when the last American had left the country. It does not amount to the certainty of victory next time round, but it comes fairly close to it.

The trouble is that the North Vietnamese prefer certainties ; they have not accepted a compromise since 1954, even one that leans as much their way as this, and they will very likely say that they have no intention of accepting one now. If they do insist on fighting on, the Russians may have to tell them that they must do it with the diminished supply of weapons they will be getting from now on. And that brings everything back to the question that made Mr Nixon act on Monday, which is the question about the staying power of the South Vietnamese army. The weakness of Mr Nixon's present course of action is that, at best, it depends upon South Vietnam's ability to hold out for another three weeks, or two months, or even longer ; no one knows just how many weeks' supply of tanks and anti-aircraft missiles and how much petrol the North Vietnamese still have hoarded away. And at the worst it assumes that the South Vietnamese will be able to withstand another attack after this year's monsoon, when the Americans' ability to help them may be limited to what can be provided from outside Indochina, and when the attackers will start with the substantial psychological advantage that this year's fighting has given them. Of course, if Mr Nixon can make the blockade stick that will presumably have some effect on North Vietnam's self-confidence too. But this remains a battle between a very good army, even if that very good army now has to operate on a shorter logistical rein than it had hoped, and a largely mediocre one which has already taken a worse battering than it expected this year. In the end most wars go to the better army. It depends on just how tight that rein is.

But there is one other thing to be taken into account, and it may be the most important of all. Mr Nixon has risked his presidency by what he did on Monday. He knew it would cost him a lot of votes in November if the Russians obliged him to back down from the blockade, or even if they accepted the blockade but cancelled the other business they have been working on with his government ; if they did it humiliatingly enough, he might not even still be the Republican candidate in November. He is taking the risk because he believes that the survival of South Vietnam justifies it, and because he realises that staying on calling terms with Mr Brezhnev might not save him in November, anyway, if he sat motionless while South Vietnam was defeated. That is why he has thrown his relationship with the Soviet Union into the stakes, and why he is hoping that Mr



Brezhnev values that relationship enough.

It is really a gamble on Mr Brezhnev's assessment of the United States. Perhaps Mr Brezhnev does think that for the sake of his own policies he should not snap off the links he has built up with the Nixon government over the past three years. But Mr Nixon may be wrong about this, as he was wrong about what the North Vietnamese have been able to do in the past six weeks. Mr Brezhnev may reckon that, in an election year, he has got the United States in a trap. He may believe that the Americans are so tired and dispirited and confused that they will accept a communist victory in Vietnam and still insist that their government should do business with the Russians about the other things the Russians want to talk about ; that they will either insist that Mr Nixon should do it, or elect someone who will. The Russians may even be working on the idea of having a President McGovern eight months from now ; and Mr McGovern is still doing pretty well (see page 58). It is, at bottom, an argument about the meaning of that slippery word "coexistence." Mr Nixon says that coexistence is incompatible with Russian help for the forcible expansion of communist power of the sort North Vietnam is attempting. Mr Brezhnev believes he can have his wars of national liberation and still keep his relations with the United States undamaged. If Mr Brezhnev can make his definition prevail, and get an American president, Mr Nixon or someone else, to agree that it has prevailed, we shall be living in a very different sort of world. It really is a lot more than Vietnam that is at issue.



To the buffers

With good management the call for a ballot might enable Mr Macmillan to beat the railway go-slow, but surrender seems to be being arranged in the docks

The country should have one overriding hope, interest and objective in the rail dispute. It is that the railwaymen should not get a penny more than they have already been offered. Preferably, a stoppage now should cause them to get less.

The crucial point is that the current offer—which is better described as 14 per cent a year rather than 12½ per cent in the first financial year, as is being advertised—is at a level to put Britain, whose annual economic growth rate is unlikely to exceed 4 per cent, back on to a compound rate of price inflation of over 10 per cent per annum. As we said last week, this compound rate would mean more than a hundredfold rise in the cost of living over an average person's working life. We are being driven towards a Weimar situation where a pound at the beginning of your career will be worth less than a penny during your retirement.

The names are always the same. The biggest damage to Britain in recent weeks has again been wrought by London Transport, which has embarrassed British Rail by buying off the workers on London's underground trains ; London Transport's industrial relations director, active in this surrender, is Mr Jim Mortimer, who was one of Lord Wilberforce's two co-signatories to last year's disastrous report on electricity wages. After that Wilberforce report in 1971, the Government temporarily recovered some grip over inflation only because the postmen's strike ran into a bloody nose. After the Wilberforce report on the miners in 1972 something of the same sort has been needed.

The one advantage of the rail dispute is that the unions have now been sufficiently silly to make it seem rather easy for British Rail and the Government to give them just such a bump from the buffers. How to do it ? The Government was half-right to ask the industrial court to call a secret ballot of all railwaymen on whether they will flout their union, but it would have been better to have a hotting-up period first. Consider the situation on Thursday evening.

As the court's first cooling-off period is ended, the railwaymen's go-slow was due to start again after midnight. The railway unions would be carrying out any such go-slow simply on the issue that British Rail's inflationary offer must be paid from May 1st instead of June 5th. The difference seems to be a lump sum of only between £10 and £25 for each railwayman, and many of them will lose more than that in overtime payments during quite a brief period of go-slow. They would thereby be cutting off their own noses in order to spite rail passengers' faces, and rail passengers' faces that would be growing increasingly angry. It would have been wiser to delay a ballot call for a few days until some of the sense of futility and public anger had become more manifest, but the important need now is that during the balloting the prospect before those who are voting should be made clear.

A hiding to much less than nothing

If the railwaymen vote yes in any such ballot, they should get that payment. But if they vote no, it should be made quite plain that they still will not get back pay for before June 5th anyway. In that event, they would presumably start another go-slow. In any new go-slow their loss of more than the £10-£25 for which they are fighting should be speeded by suspending without pay all those whose interpretation of a "work to rule" really breaks the rules quite flagrantly, as well as by sending home (and removing the guaranteed week from) those railwaymen who have no work to do because their colleagues' go-slow has made their work impossible. In addition, the new wages certainly should not be paid even on June 5th if a go-slow is still in

progress then. Since a cooling-off period for a ballot would presumably postpone even the start of another go-slow to around or after that period, the railwaymen would then be interrupting services in a way that interrupted a previously-promised payment to themselves—which would not be at all sensible.

Many people will complain that this is altogether too vicious an advocacy of a planned putting in of the boot. They will say it is particularly deplorable because the kick would be against so moderate a trade union leader as the railwaymen's Sir Sidney Greene, director of the Bank of England, pillar of the establishment and regarded as the sort of moderate trade union leader whom the Government needs to keep on its side. The answer to this has to be quite frank. The object of everyone today should be to save Britain from the way to Weimar; it should not be to save Sir Sidney's face. If he is now clumsily crashing into the buffers in a way that might make him look a fool before his members, like the postmen's Mr Tom Jackson last year, the Government should not lift a hand to help him. This determination is the more justifiable because these "moderate" railway union leaders had signed an agreement that they would go to arbitration before taking industrial action, and barefacedly broke it; because the whole trade union establishment had said that the miners' wage award would be regarded as a special case and should not be used as a precedent for raising all awards, but within weeks Sir Sidney and his colleagues most certainly have so used it; and because the railways are a declining industry which is bound to increase its own unemployment even by the present inflationary offer, let alone by any bigger award.

What is true is that the story in the docks is much worse than on the railways, but the probability is that there will be a more disgraceful surrender there. Most of Britain's ports have already paid once for agreements with the trade unions about container traffic. Parts of the agreements were paid for in higher wages to dockers, parts in the present provisions whereby dockers can be made redundant only if they wish to be.

Danegeld becomes a habit

Shop stewards at some ports violated these agreements by keeping out certain container lorries, according to a system that deserves closer examination than it has generally got. When these blackings were declared by the industrial court to be an unfair industrial practice, public opinion began to say sympathetically that these troubles arose because the dockers were fearful of redundancy, even though they have in fact been given guarantees against any redundancy they do not want. The dockers were thereby encouraged to give notice that they will call a national dock strike at the beginning of June unless they are allowed to sell at a still higher price all over again what they have been handsomely paid for already. At Liverpool they were given yet another extra instalment this week.

The cases before the industrial court have had some advantage in drawing attention to what is going on, and making it less likely that the Transport and General Workers' Union can follow for ever its recent policy of preferring not to know what is happening within its own organisation. But the story of Britain's eager surrender to dockers' breaches of contract—and the fantasies which much of the press weaves in order to excuse it—mirrors in microcosm much of what is most wrong in the country.



The swept-aside people

Somebody had better take up the Biharis of Bangladesh, because none of the politicians in their part of the world will

The Biharis of Bangladesh suffer from one affliction worse than the polluted, congested, panic-stricken misery in which they now live: they are utterly friendless. "What is to become of us?" a young Bihari asked a Times correspondent last week. "Pakistan will not have us, India will not have us and we will be either liquidated or starved to death here." There is no reassuring answer for the frightened young man. His description of the plight of more than a million non-Bengalis in Bangladesh was all too accurate. And, as conditions in Bangladesh's ghettoes worsen every day, the binding of this wound of war looks more and more remote.

A British mission led by Mr David Ennals visited the subcontinent last week to search for solutions to the Bihari problem. After interviews with Mr Bhutto and Sheikh Mujib, Mr Ennals concluded that the proposal most frequently mooted—a mass transfer of the Biharis to Pakistan—is unworkable. The only hope for the non-Bengali community, as he sees it, lies in integration in Bangladesh.

The chief reason for pessimism about a population transfer remains Mr Bhutto's unwillingness, despite his frequent outcries about the mistreatment of the Biharis, to admit any sizeable proportion of them into Pakistan. The Pakistani president implied to Mr Ennals that a limited number might be acceptable; and the mission is now pressing for the removal to Pakistan of up to 250,000 Biharis, the first to be selected on the basis of family ties with Pakistan. This is the largest number, in the view of Mr Ennals's team, that can be absorbed peacefully; a greater migration, it argues, would only result in shifting the whole problem to Pakistan, where the Biharis would find themselves once again a despised minority, enclosed by walls of hostility, without the hope of employment or permanent settlement. This prophecy has already been fulfilled in a camp outside Karachi where 10,000 Biharis who managed to escape from Bangladesh at the end of last year's war are living in circumstances allegedly worse than those of their compatriots in Bangladesh.

The positive side of the argument for assimilating the Biharis in Bangladesh rests on some wishful thinking about human forgiveness and an assurance from Sheikh Mujib, contradicted by some inflammatory rhetoric last weekend, that he would personally guarantee their safety. The mission did see one example of peaceful coexistence in action—in the town of Saidpur, where a co-operation committee consisting of leaders of both communities was handling communal problems. But there was a special reason for this unique success: in Saidpur Bengalis are the minority, outnumbered by the Biharis three to one.

For most of the Biharis in Bangladesh, surrounded as they are by an overwhelming majority of Bengalis, the immediate prospects are grim. Sheikh Mujib let the Ennals mission know that he has no intention of cancelling the trials of people who collaborated with the Pakistani administration, which have already begun, or the war crimes trials of Pakistanis which are due shortly. This paper recently argued that there might be some justification for holding the trials to expurgate the bitterness and hatred left over from the war. But in the current atmosphere of witchhunts and bloodbaths the trials seem likely only to inflame these very feelings. The Biharis who are held collectively guilty of collaborating with the Pakistani army will inevitably be the primary target of incensed Bengali fanatics. And there is no reason to expect that the Bangladeshi police will provide them with any more effective protection than they did three weeks ago when several hundred Biharis were murdered on the outskirts of Dacca, or two months ago when more than a thousand are said to have been killed near Khulna.

It is the very real risk of another round of mass slaughter which confounds the case for the integration of the Biharis in Bangladesh and makes a large-scale population transfer, for all its difficulties, seem the better alternative. The catch is that, like the Biharis themselves, this plan has no friends. So indifferent is the Bangladeshi government to the fate of the Biharis that it is not even prepared to bargain for their removal to Pakistan. Sheikh Mujib often refers to his readiness to exchange them for the 400,000 Bengalis stranded in Pakistan. But this seems to be no more than a throwaway line to support his insistence that innocent civilians cannot be traded off for guilty soldiers—that is, in his view, the 94,000 Pakistani prisoners of war. The Bangladeshi leader knows that he will get his Bengalis back anyway, since Mr Bhutto is holding them only as hostages for the prisoners.

The three to appeal to

Putting the Biharis on the agenda of a Bhutto-Mujib meeting was one objective of the Ennals group; and to the extent that it focused attention on the desperate conditions in the Dacca ghettoes it has helped to make the problem difficult to ignore. But the full weight of governments will have to be thrown behind its appeal if three obdurate leaders are to be persuaded to change their minds. Sheikh Mujib obviously bears a major responsibility for the Biharis and, come what may, he will have to make a place for a good many of them in his new state. But President Bhutto also owes something more than expressions of concern to this community whose loyal support for Pakistan landed them where they are today. And Mrs Gandhi, who justified her bisection of Pakistan by humanitarian outrage at the slaughter of Bengalis, needs reminding of that humanitarianism now.

If Pakistan has managed to support 400,000 Bengalis it can hardly argue that once the Bengalis go the same number of Biharis would be an unsupportable burden. And if India could give temporary refuge to 10m Bengalis it can surely assimilate some thousands of Biharis in their former home. This is the argument that foreign governments should be pressing on the three leaders of the subcontinent, reinforced with offers of resettlement aid.



Another week on the knife's edge

It's more pain for Willy Brandt, and the Russians haven't helped to put him out of his misery

It is still one of the great cliffhangers of the year. The suspense had already gripped Bonn before the Bundestag embarked on Wednesday on its long-delayed debate on the ratification of the treaties that Herr Brandt concluded with Russia and Poland in 1970. When the debate was then abruptly broken off until next Wednesday (our special correspondent reports on page 37), many participants and observers alike were left with the feeling that the uncertainty could not go on for ever. It seemed as if, after tying the girl to the tracks in a remarkably leisurely way, the villain had flagged the train to a halt just before it reached her. The world can resume biting its fingernails next Wednesday.

The world cannot be blamed if it finds the German crisis baffling. After all, Germany is the country where the word Realpolitik was invented. This word implies something more than a mere macchiavellian dislike of idealism; it also suggests a frank acceptance of the less pleasant realities of life. On the face of things it might seem that the Bundestag faced, this week, a mass of

realities that were bound to influence it in the direction of ratifying the eastern treaties. Not only is the Oder-Neisse line one reality and Germany's partition another. West Germany's politicians also faced the fact that ratification of the treaties was desired by a clear majority of their electorate (according to the latest opinion polls), by President Nixon as well as by Mr Brezhnev, and even, it appeared, by Herr Rainer Barzel, the leader of the opposition in the Bundestag, as well as by the chancellor, Herr Willy Brandt. In these respects at least, Herr Brandt's Ostpolitik seemed to correspond to Realpolitik fairly precisely.

The days of Unfug

Yet the fact remains that the Brandt coalition's majority in the lower house of the west German parliament is now wafer-thin and liable to vanish altogether, while the process of treaty ratification is further complicated by the government's minority position in the Bundesrat, the upper house. There is also the fact that the issue of the eastern treaties has aroused passions among Germans of an intensity such as the British experienced during the 1956 Suez crisis. Supporters and opponents of ratification, however moderately they state their views, have found themselves promptly damned respectively as "reds" and "blacks." It has been particularly ironic that Herr Barzel, who was hailed by many of the hardliners in the Christian Democratic Union when he won the party's leadership last year because they saw him as a bonny fighter who would give the chancellor a hard time, has now found himself denounced by the same people for his efforts to establish some common ground with Herr Brandt.

The fact is that Realpolitik is not the only German political term appropriate to the involved situation that has developed. There is also the word *Unfug*, which can mean either nonsense or deliberate mischief-making. Unfug got into circulation in Bonn last week when Herr Gerhard Schröder, the former foreign minister who last year lost the contest for leadership of the Christian Democratic Union, was reported to have used the word in reference to some of the tactics employed over the eastern treaties by Herr Barzel—the man who had beaten him in the leadership contest. Herr Schröder may not be the obvious man to go to for an objective critique of Herr Barzel's tactics. But, more broadly, it does seem that there has been quite a lot of Unfug about in Germany these past few weeks.

If the opposition has shown itself reluctant to face up to some of the harsher realities of the German situation, the government too must be judged to have overlooked certain realities. Herr Brandt and his colleagues in the coalition do not seem to have taken seriously enough the doubts and reservations about the treaties that had been voiced long ago by some members of the Free Democratic party, the coalition's smaller element. The government not only seemed over-confident that its own ranks would hold, and therefore failed to handle the likely defectors with enough sympathy. It also failed to undertake discussions with the opposition in good time, before its own majority evaporated. And it can hardly be said to have shown much skill in handling the strange sequence of events on Tuesday, when it first allowed the word to go round that the Russians had raised serious objections to the draft resolution that had been agreed between all the parties in Bonn, and then declared that Moscow had only queried a few small points, which had been explained to its satisfaction.

The joint resolution covered all the points about the treaties that had been questioned by the opposition's leadership—as distinct from the hardliners among the opposition's ranks, who do not want to see the treaties go through at all. Given these gains, Herr Barzel had only one further requirement on Wednesday. He wanted enough time to let the facts sink in, and thus to avert a damaging split in the Christian Democratic and Christian Social ranks. He got his extra time—after Herr Brandt had taken the edge off the impatience of some of the more ardent spirits among his own Social Democrats by getting the Bundestag debate started, and had also given them a salutary demonstration of the weakness of the coalition's position, in the shape of the tied vote that only just prevented the opposition from blocking the opening of the debate on Wednesday morning. By the middle of next week it may be possible to reach a satisfactory outcome of this long quarrel.

It was significant that Wednesday morning's tied vote on the opposition's call to cancel the debate was one in which the Berlin representatives' votes counted, as they do in all such procedural matters. Since west Berlin is a Social Democratic stronghold, the fact that Herr Brandt, its former mayor, could not even muster a majority at all suggested that the coalition's solidarity was still crumbling. Herr Barzel, however, has as good reason as Herr Brandt to fear that he cannot carry a united following with him any longer if the question of the treaties is not finally settled within a week or so. And Herr Barzel would like to get it settled so that he can confront the government over its domestic policies, where it is much more vulnerable. So there are real reasons to hope for a compromise now.

How the Russians could help

But much may still depend on what the Russians say and do during the next few days. Probably the best thing they can do to help to get the treaties ratified is to shut up. And indeed silence may come easier to them since the leadership in Moscow does not seem to be of one mind on the issue as it now stands. Its tactics have hitherto given an oddly uneven impression. By conceding, as the ratification debate drew near, several points that it might easily have offered to Herr Brandt when the 1970 Moscow treaty was being negotiated, it has encouraged the Bonn opposition to argue that still more could be squeezed out of Moscow. By insisting that last year's Berlin agreement could not be implemented until the 1970 treaties had been ratified in Bonn, and by a variety of more devious manoeuvrings, the Russians have fuelled the suspicions that already existed about the genuineness of their desire for more normal relations with Germany—and with the western world as a whole.

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BRITAIN

The swing is slightly Tory, but the seats go Labour

Labour has duly taken control of the bulk of Britain's major town halls. It is only the benches of Tory aldermen, and the fact that Greater London and the counties have not polled since the general election, that have prevented Labour from winning quite the same dominance of the country's local government as the Tories won in 1969.

The average swing to the Tories since last May was 3.4 per cent, representing a recovery of nearly one-third of the losses in votes suffered between May, 1970, and May, 1971. It was lowest in the regions which have been hit most by unemployment—Wales (1.4), Scotland (0.7) and England north of a line from Morecambe Bay to the river Wear (2.1). But if this supports the view that local election swings reflect the Government's handling of the economy, examination of voting in wards with large numbers of council houses refutes the widely-held belief that Labour was mobilising council tenant support against the Housing Finance Bill. Indeed there is more psephological evidence to support the claim by local Tory leaders in Manchester that on council estates they did rather well out of Labour's refusal to honour arrangements for selling houses to tenants made before Labour took control in 1971.



Kingston's Lamont: only 1.9% against

If the relationship between municipal and parliamentary voting is working now as it has in the past this sort of Conservative recovery on their nadir last year equates with a swing against the Government since the general election of about 6 per cent. This is close enough to the average of the swings in the two parliamentary by-elections, Kingston-upon-Thames and Southwark, which also polled last week. However, such an average distorts the very striking difference between them. The Conservatives held Kingston with a drop in turnout of 16.5 per cent and a swing against them since the general election of only 1.9 per cent; Labour held Southwark with a drop in turnout of 16.1 per cent and a swing of 11.1 per cent. The lesson may be that in safe seats with a large change in the level of turnout, the conventional swing is distorted by the greater tendency of the supporters of the minority party to stay at home.

Given that a Conservative swing in votes since last year took place in most towns—but rarely topped 5 per cent—the Labour sweep of control was almost precisely what it should have been. Of the 57 towns with populations over 100,000, Labour held its 15, took the four out of the five without overall majorities and all the 16 listed in *The Economist* three weeks ago as going Labour unless the pro-Tory swing was over 5 per cent. However, the Conservatives will be grateful for the evidence that they have recovered some ground from last year, and in Huddersfield they held their overall majority through a recovery double the national average.

Of the towns marginal on swings of up to 5 per cent, the Conservatives just held Southampton and York, Labour took Reading and almost took Ipswich and Oxford. The Tories also lost two Black Country boroughs which should have been held on the national swing: Walsall (to Labour on two maverick wards) and Wolverhampton (a tie on a tiny borough-wide swing to Labour). Apart from personal voting in two Walsall wards and the local swings in Huddersfield and Wolverhampton, there was no tangible reward for the records of the out-going Conservative administrations or the programmes of the attacking Labour shadow-administrations. The rules of the triennial retirement game, together with the relative unpopularity of Mr Wilson in 1969 and Mr Heath in 1972, decided that the large cities should move from 37 Tory, 15 Labour and 5 where no party had control to 37 Labour, 15 Tory and 5 no control.

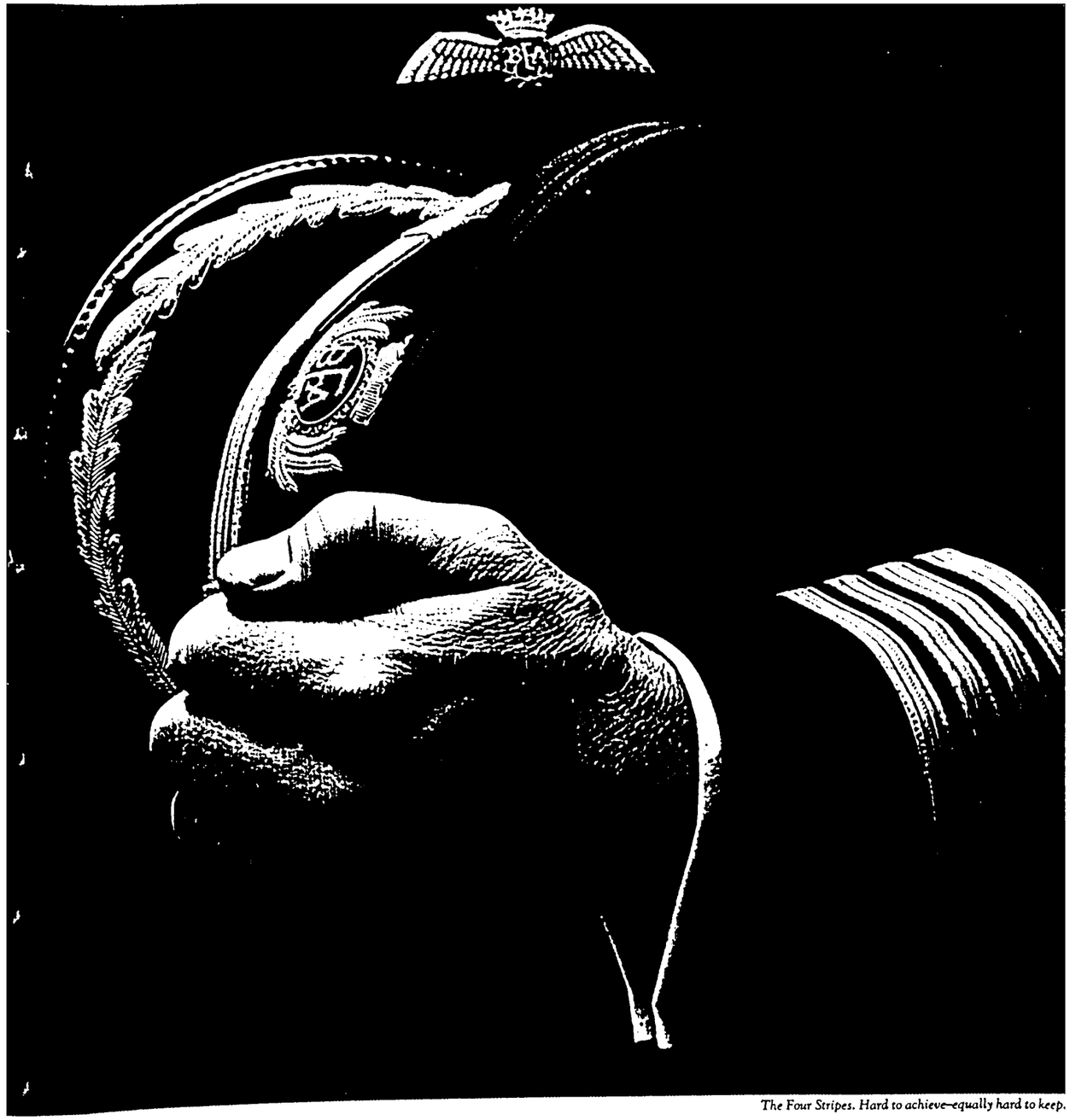
This breakdown understates Labour's position. Labour would control eight more cities (listed below) if aldermen were not taken into account, and Huddersfield would slip from Tory control.

	Councillors Con	Lab	Other	Aldermen Con	Lab	Other
Cardiff	25	32	—	19	—	—
Huddersfield	21	20	Lib 3, PR 1	10	2	Lib 3
Ipswich	16	25	Lib 1	11	3	—
Newcastle/Tyne	22	35	—	19	—	—
Northampton	16	20	—	9	3	—
Oxford	15	29	Univ 6, Lib 1	10	4	Univ 2, Vac 1
Southampton	23	31	—	15	3	—
Wolverhampton	25	35	—	15	5	—
York	17	22	—	10	3	—

PR: People's Representative (ex-Labour)

Aldermen are to enjoy just two more years of such intense municipal political significance before Mr Poter Walker consigns them to history. In the meantime some of these councils could slide over to Labour during the next two years. The filling of any vacancies on the aldermanic bench will be in the hands of the councillors, and already the resignation of a Tory alderman in Oxford has given Labour a chance to strengthen its commanding position,

Continued on page 24. Table on page 23.



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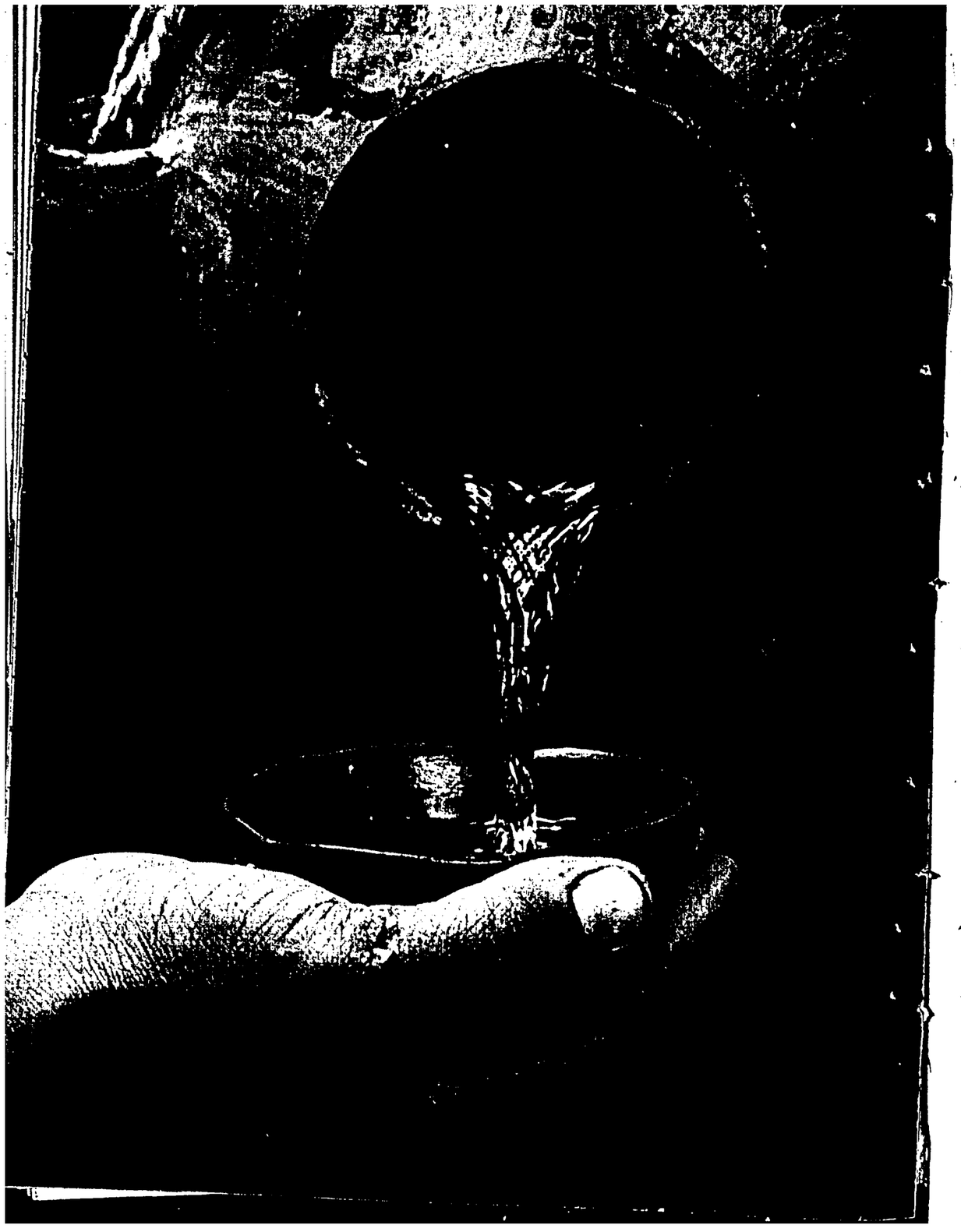
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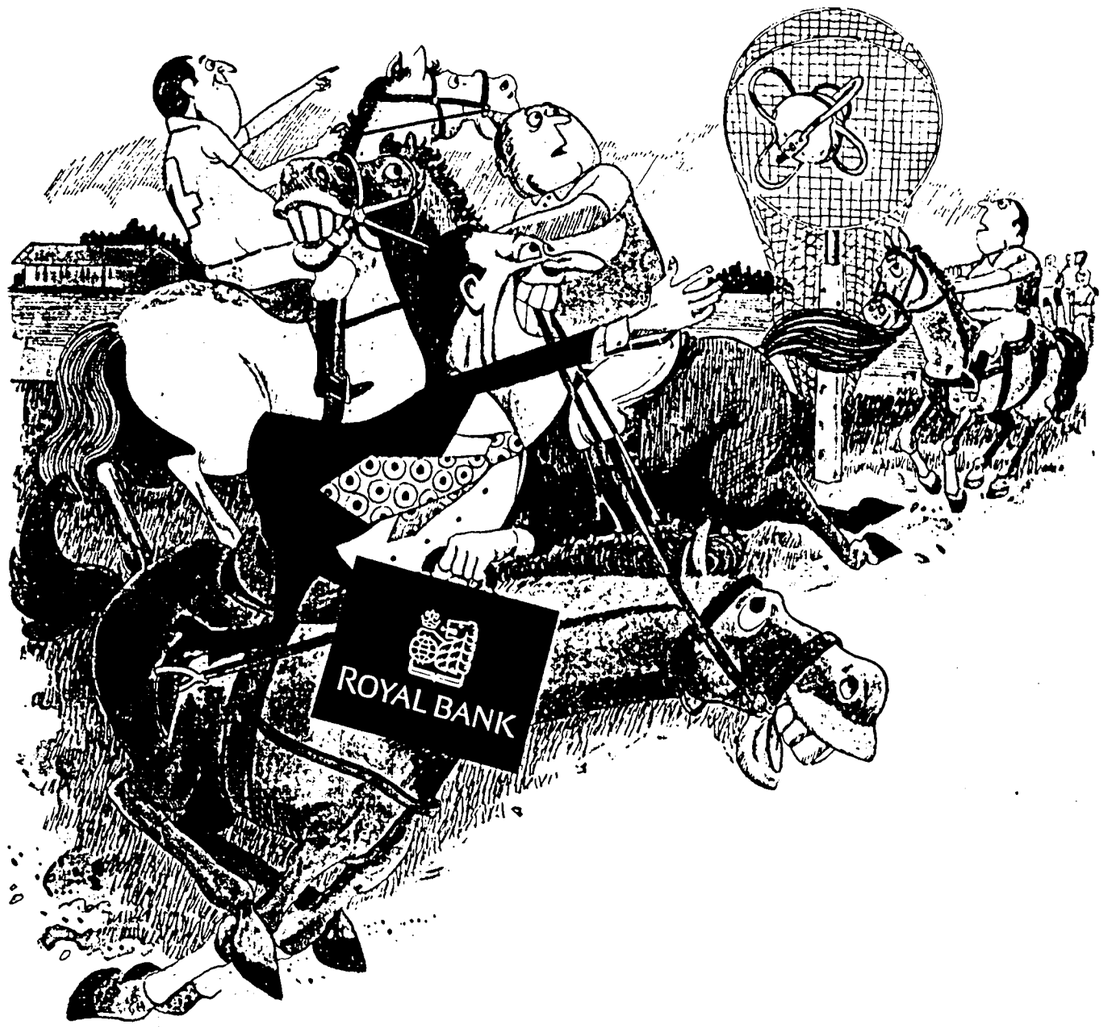
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Votes in local elections, 1972.

		Votes Cast 1971 (%)				Swing	
		Con.	Lab.	Lib.	Others	1970-2	1971-2
Aberdeen		*36.9*	*57.0*	4.0	2.1	− 5.9	†
Basildon		*34.9*	*51.1*	0.6	13.4	−10.7	+7.6
Birkenhead		36.3	*48.5*	15.0	0.2	−13.0	+1.1
Birmingham		*43.3*	*51.0*	5.1	0.6	− 5.5	+5.3
Blackburn		37.1	46.0	6.2	10.7	− 6.2	+3.6
Blackpool		*54.2*	38.4	3.6	3.8	−12.1	+1.7
Bolton		*52.0*	*47.9*	—	0.1	− 1.7	+6.9
Bournemouth		*58.7*	*32.6*	4.2	4.5	†	+2.2
Bradford		*43.5*	*48.4*	2.3	5.8	− 4.8	+6.2
Brighton		*52.1*	*46.8*	—	1.1	− 7.0	+4.5
Bristol	a	*44.7*	*52.2*	1.8	1.3	− 7.6	+6.2
Cardiff		*40.7*	*47.7*	3.1	8.5	− 9.3	+1.3
Coventry		*40.7*	*58.2*	—	1.1	− 6.7	+4.5
Derby		42.2	54.6	3.0	0.2	−11.5	+1.4
Dudley		41.6	58.4	—	—	−10.2	+1.4
Dundee	b	32.8	*51.7*	—	15.5	− 5.4	−0.1
Edinburgh		21.8	44.2	10.3	23.7	− 5.5	+0.02
Glasgow	b	*33.0*	*53.2*	1.3	12.5	− 6.7	+0.4
Havant & W.		39.6	26.9	10.9	22.6	†	†
Huddersfield		40.1	*47.0*	9.1	3.8	− 7.0	+6.9
Hull		*29.7*	*68.3*	0.8	1.2	− 2.7	+2.6
Ipswich		*43.4*	52.8	3.3	0.5	−14.1	+4.0
Leeds		*36.1*	*52.6*	8.9	2.4	−12.0	+1.5
Leicester		*40.5*	*52.6*	2.5	4.4	−11.4	+3.1
Liverpool	b	*34.0*	*49.3*	15.8	0.9	−13.0	+2.9
Luton		*41.9*	*50.2*	6.0	1.9	− 5.6	+4.8
Manchester		*44.7*	*51.7*	2.7	0.9	− 4.0	+9.2
Newcastle		*39.9*	*59.1*	0.2	0.8	− 8.7	+2.0
Newport		32.8	*58.7*	5.3	3.2	− 5.9	+1.7
Northampton		*42.8*	*57.0*	—	0.2	−12.0	+1.6
Norwich		34.0	*59.1*	6.9	—	− 6.1	+3.5
Nottingham		*40.8*	*57.7*	0.9	0.6	− 7.5	+3.4
Oldham		*37.7*	*58.8*	3.5	—	−10.8	+1.6
Oxford		*42.5*	*48.6*	8.4	0.5	− 3.6	+3.0
Plymouth		*50.4*	*49.6*	—	—	− 5.0	+3.8
Poole		36.8	37.0	22.6	3.6	†	†
Portsmouth		*48.6*	*43.9*	4.5	3.0	− 9.4	+4.6
Reading		*38.6*	*46.6*	14.6	0.2	− 6.4	+3.0
St Helens		25.9	58.6	15.5	—	†	†
Salford		35.3	*60.7*	3.6	0.4	−11.9	+3.1
Sheffield		37.2	*56.5*	4.3	2.0	− 5.7	+5.1
Solihull	b	59.2	28.9	8.9	3.0	− 5.2	†
South Shields	a	42.8	56.2	—	1.0	− 6.7	+5.1
Southampton		*45.5*	*50.2*	2.6	1.7	− 6.1	+5.8
Southend		*50.4*	*32.3*	14.8	2.5	− 8.9	+1.7
Stockport		*45.7*	*52.0*	2.1	0.2	− 6.1	+6.0
Stoke-on-Trent	b	31.6	*65.9*	1.5	1.0	−11.7	+5.5
Sunderland		33.0	*61.3*	—	5.7	†	+1.0
Swansea		34.8	*45.7*	—	19.5	†	†
Teesside	b	*40.1*	*59.8*	—	0.1	− 9.3	+2.5
Thurrock		23.2	*66.4*	2.6	7.8	−11.0	+1.5
Torbay		49.4	36.9	11.0	2.7	†	†
Walsall	b	38.0	*61.1*	—	0.9	−11.6	+2.0
Warley		35.6	*61.7*	—	2.7	−15.7	+3.3
West Bromwich		*36.9*	*63.1*	—	—	−10.4	+6.1
Wolverhampton		*40.2*	*54.7*	4.9	0.2	−15.2	−0.2
York		*42.7*	*50.8*	6.5	—	− 6.6	+4.4
Barnsley		6.8	*65.5*	7.0	20.7	†	†
Barrow		37.2	*59.8*	—	3.0	− 6.3	+0.1
Basingstoke		*46.2*	*50.5*	3.3	—	− 1.9	+10.4
Bebington		*52.7*	*47.3*	—	—	− 2.4	+7.7
Bedford		*42.2*	*48.5*	9.2	0.1	−16.0	+3.1
Bootle		*28.1*	*69.1*	—	2.8	−13.4	+2.7
Burnley		34.0	*58.5*	6.7	0.8	− 4.0	+4.0
Burton		*40.9*	*59.1*	—	—	− 8.9	+4.2
Bury		*46.0*	*54.0*	—	—	− 7.5	+5.2
Carlisle		*39.8*	*58.5*	1.1	0.6	−10.3	+0.1
Chatham		*44.1*	*55.9*	—	—	− 9.7	+2.0
Cheadle & G.		*42.3*	13.2	26.4	18.1	†	+2.9
Chelmsford		*43.2*	*47.0*	9.2	0.6	− 8.4	+1.9
Chester		*48.1*	*45.4*	6.1	0.4	− 3.6	+5.7
Chesterfield		31.8	*64.1*	1.1	3.0	−14.2	−1.6
Chigwell		*56.2*	*43.6*	—	0.2	− 6.2	+4.0
Coatbridge	b	*40.4*	*56.9*	—	2.7	−12.6	+3.0
Colchester		*42.6*	*48.8*	*8.6*	—	− 9.7	+2.2
Crawley		*34.4*	*62.1*	2.8	0.7	− 7.7	+1.4
Doncaster		*42.5*	*54.6*	1.5	1.4	− 7.0	+2.5
East Kilbride		*29.3*	*40.9*	—	29.8	− 5.2	+0.5
Eastbourne		45.4	25.2	29.4	—	†	+4.3
Ellesmere Port		34.4	*65.3*	—	3.3	− 1.1	+3.7
Exeter		*37.0*	42.3	20.5	0.2	− 6.8	−0.8
Gateshead	a	*35.8*	*63.8*	—	0.4	− 8.6	+2.2
Gillingham		*54.3*	*45.7*	—	—	−12.5	+1.7
Gloucester		*46.0*	*47.6*	6.4	—	− 4.2	+7.1
Gravesend		*40.6*	*58.1*	—	1.3	−11.8	+2.6
Greenock		0.5	*51.4*	*45.1*	3.0	†	†
Grimsby		*40.0*	48.8	9.9	1.3	− 9.0	+1.1
Guildford		*44.2*	*35.4*	17.7	2.7	− 3.3	+3.9
Halesowen		38.8	42.4	18.8	—	†	−3.0
Haltemprice	b	67.5	29.1	—	3.4	†	−6.7
Hartlepool		40.3	*57.7*	1.0	1.0	− 5.9	+2.6
Hastings		*44.4*	28.3	*27.3*	—	− 8.0	†
H. Hempstead		*36.0*	*63.0*	—	1.0	−11.6	+0.6
High Wycombe		*42.5*	*49.8*	*7.7*	—	− 6.0	+4.2
Huyton		*30.5*	*69.1*	—	0.4	−15.5	+1.4
Keighley		*47.5*	*52.5*	—	—	− 9.9	+4.8
Kirkby		—	*64.7*	20.6	14.7	†	†
Lincoln		*40.8*	*55.5*	—	3.7	− 3.8	+5.5
Lowestoft		38.9	*57.1*	2.8	1.2	− 8.2	+2.1
Maidstone		*38.9*	32.3	*28.6*	0.2	−10.8	+0.6
Mansfield		*34.3*	*63.6*	—	2.1	− 6.2	+2.3
Margate		*53.6*	*30.1*	10.5	5.8	− 1.5	+2.4
Middleton		*41.2*	*57.5*	—	1.3	− 9.0	+3.3
Motherwell & W.	b	*31.6*	*48.6*	—	19.8	†	+1.2
Nuneaton		*41.2*	*58.8*	—	—	− 6.2	+6.7
Peterborough		*42.7*	*57.3*	—	—	−10.5	+3.7
Preston		*39.3*	*58.7*	1.8	0.2	− 3.9	+3.0
Rochdale		24.7	48.9	25.6	0.8	†	†
Rochester		*42.6*	*45.9*	—	11.5	− 5.5	+6.3
Rugby		31.0	*49.8*	9.9	9.3	− 7.9	+5.2
St Albans		*40.8*	*40.3*	18.8	0.1	−13.4	−3.2
Sale		*48.1*	28.7	22.3	0.9	†	+2.7
Slough		*37.8*	*55.6*	5.7	0.9	−10.6	+1.4
Southport		*49.4*	26.0	24.6	—	†	†
Stafford	a	*43.2*	*56.6*	—	0.2	− 7.6	+3.2
Staines		*44.8*	*49.4*	4.7	1.1	−11.1	+2.1
Stevenage		*24.4*	*66.9*	*8.3*	0.4	−12.4	+2.4
Stretford		*47.1*	*52.3*	—	0.6	− 4.1	+8.2
Swindon		*35.9*	*54.8*	3.9	5.4	− 7.6	+6.8
Wakefield		38.9	*56.3*	4.8	—	− 3.2	+2.3
Wallasey		*42.3*	*41.3*	16.2	0.2	− 8.0	+3.5
Walton & W.		*54.5*	34.0	11.5	—	− 6.2	+4.8
Warrington		*30.1*	*69.9*	—	—	−12.2	+1.7
Watford		*37.7*	*49.9*	12.1	0.3	− 9.4	+0.8
Worcester		*45.2*	*52.0*	—	2.8	− 7.3	+2.7
Yarmouth		*40.5*	*53.5*	6.0	—	− 6.6	+2.2

Key to table :
The left-hand side of this page down to York lists all urban authorities with a population of more than 100,000; the remainder (Barnsley onwards) are those between 50,000 and 100,000 where every ward was contested this year. In authorities marked **a** the Conservative column refers to a local anti-socialist party; in those marked **b** the votes cast for Conservative-backed Progressives or Independents (or the Liverpool Protestant party) are included with the Conservatives.

Italicised figures in the first three columns indicate that the party concerned had a contested candidate in every ward. The fourth column shows votes cast for all other groups and for independents. The only groups to poll over 10% anywhere were Ratepayers and Residents groups in Basildon (12.9), Cheadle (18.1), Havant (20.5) and Swansea (14.2); Householders in Kirkby (10.5); the Communist party in Motherwell (11.5), the SNP in East Kilbride (19.1) and former Conservative-backed Progressives in Edinburgh (17.0) and Citizens in Barnsley (20.1).

The last two columns show the swing to Conservative (plus sign) or to Labour (minus sign) since the 1970 and 1971 municipal elections. Swing is calculated on the votes cast for the two main parties in wards fought by both parties in both years. A dagger (†) indicates that less than half the wards were comparable on this basis.

Continued from page 18

and in York two Conservative aldermen at odds with their party group may make Tory control uncertain.

Turnout was a little down on last year but still higher than in 1970. The Scottish National party (despite the Stirling by-election) lost votes; Plaid Cymru (perhaps because of Merthyr) held its small vote. The vote for the anti-immigration campaign in Bradford dropped to 11 per cent in the wards it fought (15 per cent last year), but the National Front polled 8 per cent in the wards it fought in Leicester.

The Liberals had ups and downs but overall—for the first time in the 1970s—it was just more up than down. Their total vote was up 2.5 per cent on last year. The votes cast in the towns in our table in the wards where all three parties fought both years were:

	1971		1972	
Cons	246,435	37.7%	242,892	38.7%
Labour	271,750	41.5%	237,613	37.9%
Liberal	127,525	19.5%	138,284	22.0%
Others	8,476	1.3%	8,732	1.4%

The Liberal bridgehead in Liverpool was extended into Labour territory and Liberal councillors who had captured once safe Labour wards in Birmingham, Leeds and Sheffield when Labour was at its nadir did well to hold their seats this year. That was a break in the usual pattern of Liberals' winning seats from the unpopular party only to lose them when it becomes popular again.

Labour party

Roy's weird IRI

Mr Roy Jenkins delivered the second of his "think-speeches" about Labour's future policy to a miners' conference at Blackpool last weekend. It was on a real subject in regional unemployment, but reached a mainly bogus conclusion. This was a pity, because the start of it was again so attractive. Mr Jenkins looked back in well-documented anger as he hammered home how intolerable it is that unemployment in northern Britain has greatly exceeded the national average for nearly 50 years, and then analysed most of the right reasons (apart from bloody-minded trade unionism) why we have never checked the vicious circle by diversifying out of the regions' declining shipbuilding and coal. He looked forward in striking warning that we may be making the same mistakes all over again, by not realising that manufacturing is now likely to decline in favour of services, so that "even such a traditionally prosperous area as the



Jenkins: wrong way down the M1

West Midlands may be at the beginning of transition to depression precisely because it is over-dependent on manufacturing." It is a dreadful portent for the future that "over two-fifths of the office floor space in England and Wales is in Greater London." Mr Jenkins therefore made a very strong case for one of his two suggested solutions: namely, a sustained regional employment premium that should be broadened to include the service industries and not merely (indeed, not mainly) manufacturing.

However, he was also right to say that some more "deep-seated" changes will be needed to back this up. That is why *The Economist* is, quite seriously, in favour of Britain preparing now to move the seat of government north from London, because the site of central government is the growing magnet for so many firms' head offices. Unfortunately, Mr Jenkins is too much part of the club of London-loving MPs and top civil servants to tell them that it is they who should be directed north to the Yorkshire moors. So his suggested "deep-seated" remedy was the shallowest and corniest of the lot: a "state-holding company," supported by a "regional development bank," which would establish a lot of nationalised industrial concerns in the regions from scratch.

Mr Jenkins's comparisons with Italy's IRI and ENI are misleading. Italy and some other continental countries have not got capital markets, largely because capitalists there hide their funds away from tax collectors, formerly in mattresses and now in Swiss banks. The state therefore has to create capital investment to equal the idle or hidden savings; although it has a wider field to choose from, the recent record in Italy has been rather bad. In Britain we do have a capital market, which searches for what the City regards as the most profitable commercial investments. A British IRI would therefore establish in the regions, probably on City advice, the marginal ventures that the City had decided were probably not quite viable, those that would most probably go bust.

This would not be a "deep-seated" recipe for regional regeneration. Roy Jenkins's many friends may say that he had a political need to look leftish at this time, and that this is as harmless a way as any. That misses the most important point. To many in the great centre of British politics his is by far the most appealing voice in the political wilderness, calling on the country to prepare and make straight the way back to a politics of radical relevance. When he suggests that the best bulldozing technology for that road-preparation will be a stampede of white elephants down the M1, he makes his sophisticates' crusade look a farce.

Council rents

Who's laughing?

Labour MPs seemed to enjoy themselves on Monday night—to judge by the noise they made—during the third reading of the Housing Finance Bill. Their target was the housing minister, Mr Julian Amery, whom they accused of a big climb-down because of the amendments he had made to his bill during the committee stage. But those concessions, which must mean that many fewer council tenants will find themselves paying a £1 a week more in rent from October, are bound also to take much of the steam out of Labour's own campaign against the bill.

Much of the controversy has been the product of confusion over just how much more council tenants would have to pay in rents. The Government's intention is that all tenants living in council property should pay "fair rents"—calculated theoretically upon market values less the scarcity factor, and roughly comparable with registered unfurnished private rents. There are to be means-tested rebates for poorer tenants and the minister has always recognised that increases, to bring existing rents up to the fair rent level, should be phased. But the bill did provide that there should be an interim rise of £1 in council rents from next October (or smaller ones for councils which will have already made some increase in 1972-73).

The Labour attack has concentrated on both the ultimate as well as the

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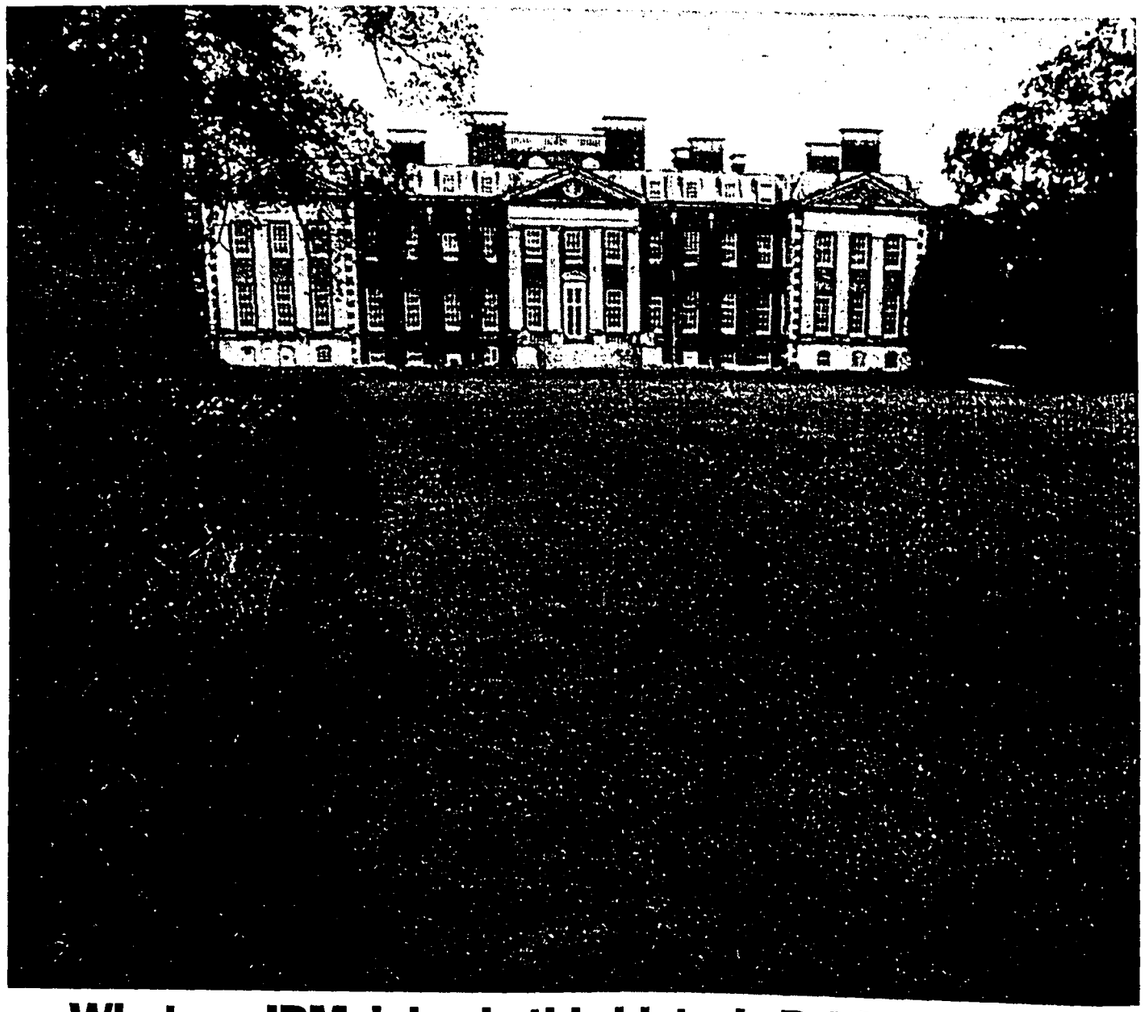
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imminent rise in council rents, alleging that on average they would double—hotly disputed by the Government—and that the £1 rise in October would bring hardship to many people. During the committee stage, Mr Amery was persuaded that what tenants are already paying in some parts of the country is already so near to a fair rent that the £1 a week rise would drive them over the top—and that would push their council landlords into the needless complication of dishing out large refunds. The minister cited the example of Birmingham, which estimates that average increases of only 35p would bring the city's rents up to the likely fair rent level. He had already made a concession in committee to any council which reckoned that, by imposing the £1 interim increase, over 10 per cent of its tenants would be paying more than a fair rent. He went a step farther and reduced that figure to 2 per cent: those councils will be able to charge less than the £1 increase.

It was only last week, on the final day of the report stage, that the Opposition realised the extent to which this might eat into the arithmetic of the bill, which depends upon rents rising to match subsidy reductions. For, as Mr Crosland pointed out on Monday, if Birmingham qualified for that exemption, what about the Greater London Council? In how many London boroughs and provincial cities has the steadily rising trend of council rents already brought them within £1 of fair rents?

Proper questions—but where do they leave those Labour councils which have been threatening to refuse to impose the £1 a week increases? After last week's election victories, Sheffield took the lead in calling together the Labour leaders of 50 cities and towns to a meeting next month to co-ordinate resistance to the bill. This is an issue which has split some local Labour parties. Its exploitation during the council elections seems to have had little or no effect upon voting. Nationally, the party is doing its best to douse the fire. When the effects of the Government's amendments to the bill are fully appreciated, the campaign will probably fizzle out altogether.



Amery: giving tenants a hand

Education

What's the percentage?

The rate at which education expenditure is increasing is beginning to frighten all serious politicians, and even those who clamour for expansion without ever running the risk of having to put their policies into practice. On Tuesday, a conference on educational costs, organised by the Council for Educational Advance, was given estimates of what sort of money will be needed in future and what it is realistic to expect.

Mr Howard Glennerster, of the London School of Economics, argued that a programme which allowed for the most commonly canvassed reforms to be carried out by 1980 would require an increase in the education budget, in real terms, of 5.4 per cent per annum. Mr John Hill, chairman of the Tories' education committee, reckoned that an annual increase of 5 per cent would do no more than allow for the continuation of existing Government policies. Then there was Mrs Shirley Williams, shadow home secretary and an ex-minister of state at the education department, declaring that it would be unreasonable to hope for an annual rate of increase in education expenditure of much over 4 per cent a year. Since the most recent white paper on government expenditure allows for the education budget to rise by only 3.8 per cent per annum over the next few years, Mr Hill's argument sounded decidedly pessimistic; but it is also probably true that Mr Glennerster is unduly optimistic about what could be done for 5.4 per cent, and that Mrs Williams, who did at least list the reforms in her order of priority, would not be able to get very far down the list.

Mrs Williams put an expansion in the educational priority areas programme highest on her list. She would like to see the proportion of primary schools involved go up from the present 4 per cent to the 10 per cent originally suggested in the Plowden report; Mr Glennerster costed this at around £63m a year. Mr Hill did not speak for the Secretary of State for Education, Mrs Thatcher, but it looks as though the Tories will move on from their preoccupation with primary schools to meet some of the groundswell of agitation for more nursery schooling. Mr Glennerster costed a full nursery school programme at around £65m a year, but did not allow for any fees; the Tories are likely to toy with this idea, which was recommended by a minority of the Plowden committee.

Second on her list, Mrs Williams placed the expansion of further education—including compulsory block release, for which she would lay the cost on industry, and, third, a limited amount of nursery education. She also put, most forcefully, the argument that there is a "multiplier" effect in education: concentrate resources on any one area and you tend to increase the demand for more or better education somewhere else in the sector. That has the advantage of being a superior-sounding argument against the Government's primary school programme, but Mrs Williams is, of course, quite right. And if the Tories needed any proof that education is a bottomless pit they provided it themselves this week, with the announcement that although, when they started on their primary rebuilding programme, they believed there were some 3,000 pre-1903 schools that local education authorities wished to replace, the figure has now escalated to well over 6,000.

Racing

Here come the fillies

Kempton Park, one of the country's more obnoxious racecourses, became the first to run a women's race under Jockey Club rules, and the second to hold a morning meeting, on Cup final day. This acknowledged that racing is now part of showbiz, although (since it relies even more on gambling to survive) a more pertinent innovation was the decision by Joe Coral, the bookmaking firm, that it would start subsidising on-course customers by paying part of their price of entry. Still, the jockettes (officially, lady riders) were decorative enough, even if that was all some of them proved to be when they got on their horse's back.

They emerged from their makeshift



Lady riders : losing the pretty way

changing room to warm applause, and a small boy, suitably prompted, cried : "Good luck, ladies." Those more dubious of the experiment, chiefly of advancing years, were heard to murmur darkly : "I only hope there isn't a ghastly accident." There wasn't. Since the girls were used to riding work in all weathers, point-to-points and eventing, even Kempton at its worst had no terrors for most of them. As expected, success went to a rank outsider, who turned out to be the likeable Miss Meriel Tufnell, riding her mother's horse, Scorched Earth, which had never run under Jockey Club rules either. The odds for those perspicacious enough to pick this team were 50 to 1. Miss Tufnell modestly accepted fame, and she and her two nearest rivals got bouquets ; the sponsoring firm, Goya, got publicity for its cosmetics ; privileged racegoers got a free bubblebath packet ; and the bookies took a packet. So nearly everyone (except Arsenal supporters) voted the day a rousing, daring, here-to-stay success.

Cohabitation

Night watchmen

The Supplementary Benefits Commission is again being berated about the "cohabitation" rule. What is at issue is the regulation by which a single woman in receipt of supplementary benefit has it withdrawn if she is found to be "cohabiting." The commission does not distinguish between common-law and legal marriages, so that a man can claim supplementary benefit for his dependants without a marriage certificate ; the corollary is that a "cohabiting" woman cannot claim benefit in her own right. Otherwise, the commission pointed out in a white paper published last year in a vain attempt to end the criticism, unmarried couples would be treated more favourably than married ones.

One contentious issue is the definition of cohabitation ; the other is the way in which a case is established. Checking on suspected cases takes up, Sir Keith Joseph told the House of Commons on Tuesday, "only" just over a third of the time of the commission's special investigators ; these suspects represent a minute fraction of the commission's beneficiaries. In 1970, some 9,000 suspected cohabitations or fictitious desertions were investigated and in rather over 4,000 benefit was withdrawn. The 1971 white paper covered 11 pages with an attempt to define what the commission understood by cohabitation, but this still did not amount to a full text of the instructions issued to the investigators. Parts of these have leaked into the press over the years, but Sir Keith Joseph still refuses to publish them because, as he frankly told the Commons, that would make things too easy for those out to defraud the commission.

What has emerged does not serve to make the definition any clearer. The commission stressed last year that it was not just on the lookout for a sexual relationship, but this still appears to be the most important element and it is easy to see why : it is extraordinarily hard to prove that a man is actually providing financial support for a claimant and not too difficult to prove that he spends, say, four nights a week with her. An important element in any case is declared to be public acknowledgment of the union (the essence of common-law marriage) : but proof of that entails questioning of neighbours or putting trick questions to the claimant, which is not a very savoury business.

It will be interesting to see what the report from the Committee into Abuse of Social Security Benefits, due later this summer, has to say on the matter. The worry now is that since a man is, of course, under no duty to support his cohabitee (though if he fathered any of her children he has an obligation to support them), a woman who loses her benefit loses her security, and most of the women involved are living from hand to mouth. Last week, Sir Keith Joseph made an important concession : some benefit may be paid for four weeks after the commission decides that a beneficiary is cohabiting. That should give time either to appeal or to decide the companion is not worth the loss of income. It was a very fair decision, but it has not ended the indignity—or the criticism.

Births

No rebound

Ever since the birth rate began to fall so sharply from its 1964 level—catching out the extrapolating statisticians who plan for maternity hospitals, primary schools and the like—another upswing was predicted to be just around the corner : after all, the postwar baby "bulge" should have been coming up to its child-bearing peak. At last, at the beginning of 1971, it looked as if the rate really had begun to rise again. But the final figure for the full year, published on Tuesday, is just as low as that for 1970. The number of births was nearly 100,000 below the total for 1964.

Has the birth rate then settled at a new, low level ? It would not, after all, be particularly low compared with the rest of western Europe (always excluding Italy and Spain). The rise in abortions obviously takes its toll, but the number of illegitimate births has shown only a modest decline over the past five years. The live birth rate has also been boosted by a slight but steady decrease in still-births, which in 1971 fell under 10,000 for the first time ever. An up-to-date calculation of fertility rates must depend on a full analysis of the census ; the most recent figures still show, on the one hand, a sharp increase in births to teenagers—the rate has, depressingly, more than doubled since the early 1950s—and, on the other, a steady decrease in births to women over 20.

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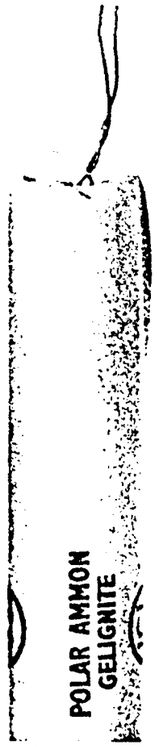
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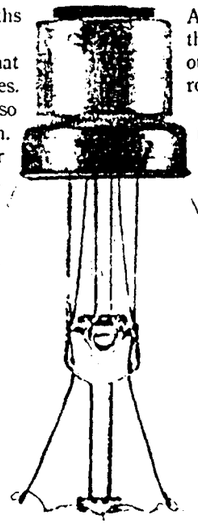
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THE MEANS AND THE END

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THE WORLD

Vietnam



The Seventh Fleet's planes are almost all Nixon has left, and he's using them

But how about the trans-Siberian express?

It is not exactly like the blockade of Cuba during the missile crisis in 1962. One of the differences is that when you drop mines into a harbour, they stay there until a ship runs over them or a minesweeper scrapes them away or a built-in device (which the Americans hasten to say they have put in) turns them into floating chunks of scrap metal. In a way, a naval blockade is more flexible: the power that mounts it can decide whether or not to stand down in the face of a possible skirmish on the high seas with ships flying a different flag. It now becomes a matter of chance whether or not a Russian ship will bump up against an American mine and set off an international crisis. Of course, the Russians may decide to stay well away. But reports that Russian minesweepers and minehunters (which use sonar devices to locate the mines) are already steaming south from Vladivostok mean that it is too soon to set aside the possibility of just such an accident.

There are more immediate questions to be answered about President Nixon's kind of blockade. North Vietnam's successes in the present offensive in the south depend directly on the military hardware donated by the Russians. Will the blockade stop the flow of Russian and Chinese supplies that enable North Vietnam to wage the war and to make up for its losses of agricultural produce during last year's floods? And will it have any immediate impact on the current military campaign in South Vietnam? The North Vietnamese get about three-quarters of their foreign aid from the Soviet Union and eastern Europe, and most of it is transported by ships operating out of Vladivostok and the Black Sea ports. At the beginning of the year, some 25 Russian boats were operating daily on the Vladivostok-Haiphong route.

The Russians are also sending some small arms and foodstuffs down the trans-Siberian railway and through China. Although Chinese hostility has made this a fairly unreliable way of getting Russian supplies through to Hanoi, the flow seems to have increased slightly in recent months under an agreement that allows teams of North Vietnamese railwaymen to meet Russian trains at the border and guide them through China. Most Chinese aid to North Vietnam, naturally, is channelled through the two railway lines (Hanoi-Nanning and Hanoi-Kunming) and the eight roads that cross the border. In 1969 military advisers told Mr Nixon's National Security Council that the communists were capable of moving up to 16,000 tons a day down these roads and railways into North Vietnam—which means that the mining of ports or a naval blockade would not sever the whole of North Vietnam's lifeline, unless the Russians and the Chinese stopped any sort of co-operation with each other.

The tactics that the Americans adopted this week took this into account. Concentrated bombing strikes will be flown against the land links between North Vietnam and China. But it is impossible to guarantee their effectiveness, since it has been estimated that it might require up to 6,000 bombing sorties a month to seal the border—if the Chinese are still willing to lend an army of engineers to the North Vietnamese, as they did during the American bombing raids between 1965 and 1968.

The mining of the ports is likely to show more immediate results. Within two hours of Mr Nixon's statement on Monday, American naval planes had mined Haiphong harbour and six other ports in North Vietnam: Hon Gai and Cam Pha (from which anthracite, one of the country's few significant exports, is shipped), Quang Khe, Dong Hoi, Than Hoa and Vinh. Topography makes Haiphong harbour particularly vulnerable to mining, since the loading area is located on the narrow, sandy Cua Cam river. There were about 36 vessels at Haiphong when the mines were dropped, a third of them



One who didn't survive at Quang Tri

Russian. They were given three "daylight periods" in which to make their escape before the mines were activated by automatic timing devices on Thursday, and some of them, including a Russian one, made good their getaway.

The Americans appear to have used a combination of pressure mines, triggered off by the increased pressure of water under a passing ship, acoustic mines, set off by noise, and magnetic mines. They contained a "sterilisation" mechanism that would switch them off after a fixed period. Taking care of North Vietnam's seven major ports, of course, does not put paid to all seaborne traffic. The Chinese may resort to light coastal vessels to carry supplies south from the port of Chankiang. That would confront Mr Nixon with the problem of whether or not to carry out his threat to take the "appropriate measures within the internal and claimed territorial waters of North Vietnam" to stop seaborne supplies getting through.

Even if the Americans could make their blockade 100 per cent effective through the combination of mining, bombing and naval patrolling, the Russians might still just conceivably resort to a spectacular airlift. And it is doubtful whether the blockade will have any direct impact on the course of the current campaign in South Vietnam. The communists are said to have amassed enough fuel and ammunition around An Loc to last them for a month. There is thought to be a stockpile of between six and eight weeks' supplies of fuel inside North Vietnam itself, although the North Vietnamese divisions operating around Quang Tri are probably being supplied on a week-to-week basis. They are the most vulnerable to any sudden interruption in the flow. Although the North Vietnamese became more dependent on imports of Russian flour after last year's floods, their troops in the south tend to live by foraging or by bringing in crops from Cambodia and Laos.

The American blockade and the renewed bombing of rail depots and supply dumps around Haiphong on Wednesday should certainly affect the capacity of the Vietnamese communists to launch future offensives. It will mean that they will have to push harder in the south to achieve their goals before they run short of the fuel and ammunition they need to keep their sophisticated Strella rockets and T-54 tanks and heavy guns running. But, for the moment, the battle is still on the ground, and well on the southern side of the demilitarised zone.

Thieu's last stand

FROM OUR SAIGON CORRESPONDENT

The American blockade had President Thieu's full and enthusiastic endorsement, perhaps more for political than for purely military reasons. The South Vietnamese—both hawks and doves—have always tended to criticise the United States for failing to use its full military might against the North Vietnamese, a course which would risk a showdown with Russia. Now they feel that Mr Nixon's move probably comes too late but at least serves to prove that the Americans are not going to cut and run. Tamer measures at this point might have given Mr Thieu's opponents a pretext to move against him. Instead, the American blockade has helped to strengthen his position.

A week ago, after the fall of Quang Tri and Tan Canh, morale was running very low and criticism of Mr Thieu's leadership was becoming increasingly audible in political and military circles. After the sacking of two generals on the northern front and the appointment of the country's best commander, General Truong, to the defence of Hué, things looked a little brighter. But there were still doubts about whether Mr Thieu was strong enough to sort out the squabbles and breaches of discipline within the military command that partly explained the rout of the 3rd division.

Many people felt, for example, that there was a need to replace the commander of the second military region, General Ngo Dzu, before the impending battle for Kontum. There are obvious political risks in sacking corps commanders, who are regional overlords in every sense. The fact that Mr Thieu replaced General Dzu on Wednesday was a sign of his own increased authority and confidence after Mr Nixon's speech. More reshuffling of senior officers is expected to follow.

The tensions and frictions which had developed in the officer corps even before the communist offensive, and which culminated in the sacking of General Vy, the defence minister, just before Easter, are now thought to be on the wane—partly because of reviving confidence in Mr Thieu's leadership. There is plenty of speculation about conspiracies among displaced generals, but with firm American backing for Mr Thieu as the constitutional leader, and a growing appreciation of the need for unity, a coup does not yet appear to be on the cards. If the military situation deteriorates badly, of course, things may look different.

Mr Thieu went on television a few hours after Mr Nixon's speech, and bitterly attacked commanders who had made mistakes on the battlefield. He asked parliament for sweeping powers to handle the present emergency. The lower house responded by drafting a bill that gave him power to rule by decree for six months, and a state of martial law came into effect at midnight on Wednesday. The emergency measures will include increased mobilisation, new taxes to raise cash for the increased defence budget, and tighter censorship of the local press. It is expected that the American Congress will also be asked for more money.

Mr Thieu has still made little or no attempt to build bridges to his political opponents in a bid for at least temporary solidarity against the communists. Characteristically, he waits for others to come to him. For the moment his critics seem to be practising self-restraint in the face of the North Vietnamese challenge.

It all depends on Hué

The relative lull in the fighting inside South Vietnam that followed the fall of Quang Tri and the collapse of the 3rd division was broken this week by renewed communist offensives in the central highlands and around An Loc. As the North Vietnamese edged in towards Kontum from the north and the west, battles flared around the flanking firebases, and the outpost of Po Lei Kleng to the west of the city



How it looked when the North Vietnamese came into Quang Tri

was reported to have been overrun on Tuesday morning.

Farther east, in the coastal province of Binh Dinh, which is an old Vietcong stronghold, the communists set up a "revolutionary administration" and attacked the important airfield of Phu Cat, 10 miles to the north of the provincial capital of Qui Nhon. A direct attack on a major town in this part of the country would stretch South Vietnam's army still further, although it is being helped here by the 25,000 tough South Korean troops that are posted in the region.

Meanwhile the North Vietnamese made yet another tank assault on the city of An Loc, besieged for several weeks, and hand-to-hand fighting inside the town was reported on Thursday. President Thieu has been steeling himself to face a possible attack on Saigon itself in the near future. When he declared martial law and the call-up of all 18-year-old youths this week, he also instructed the residents of Saigon to look to their own defences by building trenches and other fortifications.

But the most important battle is shaping up around Hué. It is not just that Hué, as the former royal capital and a city of 300,000, has a very great symbolic importance. It is that both sides have committed some of their best forces to the struggle for the city. When the North Vietnamese army paper Nhan Dan claimed recently that "all categories" of South Vietnamese troops "had been defeated on all types of battlefield," it was rather overstating its case. The troops of the 3rd division who were routed at Quang Tri and later ran amok in the marketplace of Hué belong to a unit that was hastily tacked together last June. Many of its 8,000 men were raw recruits, stragglers or captured deserters. The troops that are guarding Hué are among the finest that South Vietnam possesses—the crack 1st division and the marines, as well as infantry reinforcements brought up from the Mekong delta. The man who has just been appointed to command them, General Ngo Quang Truong, is one of the most respected figures in the Saigon high command.

This is not to say that General Truong will hold out against the four communist divisions moving in on Hué from the north and west in a pincer movement. But he has a fighting chance, especially if the weather stays clear enough for the American bombers to make a few effective hits. If the North Vietnamese do smash the 1st division, on the other hand, it is hard to see how the South Vietnamese army could hold them back anywhere else.

There are two things that still seem to be working in favour of the South Vietnamese, despite their demoralising reverses. One is time. The North Vietnamese seem to be running seriously behind schedule, especially if this really is meant to be an all-or-nothing assault designed to topple the Saigon government and make them the masters of the country. The rains are coming, and the blockade of North Vietnam may have considerable delayed effect. The other factor is public response inside South Vietnam. In areas like Binh Dinh, where the Vietcong have been active since the war with the French and have never been really defeated, it has been relatively easy to reconstruct a communist administration and kill the government's supporters. The same system applied to Quang Tri or other occupied towns has amounted to nothing more than military occupation with an ideological leavening. Communist appeals to the people of Hué to rise up "regardless of their class, religion or politics" and "struggle for the overthrow of the Thieu clique" have not found much of an audience so far. The battle depends on the regulars.

Peking waits

Mr Nixon has created a serious dilemma for the Chinese. Their problem lies not so much in the obstruction of Chinese aid to the North Vietnamese, although the intensified bombing of railway lines will certainly do that. China has coped with this kind of interdiction before by sending 20,000 engineering troops to repair the lines as quickly as they were damaged. And it may well take such action again. Bombing has never been able to cut off overland traffic altogether. So China can count on getting much of its military supplies through.

What must worry the Chinese more are the pressures that will arise from the mining of Haiphong harbour. If the Russians decide against running the blockade their only alternative, to maintain their influence in Hanoi, is to apply to China for permission to send an increased volume of supplies by rail across China. The Chinese have had several disputes with the Russians about this traffic in the past and they are probably keeping it down to a minimum. But if they refuse the Russian request now, they will run the risk of straining further their relations with Hanoi.

China's attitude towards North Vietnam has always been somewhat schizophrenic. Its desire to see a "people's war" triumph has been tempered by a reluctance to see the North Vietnamese extend their influence, perhaps at the expense of China's own, throughout the region. The Chinese will sacrifice the North Vietnamese when their national interests demand it—as they did a few months ago by welcoming Mr Nixon to Peking. But it is highly unlikely that the Chinese went so far then as to make Mr Nixon any promises about diminishing their aid or persuading North Vietnam to stop fighting.

Since the announcement of Mr Nixon's visit to China, the North Vietnamese have made their displeasure known; and they have been seen to move closer to the Russians. But the Chinese cannot afford to abandon their stake in Hanoi altogether; a hostile North Vietnam allied to Russia would be the most serious breach in the wall of friendly states which the Chinese hope to build up around their borders. So China may swallow its distaste for co-operating with the Russians, to some extent, in order to preserve its lines to Hanoi.

The impact of Mr Nixon's moves on Chinese-American relations will depend

largely on how close to the Chinese border American bombers fly. On Thursday the People's Daily denounced Mr Nixon's actions as "flagrant provocations." But its language was more restrained than during the South Vietnamese attack into Laos in 1971, when the Chinese thought the attackers might approach their border.

The Russian armourers

It was a mounting stream of heavy Russian equipment that enabled the men in Hanoi to launch their present offensive in South Vietnam. Tanks, heavy artillery and anti-aircraft weapons are the three kinds of hardware that the Americans would most like to prevent the Russians sending to North Vietnam.

It is the T-54 tank, the second most recent Russian development in this field, that has given the North Vietnamese advance its muscle and mobility. A substantial number moved down the Ho Chi Minh trail (no mean feat in itself) in time to take part in the battle for An Loc, and more T-54s led the preceding attack across the so-called demilitarised zone in the north. In artillery, the North Vietnamese have a decided superiority over the South Vietnamese with the 130 mm gun. But it is their anti-aircraft weapons that have produced the biggest surprise.

Going by past experience, one would have thought that the North Vietnamese attack, without any air cover at all, would have proved very vulnerable to American bombing. The communists have over 6,000 anti-aircraft guns, but not all of these are easily mobile and not many of those could hit a fast-moving Phantom jet. There has been a large increase in the number of surface-to-air (Sam) missiles during the past year, in particular in the north. Sam launchers are difficult things to move, but there is apparently already one Sam site in the newly captured province of Quang Tri. Nevertheless, the North Vietnamese do not appear to have the more recent Sam-3s, which the Egyptians have, and which can counter the more accurate low-level bombers.

But one anti-aircraft weapon has been used against the Americans in Vietnam with telling effect. At least one helicopter has been shot down by a new missile nicknamed "Strella." This is apparently a hand-held missile which is fired at a helicopter like a bazooka. Because it is both wire-guided and heat-seeking—in other words, it homes on the heat of an aircraft engine—it can be fired in the general direction of a helicopter with the near certainty of hitting it. It has been called the SA-7. But it is unlikely to be part of the Sam series, which are all two-stage rockets mounted on trucks. It is more probably an ingenious conversion of the Swatter anti-tank missile. Whatever its origin, the light, handy and simple Strella seems ideal for the North Vietnamese against the vast numbers of helicopters used by the Americans and South Vietnamese. It has probably been used only once. But it has already had its effect. Helicopters are now flying dangerously low and spotter planes higher —with less accuracy in pinpointing targets. One aim of the American blockade is to make sure it is not used very often again.

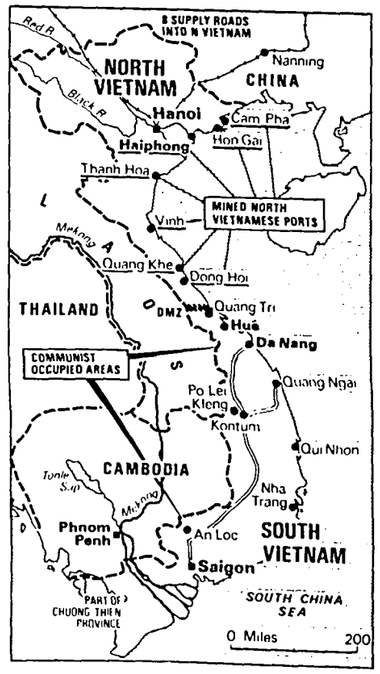
The fable of Kien Hoa

FROM OUR SAIGON CORRESPONDENT

If some high American official were to declare publicly that the Mekong delta remains unaffected by the offensive farther north, the press corps would be down there within hours calling him a liar. But when Mrs Binh, the National Liberation Front's negotiator in Paris, says in a press interview that most of Kien Hoa province has been taken over by revolutionary committees, she knows there is not much risk that the press will be so impolite as to challenge her assertion. This is how Vietnam myths become enshrined as facts.

Kien Hoa province, or Ben Tre as it is called by the communists, used to be a Vietcong stronghold in the delta. In 1967 the communists openly controlled two-thirds of the villages there. As the second largest rural province in the country, it provided them with much manpower, money and rice. But since 1969 the picture has changed. The government's pacification programme has spread to every hamlet —including the one where Russian cameramen once came to film faked battle scenes for a movie called "The Great Wave of the Mekong."

Mrs Binh herself has family connections with Kien Hoa, and is known to have been there on a visit around 1969. Last week, in an interview with the French communist newspaper l'Humanité, she was at pains to show that the communists were now back in control. In the district of Truc Giang, she said, the population had established a people's administration, and almost all other district centres in the province had done likewise.



In fact no such thing has happened. The defence outpost at Truc Giang was attacked on March 22nd by North Vietnamese and a few local guerrillas, but the fight was over in less than two hours and the local district chief, dressed in shorts and steel helmet, seemed very much in command as the enemy withdrew. In the district of Ba Tri, a communist battalion tried to mount an attack on April 24th, but was unable to carry out its assignment because it ran short of ammunition and did not receive the co-operation it expected. The whole province remains firmly under government control.

In Kien Hoa, as in other delta provinces, there has certainly been a jump in guerrilla activity since early April. But the only immediate danger is in the two provinces of An Xuyen and Chuong Thien, next door to the old communist base area in the U Minh forest. Things are bound to get worse. But during the current offensive it has almost seemed that the Vietcong in the delta have been under orders to keep their heads down. At any rate, Mrs Binh's account of "powerful uprisings" in Kien Hoa contains about as much truth as her repeated assertion that there are no North Vietnamese in South Vietnam.



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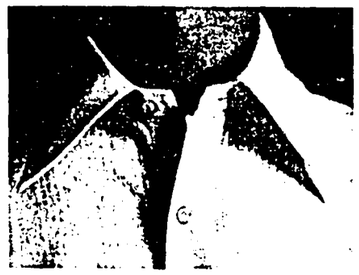
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THE WORLD *International Report*



Barzel and Brandt have another week to look at each other

A bungled job in Bonn

FROM OUR SPECIAL CORRESPONDENT *Bonn*

West Germany's politicians have once again stepped back from the brink. Their leaders decided on Wednesday evening, after six hours of debate in the Bundestag, to postpone a decision on the Warsaw and Moscow treaties until next Wednesday. After so many days of excitement and tension, of commissions, summit meetings, deadlines and assurances of ratification, the German people must be regarding the whole affair much as a cook does her collapsed soufflé.

The simple truth is that Herr Willy Brandt and his government did not want to risk losing the ratification vote, and the opposition leader, Herr Barzel, had made it quite clear that unless the government gave his party more time for thought it would oppose ratification. In his second speech, on Wednesday afternoon, the chancellor said that the opposition had already had two years to think the treaties over. The situation, he claimed, was exactly the same on Wednesday as it had been on Tuesday, when a joint resolution interpreting the treaties had been approved by both government and opposition, and he could see no need for further delay. But he suggested a short pause for talks, and during this pause the six-day adjournment was agreed. Herr Brandt then had to persuade those in his party who saw political advantage in risking a defeat that this was the right course. But it is Herr Barzel who has to use the adjournment to hold his own party together; and its right-wing and refugee elements, who have totally opposed the treaties, will take some persuading.

Nobody has emerged as a victor from this week's contest. The two sides both look distinctly bruised. The opposition has had some grounds for unease but it has probably played them up in its attempts to gain time. The government has not fully explained just what were the Russian doubts that caused the last-minute crisis, nor how these doubts were apparently resolved so speedily.

The debate on the treaties finally began shortly after 10 o'clock on Wednesday morning—the deadline set by the chancellor last week. But it only just succeeded in getting off the ground. Although the opposition had agreed on Tuesday afternoon to have both the debate and the vote the following day, the first thing it did on Wednesday morning was to put down a motion that the ratification debate be removed from the Bundestag's agenda. The mood of thankful relief that followed Tuesday morning's all-party agreement on the wording of the joint resolution setting out the west German interpretation of the treaties had been shattered by a bombshell that fell at 6 pm. It was then learnt that the Russians had raised objections to two points in the resolution.

Since the Russian ambassador in Bonn, Mr Valentin Falin, had attended the Tuesday morning meeting between the party leaders, and had raised no objections then, the news was a blow indeed. But not to many members of the Christian Democrat opposition who were at that moment closeted in a party meeting trying to decide whether to vote for the treaties after all. The hardliners were jubilant. It would mean that it would be the Russians who had said no to the treaties, and not the west German opposition.

But it was not to be so simple. After a three-hour meeting with Mr Falin, the head of the chancellor's office, Herr Horst Ehmke, declared at midnight on Tuesday that the Soviet government had not been raising objections after all, but had merely sought some clarification, which had been given and accepted. The foreign minister, Herr Scheel, immediately wrote to Herr Barzel to explain it all away, and Herr Barzel himself saw Mr Falin early on Wednesday morning. But the damage had been done. Herr Barzel said he was not fully satisfied, and his party attempted to get the debate postponed.

It nearly succeeded. The vote, in which the Berlin representatives took part, was tied with 259 for each side. This was a rude shock for the chancellor, since the predominantly Social Democrat Berliners should have given

him a majority of two: it boded ill for the result of the vote on the treaties themselves. Baron von Kühlmann-Stumm, the Free Democrat who is against the treaties, was one defector, and the other was believed to be a Social Democrat from Munich, Herr Müller, who is in the middle of a row with his local party. His gesture of independence was not expected to extend to voting against the treaties.

The government's insistence that the debate should begin on Wednesday had been surprising in view of the fact that its chances of getting the treaties through seemed so slim. This attitude did much to dissipate the goodwill created during the past week through the all-party negotiations. In his speech on Wednesday afternoon Herr Barzel did not oppose the treaties, but said that unless the government agreed to postpone the vote his party would vote against ratification.

The main point raised by the Russians on Tuesday had concerned a sentence in the resolution which stated that the treaties did not create any legal basis for the existing frontiers. In his letter to Herr Barzel, Herr Scheel explained that this referred to the Warsaw treaty. West Germany had not made any comment on the legal basis of Poland's western frontiers but had agreed that the Oder-Neisse line would not be questioned as the western frontier as long as the federal republic existed. Herr Scheel said that Mr Falin had agreed to accept this.

The points in the resolution cover all the opposition's reservations about the treaties. They say that the treaties are elements in the modus vivendi which the federal republic wants to create with its neighbours; they do not prejudice a settlement for Germany under a peace treaty; they do not affect the right of self-determination; they do not contradict the policy of the peaceful re-establishment of national unity in a European framework; they do not affect the rights and responsibilities of the four powers either for Germany as a whole or for Berlin. The resolution underlines west Germany's place in the Atlantic alliance, its aim of European unity, and its assumption that Russia and the communist countries will co-operate with the EEC. It reaffirms the federal republic's ties with west Berlin, and says that it is "taken for granted" that the principles of relaxing tension and of good neighbourliness between the two Germanies will be applied in full to the people and the institutions of the two parts of Germany.

Italy

The centre held

The real victors of Italy's general election on Sunday and Monday were the Christian Democrats, the mainstay of every coalition since the war. But the successes of the far right, though less dramatic than many observers had expected a month or so ago, were a disquieting sign of a rising right-wing protest vote. The increased strength of Signor Almirante's Italian Social Movement (MSI) in parliament may be an incentive to the Christian Democrats to pursue the possibility of a coalition of "centre" parties embracing the Liberals as an alternative to the centre-left formula of the past decade.

But our Rome correspondent writes that the paradox of this election is that the Christian Democrat party, which has made a brilliant recovery on a centre platform strongly orientated to the right, will find it hard to construct a moderate centre-right government as an alternative to the old centre-left coalition because of the heavy losses suffered by the Liberals. The Liberals lost 10 of their 31 seats in the chamber and half of their 16 seats in the senate. On paper, a centre-right alignment of Christian Democrats, Liberals, Republicans and Social Democrats has a majority of 16 in the chamber of deputies. But that is not enough to govern comfortably in this multiparty system.

The success of the Christian Democrats is outstanding. The party has completely recovered from the landslide it suffered at the local elections last June. A few months ago it looked near to splitting; today it is unassailable. Its position is all the stronger because it no longer needs to fear the divorce issue. In both houses, thanks to the increase of the neo-fascist MSI representation, there is now a majority against divorce.

Within the Christian Democrat party, the position of the prime minister, Signor Andreotti, appears greatly enhanced. His handling of a difficult situation as prime minister of a government defeated in parliament has been able and discreet, and his electoral campaign on a conservative but anti-fascist platform has certainly been highly effective. The Christian Democrat party owes its success to him, to its secretary, Signor Forlani, and to the minister of the interior, Signor Rumor, whose handling of the police during the election campaign undoubtedly contributed to restoring confidence in the

Continued on page 47

Italian elections, 1972

(1968 results in light type)

	Chamber of Deputies		Senate	
	% of vote	seats	% of vote	seats
CHRISTIAN DEMOCRATS	38·8 39·1	267 266	38·1 38·3	135 135
COMMUNIST PARTY	27·3 26·9	179 177		
PROLETARIAN SOCIALISTS	1·9 4·5	– 23	28·4* 30·0	94* 101
SOCIALIST PARTY	9·5	61	10·7	33
SOCIAL DEMOCRATS	14·5† 5·2	91† 29	15·2† 5·5	36† 11
MSI + MONARCHISTS ‡	8·7 5·8	56 30	9·2 6·7	26 13
LIBERAL PARTY	3·9 5·8	21 31	4·4 6·8	8 16
REPUBLICAN PARTY	2·9 2·0	14 9	3·0 2·2	5 2
MANIFESTO GROUP	0·7 –	– –	– –	– –

* Communist party and Proletarian Socialists united for 1972 Senate elections

† Socialist party and Social Democrats united for 1968 elections (both houses)

‡ MSI and Monarchist party united for 1972 elections

Voter turnout 1972 election—93.1% (both houses)

Voter turnout 1968 election—Senate—93.0% House—92.8%

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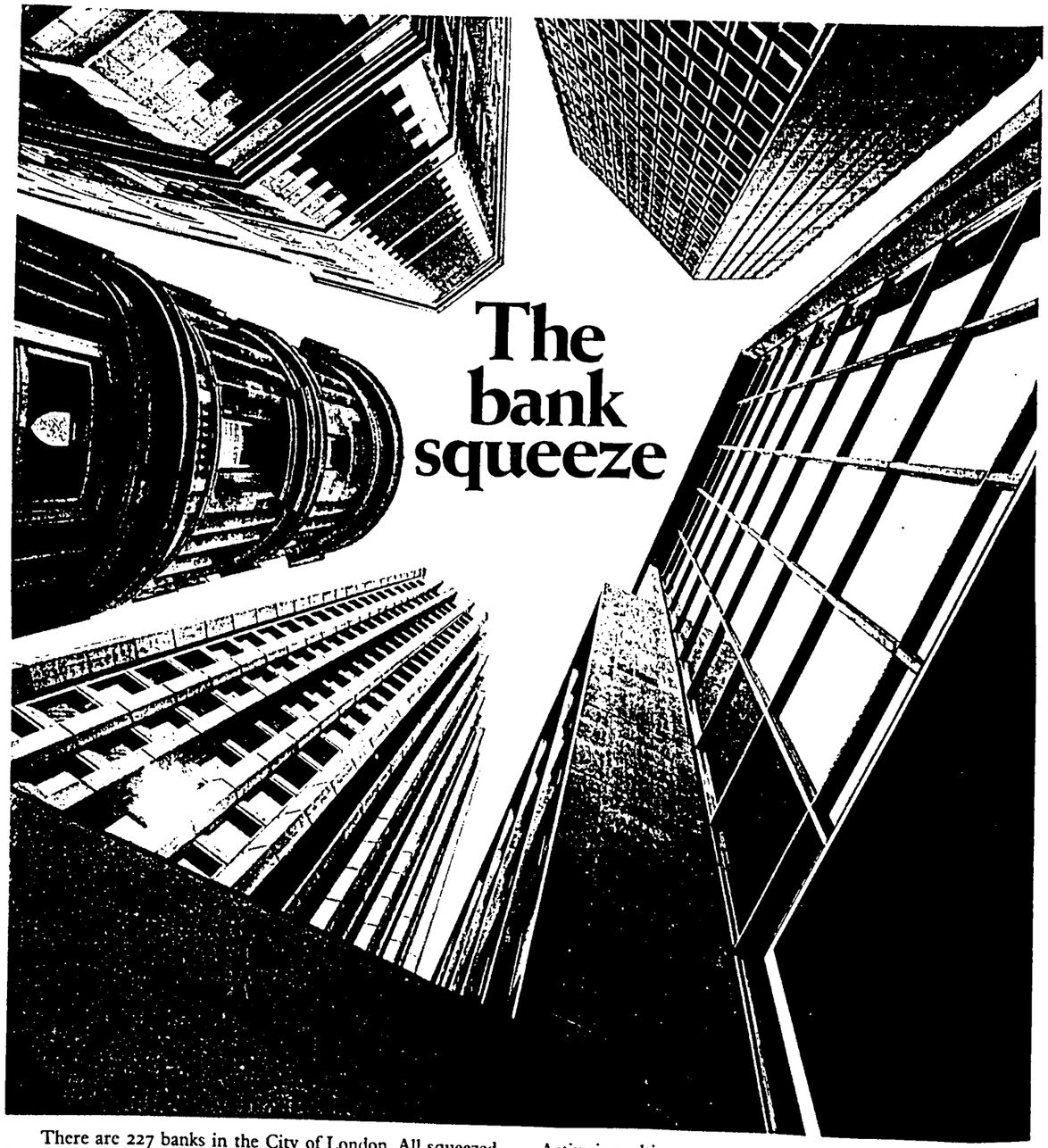
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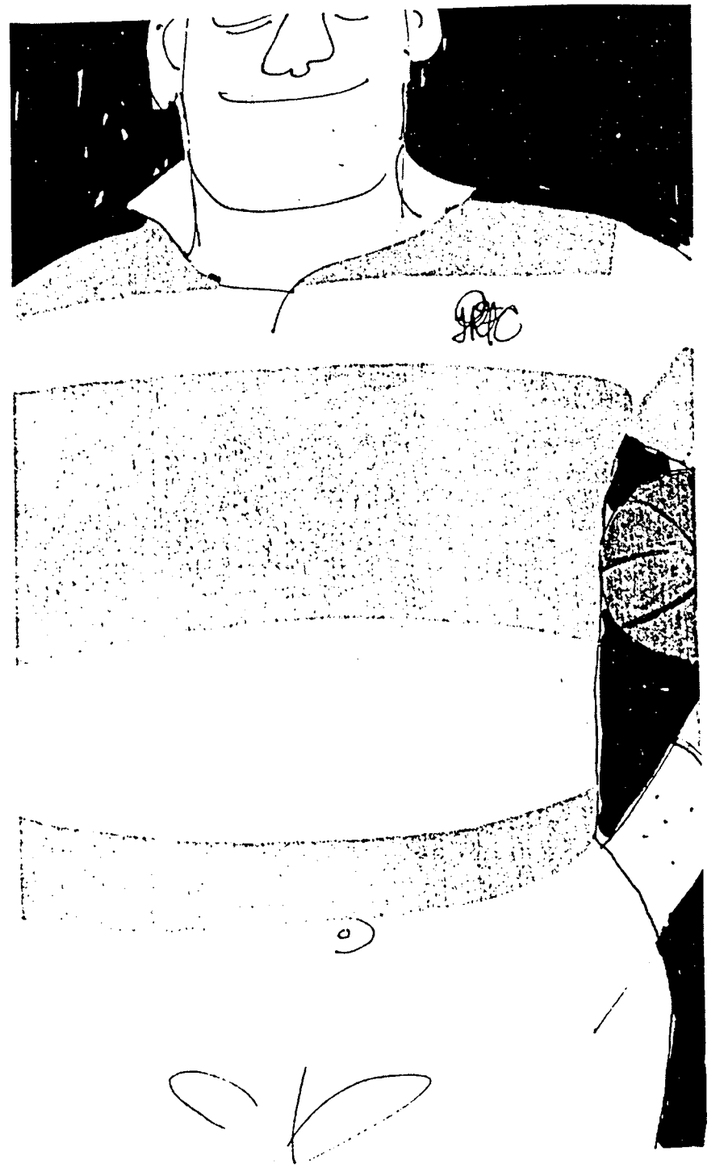
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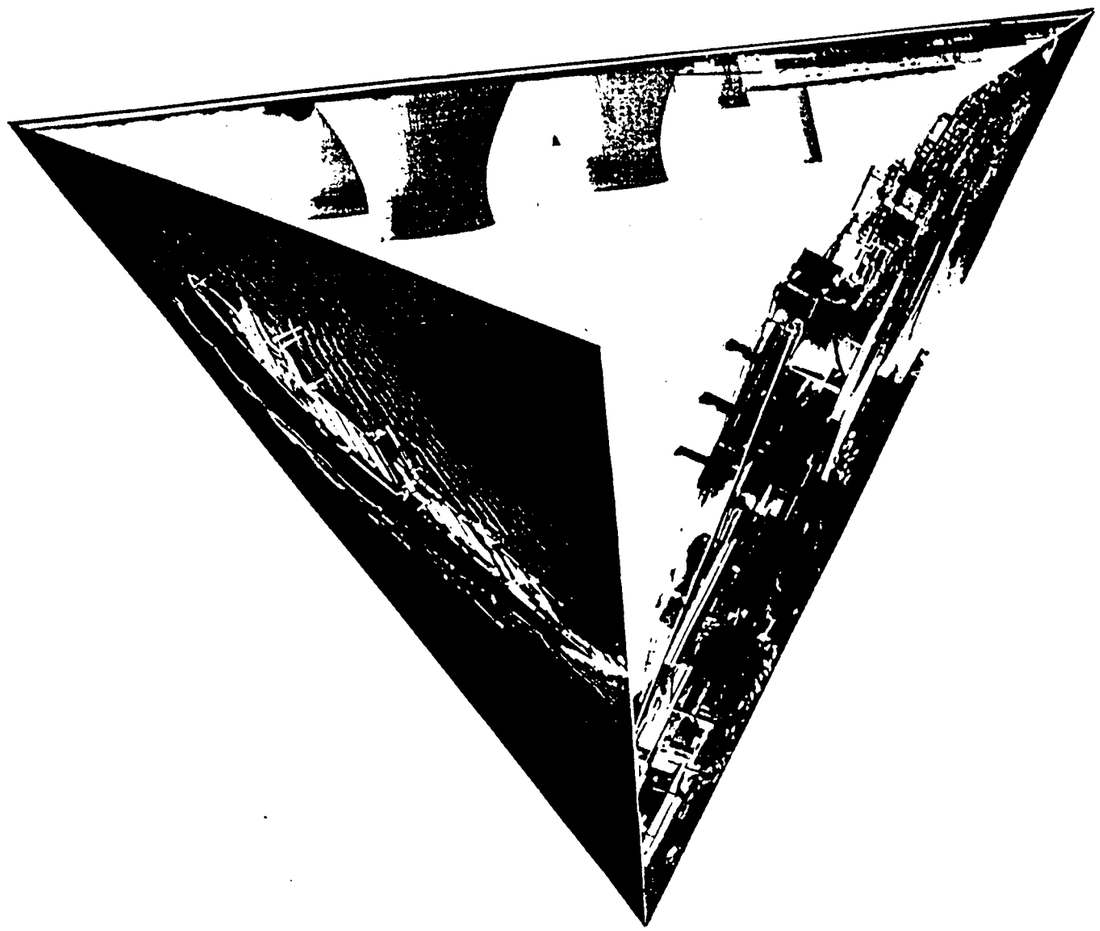
Christopher Robin

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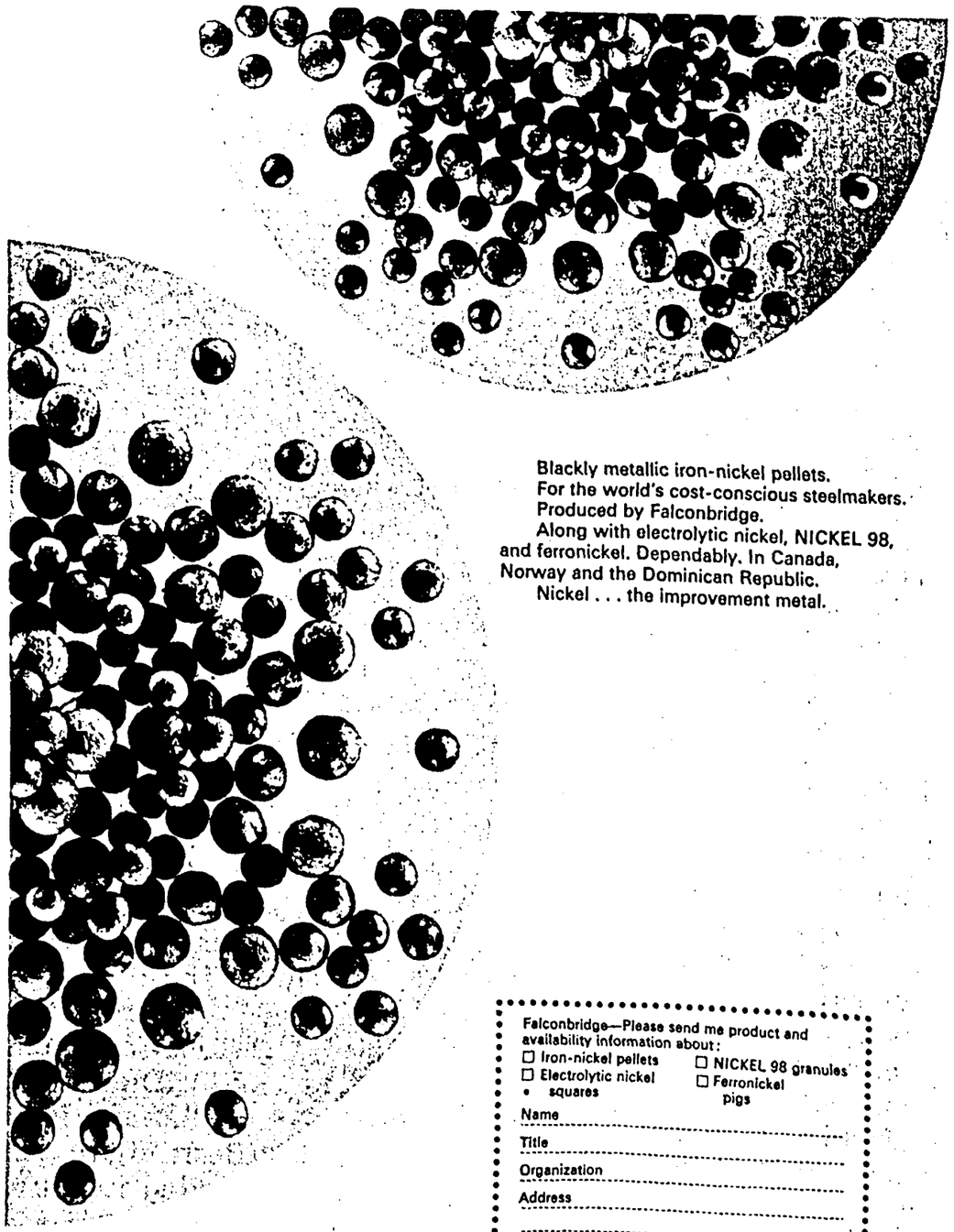
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Continued from page 38

ability of the government to maintain order without oppression.

Among the nine factions that make up the Christian Democrat party, the moderate centre groups that follow Signors Rumor, Piccoli, Andreotti, Taviani and Fanfani are the real victors of this campaign. But the party's left wing still bases its hopes on the belief that a centre-right coalition will not prove tenable and that the need to revert to the old centre-left formula will play into its hands. This does not mean that a return to the alignment with the Socialists can be easy or swift. The Socialist party lost one seat in the chamber of deputies and two in the senate, but did better than the Social Democrats.

The Social Democrat party is enraged and bitterly divided. Its former secretary, Signor Ferri, blames Signor Saragat and the present secretary, Signor Tanassi, for losing the party the support of the floating anti-communist vote. It seems likely that the party will have to hold an extraordinary congress before it can sort out its future line. The Socialists and Christian Democrats also intend to hold their national congresses this autumn and there is a general feeling that no stable government can be set up before then. Italy is probably heading for some interim solution, possibly under Signor Andreotti or Signor Rumor. The idea of a fresh election next year is already in the air.

No trumpets on the left

FROM OUR SPECIAL CORRESPONDENT

Milan

The Italian left is hydra-headed, and any general conclusions about its electoral performance need to be qualified instantly. The far left suffered some sharp reverses. In the senate elections, where Signor Berlinguer's Communist party was in alliance with the more extreme Proletarian Socialists (PSIUP), it slipped back badly, losing nine seats. By contrast, the Communists' performance in the lower house, where they stood alone, was marginally better than in 1968. The PSIUP ended up with no seats at all in the chamber of deputies. The rejection of left-wing extremism by the Italian voters was confirmed elsewhere in the returns. Signor Pintor's Manifesto group—a radical splinter from the orthodox Communists—was all but eliminated, with only 0.7 per cent of the vote.

Signor Berlinguer has been at pains to stress Communist respectability; the party included law and order in its campaign platform. The aim was to convince voters that the party can be trusted in government. The Communists argue, not unfairly, that the way they run municipal administrations in the northern "red belt" of Emilia-Romagna is proof of their capacity to govern. Certainly these towns are relatively free of corruption. All the same a Christian Democrat-Communist alliance seems a remoter possibility at this stage than it has done for some time.

The right-wing protest vote

Rome

The party that chalked up the most dramatic gains in the Italian election was Signor Almirante's MSI. The MSI and its monarchist allies doubled their number of seats in the senate and increased their representation in the lower house from 30 seats to 56. The party's success is still more striking when one looks at the regional results. In Rome, for example, its share of the vote went up from less than 5 per cent in 1968 to more than 18 per cent, and it also polled strongly in the south.

All the same, it seems that the MSI is condemned to remain an outcast, in the sense that none of the centre parties is prepared to enter into an alliance with it. It may be that the neo-fascists have already passed their peak. Their new popularity partly hinged on the gut reaction of small businessmen and farmers to a series of controversial laws on land rents and housing and to an economic recession that produced a wave of bankruptcies among small concerns last year. But anyone who watched Signor Almirante's last electoral rally in the Piazza Navona in Rome on the night of May 5th would also have been struck by the number of young people that his movement has attracted. That may suggest that in Italy, at least, the rebellion of the young can be manipulated by the right as well as the left.

The MSI's strategy is still based on the assumption that, as a newly elected senator put it, "we can force the Christian Democrats to choose between us and the Communists." The results of the elections seem to show that most Italian voters refuse to accept the necessity of such a choice. The question that an outsider is bound to ask is to what extent Signor Almirante



Almirante's still an outcast

stands for the same things as Mussolini. He told this correspondent that he regards Mussolini's brand of fascism as "a historical phenomenon that has passed away with a different age." He talks of introducing an American-style presidency, and of expanding parliament to include "corporative" representatives of business and labour.

Signor Almirante's studied moderacy in public has helped to change the image of his party and to make it a little more palatable to conservative voters who want stronger government but not the heirs of Mussolini. The adhesion of Admiral Gino Birindelli, the former Nato commander, who waged a particularly vigorous electoral campaign, also helped enormously. But he was only one among a galaxy of senior officers among the MSI candidates. The others included General Giovanni de Lorenzo (formerly the chief of military intelligence), three or four other generals, and Admiral Carafa d'Andria. They also included Lieutenant Sandro Saccucci, the former paratroop subaltern who was accused of being embroiled in a conspiracy to overthrow the state in 1970. Signor Saccucci, like Signor Pino Rauti, the journalist accused of organising bomb attacks in Milan in 1969, is very popular with the fanatics among the MSI.

So far, Signor Almirante has kept them on a very tight leash, understanding that his long-term political hopes depend on establishing a "respectable" and democratic image. If he seems even less likely than Signor Berlinguer to get himself into a coalition government in the near future, he can at least console himself with the thought that the swing to his party in last year's municipal elections was one of the things that pushed the Christian Democrats farther to the right.

Ireland

It's a great big yes for Europe

FROM OUR DUBLIN CORRESPONDENT

In a high poll the Irish voted by about 5 to 1 for entry into the common market on Wednesday. Although this handsome majority was a fine victory for the prime minister, Mr Jack Lynch, it had been clear all along that if Britain were to join Ireland would have to follow suit. The farm vote was almost solidly for entry and many waverers were put off by the extremism of some of the main anti-common-market groups, notably Sinn Fein, the political wing of the IRA. But the size of the majority, even in working class districts which had been expected to vote against the proposal, showed that the Irish people had faith in the European idea. It may also have encouraged any ideas Mr Lynch has been maturing about another election.

Whom will the Irish send to Brussels as their representative on the common market commission? The most likely candidate at the moment is Mr Patrick Hillery, the foreign minister. It was he, with a strong team of civil servants, who conducted the successful negotiations on entry. More important, it was he, almost single-handed, who carried the public campaign in favour of membership at a time when most of the other ministers in Mr Lynch's government were keeping their heads down.

But Mr Hillery may not want the job. He is a strong contender for the prime ministership if Mr Lynch should want to go. And with a general election on the cards within a year and a presidential election due before June, 1973, Mr Lynch could seek to "go up to the (Phoenix) Park," where the president occupies the quondam viceregal lodge. But, despite his air of tired resignation, Mr Lynch has a growing liking for his job, and the ups and downs of the past few years have developed in him a surer and increasingly relaxed touch. Unless the internal situation deteriorates unexpectedly because of developments in Northern Ireland, Mr Lynch looks like leading his party, Fianna Fáil, to another electoral victory next time.



It looks like 5 to 1

Mr Hillery will wait until the last possible moment before making up his mind. He is well to the right of Mr Lynch in terms of republicanism and would be an almost certain choice to lead the party if there were a major crisis over the northern situation. He would not want to be on the sidelines in Brussels while a contest for the leadership was afoot in Dublin.

Another man strongly tipped for the commissioner's job is Mr Erskine Childers, the deputy prime minister. Whether Mr Childers, who is 66, would want to take on a four-year stint in Brussels is uncertain. As minister for health in recent years, he has shown himself energetic and forceful, pushing through a radical revision of the country's health service against strong opposition. Mr Lynch might be tempted to let him go in favour of a younger man. But his backbenchers are woefully short of talent and Mr Childers might ill be spared. There is also the possibility that Fianna Fáil might lose Mr Childers's seat in a by-election, which could precipitate a general election because Mr Lynch's parliamentary position is too shaky to suffer further erosion.

If the political situation keeps Mr Hillery and Mr Childers in Dublin, Mr T. K. Whitaker, the governor of the central bank, might find his arm being gently twisted to encourage him to pack his bags. Mr Whitaker has a high reputation in Ireland. His first and second Programmes for Economic Development, beginning in 1959, provided the impetus for Ireland's recent economic expansion. No civil servant in recent years has had a comparable influence on Irish life. But Mr Whitaker is believed to be reluctant to leave the sheltered corridors of the central bank. An appeal to his patriotism might be needed to get him to go.

Another possible starter for the Brussels job is the Fine Gael deputy, Mr Garret FitzGerald. A champion of the common market from the earliest days, he has done much to swing his party behind the government on the issue. Mr Lynch might want to show his gratitude by offering him the Brussels post, particularly when such generosity would remove from the Dáil one of its most skilful speakers and most persistent questioners. But Mr FitzGerald was only recently appointed shadow minister for finance, which clearly marks him as a likely heir-apparent to the party leadership. Like Mr Hillery, he might not want to bury himself in Brussels, however great his commitment to Europe, while there is the possibility of a leadership crisis in the party. But if the worst comes to the worst Mr Lynch can always offer the job to a member of his present cabinet. His problem here might be an embarras de richesses.

Jugoslavia

Softly, softly catchee Croat

This week's expulsion from the communist party of the four former Croat leaders whom President Tito dismissed from office last December may seem a mild fate. But it may not be the end of the story. They could still be brought to court after the trials, which are now expected to take place in July, of a group of Zagreb student leaders and intellectuals accused of "counter-revolutionary nationalism." A Croatian central committee report published on Monday accuses the four who were expelled this week—Mr Tripalo, Mrs Dabcevic-Kucar, Mr Pirker and Mr Koprtla—of having actively collaborated with the arrested men in the formation of a Croatian "mass national movement," in which the communist party would have been only one of the elements.

It is easy to see why President Tito is putting off the final reckoning with the Croatian dissidents which he says he wants. First, he may not want to spoil his 80th birthday which is on May 25th. More important, he probably does not want to make the position of the new party leaders in Croatia more difficult than it already is. The deposed leaders, especially Mr Tripalo and Mrs Dabcevic-Kucar, still seem to be popular. The new leaders have been unable to gain popularity by making material concessions to the population, because Croatia's economic situation has not allowed it.

Last week the Croatian government

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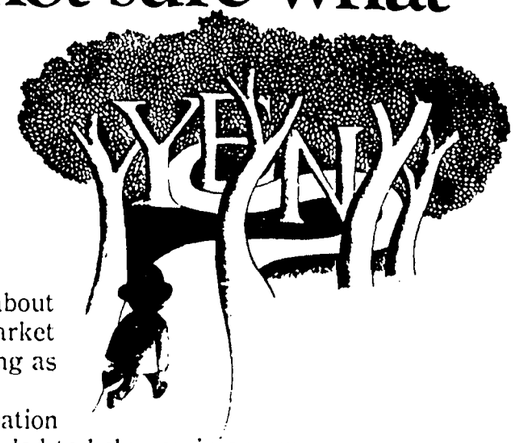
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announced that the federal government's stabilisation programme had had only a "limited effect" in Croatia. Firms are suffering from a serious shortage of cash and are frequently unable to pay the workers' wages. This is likely to get worse, as the new measures to stop credits to firms in debt are enforced. And delays in the implementation of the compromise agreement on the allocation of foreign currency earnings—a hot political issue in Croatia—are causing a lot of grumbling too.

But perhaps the most important reason for President Tito's relatively soft tactics in Croatia may lie in the delicate political situation in Serbia, where relations between the Serbs and the strong Albanian minority appear to have deteriorated in the past few months. President Tito's strong condemnation of Serbian nationalism in a speech in Uzice in western Serbia last Sunday suggests that he may now be increasingly looking upon Serbia as Jugoslavia's next problem republic.

Turkey

Ismet Pasha's last curtain?

For Turkey, as for other parts of the world, the past week has been one of turmoil. The hijacking of an Ankara-bound airliner in Sofia by Turkish terrorists (see page 109) was quickly followed by a wave of terrorist incidents in Ankara and Istanbul, coinciding roughly with the execution last Saturday of three leading members of the People's Liberation Army, who had been sentenced to death several months previously. Despite some protests, this studied act of retribution seems to have had the endorsement of most Turks.

All this has been an unpropitious backdrop for Mr Urguplu's efforts to form a non-party (or, as the Turks put it, above-party) government to carry through essential reforms. Mr Urguplu's difficulties have been compounded by the split in the ranks of the reformist Republican People's party, and the resignation of the 87-year-old Mr Ismet Inonu from its leadership. But the rift in the Republican party has been obvious for more than a year; if it disintegrates into irreconcilable factions, the right-wing Justice party led by the former prime minister, Mr Suleiman Demirel, may coast home at next year's general election.

Much will depend on the tactics adopted by Mr Inonu's rival in the



Inonu compounds the problems

Republican party, Mr Bulent Ecevit, who last year resigned from the post of party secretary in protest at the army's suspension of party government and the imposition of quasi-military rule. Mr Ecevit may push for the leadership, or choose to bide his time. The issue may be resolved when the party meets on Sunday. Meanwhile Mr Urguplu, with the army breathing down his neck, has to form a national administration as soon as possible. He can hardly do this without Republican backing. Amid all the manoeuvrings of the past few days, one thing should not be overlooked: the octogenarian Ismet Pasha announced his resignation from the party leadership—but not his retirement from politics.

Okinawa

A sober homecoming

FROM A CORRESPONDENT IN OKINAWA

The small island of Okinawa has loomed large in Japanese minds because it has remained under American administration for 21 years after the 1951 peace treaty restored autonomy to the rest of Japan. This anomalous situation will change at midnight on Sunday when the Ryukyu island chain including Okinawa is returned to Japanese jurisdiction. Under provisions of the mutual security treaty with America, the enormous complex of American bases on Okinawa will remain largely intact. But, as in mainland Japan, the United States will no longer be able to store nuclear weapons on these bases or launch combat operations from them without prior approval from Tokyo.

As Okinawa loses its special status and becomes one of the 47 prefectures in a highly centralised government, its people are fearful that the Japanese bureaucracy will give them short shrift. "The Americans were an easier enemy," says Mr Takeyoshi Zakimifi, one of Okinawa's leading civil servants. "They brought in democracy and we used it against them." Okinawans are also being reminded by the revival of old atrocity stories about their bad treatment by the Japanese during the long battle for the island in 1945.

Still, the sense of realism that has sustained Okinawa throughout its battered history is slowly regaining the upper hand. The first to catch on were a small number of businessmen, mainly building contractors, who have close ties with the local American forces and the local branch of Japan's ruling Liberal Democratic party. Once opposed to reversion, this group now realises that it will have more influence in Tokyo than the moderate and left-wing politicians who are more popular with the voters.

The public is slowly giving the Japanese credit for their economic plans, which call for making the island less dependent on the military bases. Under American rule, with the bases occupying about a quarter of the land, the rest of the economy became a honky-tonk, pseudo-urban sprawl of bars, massage parlours and motor repair shops. Okinawa's per capita income is still under $1,000 a year (about 40 per cent lower than the Japanese average). The trouble is that in the wake of last year's currency realignment almost all conversation on the island turns on the sudden and painful adjustment to a yen-based economy. In theory, Okinawa's dollar assets are now worth 16.9 per cent less than they were worth a year ago. Tokyo has promised to exchange cash and deposits registered last October at the old rate of 360 yen to the dollar, but all other conversion transactions are up in the air, including wages.

Since revaluation the prices of Japanese goods have risen steadily. But reversion will bring an enormous increase in government spending, first for roads, power and water, and later for factory sites. Although Okinawans grumble that rich, arrogant Japanese have already bought up the best tourist beaches on the western side of the island, they admit in the next breath that Japanese investment is better than none at all. The Okinawans have become resigned to reversion.

West Bank

New faces

FROM OUR ISRAEL CORRESPONDENT

Politics were absent from the West Bank's municipal elections, which were completed when the southern towns voted on May 2nd. The burden of the campaign both in the south and in the north (which voted on March 28th) was: "We can get more for you from the Israeli military government." The difference was that in the south more voters were prepared to gamble on new men. The northern towns tended to re-elect their incumbent councillors; the southern vote brought in more new faces, including lawyers and teachers.

The turnout, which averaged 85 per cent, was a record—although, since the elections were held under Jordanian law, the voters were limited to male property-owners, or around 10 per cent of the population. In all, 315 candidates competed for the 175 council seats. The northern election was threatened when candidates for Nablus, the largest town in the West Bank, withdrew under pressure from the Palestine guerrilla movement. But the Israeli military authorities, led by Mr Dayan, countered with stronger pressure than the guerrillas were able to apply, and the mayor of Nablus and most of his council were re-elected. The polling there, as elsewhere, passed off without incident.

In Hebron, the largest southern town, and Salfit, a small northern town, the existing councils were returned unopposed. In the north, the new councils have already taken office; in the south, they will start functioning on May 17th. The men who won most votes will not necessarily become the mayors. The Jordanian practice was to appoint the mayors from Amman; now, each council will choose its own mayor. In Ramallah, near Jerusalem, the biggest vote-getter, Mr Karim Halef, has won the council's endorsement; he is a 35-year-old district attorney who served under Jordan but is not thought to be a supporter of King Hussein. However, in Beit Sahur, a suburb of Bethlehem, where a Moslem, Mr Awad al Hindi, won the most votes from a largely Christian population, the council is expected to nominate the man who came sixth. And in Bethlehem itself a local schoolteacher, Mr Abu Hamud Aziza, running on an independent ticket, drew more votes than candidates of the town's influential merchant families.

The successful councillors are of all political colours, including communists, though all abstained from urging their views during the campaign. The new Ramallah council includes a communist, a supporter of King Hussein, and a left-wing nationalist who champions the idea of a Palestinian entity. The elections are a blow to the guerrilla movement, which had described their prevention as a matter of life or death. The Jordanian regime, which had also at first attempted to prevent them being held, is presenting them, after the event, as a victory for the king over the guerrillas. In fact, the elections loosen the remaining allegiance of the West Bank to the Hashemite throne. They may also represent the twilight of Jerusalem's Arab leaders who once dominated the West Bank; the exclusion of east Jerusalem was never mentioned in the campaign.

The future of the West Bank is as cloudy as ever. But the election showed that the West Bankers are now seeking as active a role as possible in their own affairs, even though they can look no farther than local government. They will be demanding more of their new mayors and councils. The Israeli authorities are committed to encouraging this but insist that the initiative must come from the councils. The key question is whether the new men, most of whom are unknown quantities to the Israelis, will be given broader powers than their predecessors and thus be allowed, eventually, to evolve into national leaders.



Bethlehem's voters showed their independence

India

Big is bad

Mrs Gandhi is out to cut India's largest newspapers down to size. Last month the government ordered that all papers be limited to 10 pages a day. Two of the most influential English-language papers, the Times of India and the Hindustan Times, obtained a temporary reprieve two weeks ago by petitioning the supreme court with a claim that the order contravened the right of free expression and was aimed at undermining the viability of major newspapers. The case will be heard in July. Meanwhile the government is searching for new ways of curbing the giants of the press.

The official justification for the 10-page limit is the newsprint shortage and the need to save foreign exchange. India lost a major newsprint supplier last December when America suspended its aid shipments. But, as the Madras journalists' union recently pointed out, that supply could easily be replaced in a rupee deal with the Soviet Union, which is one of the world's leading newsprint exporters. And the government was evidently unconcerned about conserving newsprint when it simultaneously offered smaller newspapers the opportunity to increase their size.

One reason for the government's vendetta against the big papers is that most of the major dailies in India have links with the country's biggest business houses; this gives the conflict ideological overtones. Another is that some of the big papers were sharply critical of Mrs Gandhi in the past, particularly during her struggle with the old party bosses. (Hardly any papers are saying her nay these days.)

Last August the government tried to break the businessmen's control of the press through a bill which limited shares in the equity of newspaper companies with circulations higher than 15,000 to 5 per cent for individuals and 10 per cent for firms. It also restricted the voting rights of individual shareholders to 0.5 per cent of capital, the rest to be held by a public trustee appointed by the government. The bill was ecstatically welcomed by journalists and other newspaper employees because of the provision for election of half the members of newspaper boards by the newspaper staffs. But Mrs Gandhi had second thoughts after critics pointed out that this might result in turning control of the press over to the communists who dominate the unions.

Journalists are now opposing the 10-page order as fervently as they supported the bill for workers' control; they realise that the affected dailies will have to undertake drastic economies which may mean a wage freeze, if not cuts in staff. They are advocating instead a proposal which was first put forward by a press commission in the 1950s to help smaller newspapers by making bigger papers more expensive. The government was forced to drop this plan when it ran into constitutional hurdles, and it may well be forced to drop the 10-page limit, for similar reasons. But Mrs Gandhi has not given up yet; the draft bill is now being reviewed by a cabinet committee, while another group is investigating newspaper economics with the aim of finding weak links in the newspaper chains.

Burundi

He went home

"Last night, April 29th, the eve of April 30th this year, I mean today, a great tragedy befell Burundi." With these words Bujumbura radio broke the news that in an attempted coup against the government of Colonel Michel Micombero fighting had broken out in several parts of the country and the king, Mwami Ntare V, had been killed. The fighting has continued over the past fortnight and many refugees have fled into the neighbouring states to the west and east, Zaïre and Tanzania. Zaïre has promised to send troops to help quell the rebellion, but their arrival has not been confirmed. Reports speak of more than 10,000 dead and up to a million homeless.

The immediate cause of the uprising seems to have been President Micombero's dismissal of certain senior party officials and the entire cabinet. But this in turn seems to have been set off by the return of King Ntare after an exile of six years in west Germany. He had been given assurances by Colonel Micombero, but the president may have thought that the young king was returning to rally dissidents, for he was immediately put in prison, where he died. He had ruled for four months in 1966, after usurping his father's throne, before being turned out by Colonel Micombero.

Since the king's death the fighting appears to have been rather aimless—a visiting Tanzanian politician was killed in the south last week—but motivated in part by tribalism. Some 85 per cent of the 3½m people of Burundi are Hutu, but their traditional masters have been Tutsi, like Colonel Micombero. The Hutu majority was represented in some of the seven governments that followed one another between independence in 1962 and the colonel's coup in 1966, but its influence was never more than momentary. Colonel Micombero's regime has maintained the Tutsi domination, but its enemies are probably not confined to the Hutu.

Rhodesia

Preparing for Pearce

The publication of Lord Pearce's report on the acceptability of the Anglo-Rhodesian settlement proposals is expected just before or just after Parliament's Whitsun recess at the end of the month. Mr Ian Smith has been bracing his supporters for the consequences of a negative finding. On Monday he spoke of the likelihood of an intensification of the sanctions campaign in that event and, having described Lord Pearce's efforts in Rhodesia as "a complete and utter farce," he declared that there could be no further negotiations with the British.

The same thought has been in the minds of the leaders of Rhodesia's multiracial Centre party, who came to lobby the British Government last week. They were anxious that the settlement should be implemented even in the face of its rejection by the blacks. But another delegation from Rhodesia, this one representing the anti-settlement African National Council, reiterated its strong opposition to the proposals. Lord Pearce's report, completed last week, is now being studied by the cabinet. Its publication is expected to be accompanied by a Government statement on future policy towards Rhodesia.

Cuba

The cool approach to travel

Few political leaders in Latin America feel comfortable taking long trips abroad for fear of what might be brewing back home. Many indeed take their military chiefs with them to keep them out of mischief. So it is a sign of confidence that Cuba's Fidel Castro has this week been touring west and north Africa at the start of a two-month trip which will take him all over eastern Europe and finally to Moscow at the end of June.

Before leaving Havana, Dr Castro remarked: "For several years none of us would have thought of leaving the country for so long. But now the revolution is made." Not that it was political opposition that kept him at home between 1964 and 1971, for he has been in no real danger of being overthrown from within for some years. In any event his faithful brother Raul has been left behind—strategically placed as minister of the armed forces.

But the trip does show that the prime minister is no longer in direct charge of the economy. This is probably a good thing. One of Cuba's difficulties has been that of combining Dr Castro's highly personal style of government with the methodical needs of communist centralised planning. His tendency to make spontaneous improvisations to the plans from the back of a jeep made forward planning hazardous.

The new sharing of control may be the result of Russian pressure. The Russians are known to blame Cuba's low productivity on Dr Castro's ideological enthusiasm for moral incentives—exhortations to work for non-material rewards. The fact that there are now more consumer goods on the market may mean that some of Dr Castro's subordinates, more amenable to Russian thinking, are exerting their influence on the running of the economy. This year's sugar harvest is again well below target. But the main cause seems to be drought, not inefficiency.

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May 10, 1972

THE WORLD

American Survey



Nixon, Laird : just how decisive ?

Moscow takes second place

Washington, DC

President Johnson turned down the idea of mining the entrances to the North Vietnamese ports and when it came up again in 1969 President Nixon turned it down himself. Both seem to have concluded, on a balance of the arguments, that the probable efficacy of the scheme was too limited to justify its diplomatic risks. Now that President Nixon has done it after all, and has announced it as if it were "decisive military action to end the war" (his words on television on Monday night), there is still no great confidence that it will do the trick. Dr Henry Kissinger conceded on Tuesday that this week's step would not directly affect the battle of the next three weeks. But, he said, "it could affect and should affect the next round."

From his point of view and Mr Nixon's, the best possible effect would be to persuade the North Vietnamese to decide against having another round at all. In one breath Mr Nixon has threatened them with more rigorous naval and air warfare if they go on and has tried to tempt them with better terms if they stop. Thus the American demand that the invaders in the northern province of South Vietnam should withdraw across the demilitarised zone has been dropped. Mr Nixon offers to stop all acts of force throughout Indochina once he gets his prisoners back and a cease-fire goes into effect. He has shortened the period allowed for American withdrawal from six months to four.

Suppose the North Vietnamese were to fight their present campaign to a conclusion in, say, early June and end up with important areas of South Vietnamese territory in their hands. They could then start releasing the American prisoners and accept an internationally supervised cease-fire. This need not take them long. President Nixon would then have four months to take his remaining troops out and one can imagine him discharging this obligation with some alacrity to get it completed by election day, November 7th. Not only South Vietnam but also Cambodia and Laos would be left, in effect, partitioned. The communists would have achieved not all their war aims, to be sure, but a handsome instalment of them.

The prospect that they will take this course does not seem to be rated very high by the Administration, but it is enough to make President Nixon's political opponents pensive. The war has become a prime election issue after all. Mr Nixon as good as admitted on Monday that, without the new American naval measures, South Vietnam would fall to the communists. There is mileage to be made out of the discrepancy between this admission and some of his past statements. In April of last year, for instance, he said "I can report that Vietnamisation has succeeded" and not three weeks ago, on television, he fetched out a report from General Abrams to the effect that "the enemy will fail in its desperate gamble to impose a communist regime on South Vietnam."

This kind of opportunity is too tempting to be left alone by the Democratic candidates. But the election campaign is young and they still cannot be sure that Mr Nixon will not, after all, extricate himself and confront them in the autumn with at least the appearance of a miraculous success. Senator Humphrey, still busy establishing his credentials as an opponent of the war, spoke of the "unpredictable danger" of Mr Nixon's latest step. Senator McGovern called it "reckless, unnecessary and unworkable." Both hastened back from campaigning against each other in Nebraska to join the other Democratic Senators in a party meeting where the prevailing sentiment was gloom.

The Democratic meeting adopted a resolution "disapproving the escalation of the war," but this is a far cry from a resolution of the full Senate and even that would have no practical result. The Democrats also voted, by 35 to 8, in favour of a modified

version of the Case-Church amendment which would cut off funds for the conduct of war in Indochina within four months of the release of the American prisoners. To have any effect this would have to be passed first by the full Senate and then by the House of Representatives, which has never yet mustered a majority to interfere with the conduct of any war by any President. But, should the Case-Church amendment ever get through Congress, President Nixon could sign it cheerfully since it fits exactly the sequence of actions which he has proposed to the North Vietnamese.

In weighing, and deciding to accept, the risk that the mining of the Vietnamese ports might cause the Soviet government to put off his now imminent visit to Moscow, President Nixon evidently considered what the real purpose of the visit was. One purpose, to offer a reassurance that his reconciliation with Peking was not an anti-Soviet move, was served by simply showing willingness to go. The other purpose, to appear before the American public as the man in charge of America's global destiny at a time when the Democrats are fighting over their next presidential candidate, would have been ill-served anyway if he had had to turn up in Moscow as a President tamely accepting defeat at the hands of an obstreperous Soviet ally in south-east Asia.

The real current business of Soviet-American relations—trade, co-operation in space, even strategic arms limitation—does not require Mr Nixon's attendance in Moscow. On balancing up the matters of substance and the cosmetic value of a visit, Mr Nixon concluded that the decision might just as well be left in Soviet hands.

ELECTION '72

Wallace's borderland

FROM OUR SPECIAL CORRESPONDENT

Faced with a choice between Senator Hubert Humphrey and Governor George Wallace as their only alternatives in the Democratic contest for the presidential nomination, it seemed clear that the voters in West Virginia would come down in favour of the well-known and well-tried senator. But even there Mr Wallace managed to get his foot in the door and he did so without even trying. He received 33



Tennessee—or a quarter of it—votes

per cent of the votes to Mr Humphrey's 67 per cent.

West Virginia was so far down on Mr Wallace's list of priorities that he cancelled his only visit to the state—after he had kept a loyal crowd of supporters waiting in eager anticipation for over two hours. But Mr Humphrey and Mr Wallace were only two among hundreds running for every conceivable office in West Virginia, from Congressman to Governor to County Sheriff. The ballot was so long and complicated that there was considerable confusion and delay at the voting booths.

But the votes that Mr Wallace managed to pick up in the popularity contest did him little good. In the separate election for the state's 35 delegates to the convention at Miami Beach only two delegates supporting Mr Wallace were running. Here the fight was between candidates supporting Mr Humphrey, Senator Edmund Muskie or Senator George McGovern, neither of whom were entered in the separate presidential preference contest, and a long list of uncommitted delegates. But in this section of the primary election confusion reigned supreme. The voters were confronted with a long list of names which bore no indication as to which presidential candidate the delegate would choose when convention time came; under the state law there is no rule which binds a delegate to any candidate.

The candidates, including Senator McGovern (who has been scrupulous in other states about giving young people, women and Negroes a fair chance), decided that there was only one way to make any sense of this confusion—to persuade respected and well-known people to run as delegates. In this way they would attract votes because of their names and only accidentally because they supported a particular candidate. It was not exactly the way to play the game under the new rules which were designed to make the Democratic convention more democratic. But the system in force in West Virginia, a state which has never been known for the purity of its politics in the past, left little alternative.

Any candidate might be forgiven for losing sight of the issues when faced with the intricacies of the electoral process. But at least Mr McGovern's team emerged with constructive suggestions on the major concern in West Virginia—coal mining. His delegates included some of the most formidable names in the fight for more stringent health and safety regulations in the mines, against corruption in the mine workers' union and against strip mining, an appallingly ugly way of extracting coal from the hillsides.

If Mr Wallace took a back seat in West Virginia he was well in the front in two races farther south, in Tennessee and North Carolina which were both holding their first presidential primaries. In Tennessee the voters chose him as their easy favourite for the Democratic nomination. But his overwhelming victory, with 68 per cent of the vote, was robbed of much of its significance. None of the other 10 candidates who were on the ballot opposed him actively and only about a quarter of the registered voters in the state bothered to turn out; Mr Wallace's majority may well have been bolstered by Republicans who were allowed to cross over and cast their ballots in the Democratic primary. It is not even certain that he will get all the votes of the state's 49 delegates to the presidential convention. They will be chosen locally during the coming month; although they are officially required by state law to vote for the winner of the presidential preference poll on at least the first ballot, some of the potential delegates have already hinted that they will not vote for Mr Wallace.

North Carolina was a much tougher prospect for him. By the end of the final week before the election on May 6th Mr Terry Sanford, the president of Duke University and a former governor of the state, seemed to have Mr Wallace on the run. Mr Sanford looked quietly confident as he moved from county to county asking the people not to send a message to Washington—this is Mr Wallace's

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favourite slogan—but to send Mr Sanford. But in the end he only managed to pull in 37 per cent of the vote compared with 50 per cent for Mr Wallace. This seemed to give him 27 delegates, with 37 for Mr Wallace.

Mr Sanford started too late on his mission to prove to the rest of the country that the south could produce a progressive and constructive candidate as an alternative to Mr Wallace; he only got into the race two months ago. One of Mr Sanford's main difficulties was to unite the liberal vote under his banner. Senator Muskie did not drop out of the primary contests until 10 days before North Carolina's voters went to the polls. On top of this Mr Sanford had to contend with Mrs Shirley Chisholm who campaigned hard among the 22 per cent of the electorate that is black—and won a remarkable 8 per cent of the votes.

But perhaps the greatest handicap of all was that for a long time even his friends did not think that Mr Sanford was a serious presidential candidate in his own right. They thought that he was nothing more than a stand-in for Senator Hubert Humphrey, a man whom he has helped many times in the past, or that he had real designs only on the Vice Presidency. With a defeat in his own state behind him Mr Sanford's political chances look dim. But he still hopes that a deadlocked convention may turn to his new face.

ELECTION '72

Conservatives' radical?

Wealthy suburbanites and conservative working-men who have been supporting Senator McGovern would desert him in droves if they realised how extremely left-wing his policies really are. This view, held by some analysts, makes Republicans lick their chops at the prospect that Mr McGovern, now in the lead, may capture the Democratic presidential nomination. But it was a Democrat, Senator Jackson, in the days before he dropped out of the race, who accused Mr McGovern of extremist views. Campaigning in Nebraska—a sparsely populated, farming state—Mr Jackson charged the Senator from neighbouring South Dakota with planning to wreck the country's defences. Other conservative groups both inside and outside the state chimed in; an advertisement in the archdiocesan newspaper in Omaha asked Roman Catholics (a large minority in the state) if they wanted a candidate who favoured abortion on demand, legalised marijuana and amnesty for draft-dodgers and deserters.

These are minor issues, but they arouse strong emotions. Senator McGovern spent a great deal of time in the closing days of the campaign setting the record straight: he considers that abortion law should be left to the states; he does not advocate legalisation of marijuana at this time but he does feel that no one should be sent to prison for smoking or possessing it; he believes in amnesty for draft-resisters after the war is over (so did Lincoln), but not for deserters. Senator McGovern went on to win 41 per cent of the votes in the popularity race to Senator Humphrey's 35 per cent and Governor Wallace's 13 per cent. But Mr McGovern should have done better after his nine-month cultivation of Nebraska; he was saved by the votes of farmers and students.

For a candidate long thought of as having one issue—the war in Vietnam—Senator McGovern now has an extraordinarily comprehensive programme to turn America around. It deals with more fundamental questions than amnesty and abortion. He wants to cut military spending from $76 billion a year to $55 billion by 1975, cheerfully scrapping anti-ballistic missiles, aircraft carriers and Titan missiles which he thinks are not needed for defence of the United States. He would also redistribute income and wealth drastically.

The Senator says that he would cut taxes for people with small incomes, introduce a negative income tax to provide the poor with a minimum income and multiply federal outlays for education by about six times. To pay for all this, taxes on families with more than $12,000 a year would go up; on income above $50,000 a year taxation would become close to confiscatory. The familiar tax "loopholes" for the rich would simply lose their relevance. There would be heavier taxes for business and much larger levies on capital gains and inheritances.

If Mr McGovern were to become President some of these ideas would probably have to be modified. But even if he wanted to, Senator McGovern would find it hard to dilute them in a race against the President: his image as a man of principle is his greatest attraction to the voters.

The latest count of how the leading contenders for the presidential nomination are doing in terms of votes at the Democratic convention in July:

McGovern	314
Humphrey	236
Wallace	207
Muskie	127½
Various others	76
Uncommitted	202

1,509 votes are needed to elect a nominee.

This calculation is by Congressional Quarterly; other sources offer slightly different versions. It covers the first 12 of the 23 primary elections and the position in those states where the process of choosing delegates by other methods has been completed. The results of the voting for delegates in this week's primaries in West Virginia and Nebraska are not included.

Press besieged

New York

In spite of their soaring earnings America's newspapers and television stations are in an uncomfortable state of beleaguerment. Officials of the Nixon Administration, led by the Vice President, Mr Spiro Agnew, are continuing their barrage against the allegedly anti-conservative bias of the press, especially against the major television networks and the most important newspapers. Meanwhile, an increasing number of working newsmen—and women—have been attacking the press for its hide-bound ways. The reading and viewing public, moreover, is reported to be distrustful of the diet of news available; the press as well as the government is suffering from a credibility gap.

The latest skirmish in what has become a definite siege resulted when Pulitzer prizes, journalism's most coveted and publicised awards, were presented to the New York Times for its publication of the Pentagon papers on the Vietnam war and to Mr Jack Anderson, the columnist, for his disclosure of top secret documents on the India-Pakistan war. Most journalists and publishers considered these particular Pulitzers amply justified as recognition of journalistic enterprise, but some of the trustees of Columbia University, who sanction the prizes, expressed "reservations about the timeliness and suitability" of the awards, presumably those made to Mr Anderson and to the Times. In many other circles the propriety of bestowing prizes for the publication of purloined papers is being questioned.



Pulitzer winners: NYTimesmen and Jack Anderson

The press, of course, insists that the publication was in the public interest, but predictably Mr Agnew regarded the Pulitzers as fresh provocation. He was echoed this week by Mr John Erlichman, the White House's expert on domestic affairs. At the same time, Mr Erlichman denied that the Administration was stepping up its offensive against the press even though Mr Patrick Buchanan, another White House aide, had earlier described the prizes as "atrocious" and warned the major television networks that action might be taken if they did not provide greater access to conservative opinion in news broadcasts.

Relations between the government and the press have never run smoothly in the United States. But the conflict has deepened and intensified in recent years as the press has expanded its coverage of the war in Vietnam, the turmoil on the campuses, the campaigns against polluters of the environment, the multiple claims of minority and extremist groups. This increasingly critical approach has led to retaliation by the Nixon Administration that has gone far beyond Mr Agnew's alliterative broadsides. It has employed subpoenas in an attempt to get newspaper and television journalists to divulge confidential information and sources and it has carried out an investigation of Mr Daniel Schorr, a television critic, ostensibly to discover if he was suited for a government job. The Administration's most threatening action, though, was its unprecedented lawsuits to halt publication of the Pentagon papers; the press considered this to be an attack on the cherished First Amendment to the Constitution which guarantees freedom to report and to publish.

For its part the Administration believes that the press is irresponsible if not disloyal. Mr Nixon, who promised that his would be an open Administration, has revealed his own displeasure by playing favourites, deliberately excluding representatives of newspapers that he considers unfriendly from off-the-record briefings, a tactic resorted to by previous occupants of the White House. His aides are even more open, at least in their hostility. They are convinced that the Washington press corps, many of whose members enjoy incomes and status far more elevated than journalists elsewhere, is made up of liberal ideologists instinctively opposed to Mr Nixon's personality and policies.

But the press, like the country, is not monolithic. To be sure, the New York Times and the Washington Post, the two most influential papers with politicians and journalists, are distinctly liberal. But a sizeable majority of the American Newspaper Publishers Association, which has just held its annual convention in New York, is solidly Republican. Fully 80 per cent of the country's newspapers, possessing 75 per cent of total circulation, endorsed Mr Nixon's presidential candidacy in 1968 (if they took a political position and most did) and continue to favour him. Publishers stubbornly resist government attacks as an intrusion on the freedom of the press. But critics, not all of them in Mr Nixon's camp, are perturbed about the growing concentration of press power—and are questioning whether freedom can flourish without competition. Half of the country's newspapers (with 60 per cent of the circulation) are now controlled by chains; only six cities in the United States have competing evening newspapers and only three competing morning papers; with newspapers investing heavily in both radio and television stations, the power of the press is substantial.

Relations between government and press are rougher than they used to be, but only partly because of the Administration's strenuous efforts to win support for its policies. Certainly, Mr Nixon's claim to openness is debatable. He seeks exposure for his views but without the risks of letting people pry into them; for example, he has held comparatively few televised news conferences but has pre-empted prime time in the evening on network television for prepared speeches more frequently than any of his predecessors. Even so, his aides complain bitterly that commentators following his addresses have a habit of engaging in "instant analysis" that damages his impact on the public.

Even if these commentaries are really rather tame, there is no doubt that the press is more conscious of its role as an adversary. During the cold war and the early days of the conflict in Vietnam, the press corps supported government policies loyally, especially in foreign and military affairs. Newsmen acted as conduits for government leaks, frequently of highly classified information, and dutifully reported the official line as related in handouts and briefings. The failure of the press to demonstrate its independence and initiative has been made apparent by investigators like Mr I. F. Stone, who ran his own irreverent newsletter, Mr Seymour Hersh, who uncovered the My Lai atrocities, and Mr Ralph Nader. Aware of its own past lapses the press is now much more sceptical and enterprising in its coverage. Many newspapers have adopted the Nader technique of assigning teams to report critically on the goings-on in Washington's labyrinthine bureaucracy. But the more aggressive journalism now being practised often encourages advocacy rather than objectivity and many of the "new" journalists make use of fictional devices, sacrificing accuracy for effect.

Given the changing nature of journalism and the growing pressure of government criticism, it is not surprising that publishers and newsmen are devoting more time to examining their purposes and performance. Over the past few years a sizeable number of journalism reviews, financed by newsmen and philanthropic foundations, have been established as critics of the press. Although most favour "advocacy" journalism, they have drawn attention to the abuses—and the lapses—of the press. Meanwhile,

efforts are being made to create press councils modelled after the British prototype ; the first statewide press council has just been created in Minnesota and others may follow.

The press would prefer to be left alone and unfettered. But a change may be forced by governmental harassment, documented in a recent foundation report that detailed instances of dubious subpoenas, policemen posing as journalists and journalists working for law enforcement agencies, and by public discontent over sensationalised coverage of violence. The press can be expected to win widespread support for its resistance to pressure from the government, but it is as vulnerable as other institutions if it does not demonstrate its responsiveness to the reading and viewing public. Unless the public is given some form of access to the press for the airing of grievances, press freedom will be under pressure.

ELECTION '72

Republicans change coasts

FROM A CORRESPONDENT IN MIAMI

The Governor of Florida promised hundreds of policemen. The federal government offered marshals and, if necessary, troops. The city manager wished aloud for an even larger security force and a proposal for an elite, thousand-man anti-riot squad won sympathy in Washington. With the question of security thus dealt with, the Miami Beach City Council invited the Republican party last week to renominate President Nixon under its August sun. Miami Beach emerged as the sole, and somewhat reluctant, suitor of the Republicans (the vote to invite them was 4-3) after San Diego, in California, lost the convention.

Apart from the dread of hostile demonstrations, the Republicans feared that the San Diego Arena would not be ready for them in time ; it was proving excessively costly as well. The city's hotels were insufficient (and largely non-union). And San Diego, fairly or not, was tarred with the brush of the long congressional investigation into the part played in financing the convention by the International Telephone and Telegraph Corporation. From the President's point of view Miami is just as convenient ; he has a home in Florida as well as one in southern California. As for San Diego, which was never quite sure that it wanted the convention at the height of its tourist season, the parting is no great sorrow.

The Democrats meet in the same convention hall six weeks earlier. By comparison with their tumult, the Republican affair promises to be as cut and dried as yesterday's white bread. On one night the Republicans will nominate Mr Nixon, probably by acclamation, and on the next they will confirm his choice for Vice President—probably Mr Spiro Agnew again.

The real drama of the Republican convention is likely to take place in the streets outside. That is why, with the nightmare of the 1968 Democratic convention in Chicago still fresh in peoples' minds, a major party had trouble finding a home for the first time in American political history. It had been feared that as many as 250,000 demonstrators might turn up at San Diego, which is close enough to Los Angeles to make the number conceivable. Miami Beach, which is distant from other major centres of population, may attract between 50,000 and 100,000. But it is an island connected to the mainland by causeways which can be closed easily.

No one really knows what to expect. How many demonstrators will come for the Democratic convention in July ? Will they just stay on in Miami for the six weeks between the conventions, to have their numbers swollen as the Republicans gather ? Where will the youthful thousands sleep ? How much violence will they bring with them ? Scrambling for the money, the men and the equipment to police the conventions, the local leaders, who are generally enlightened, are determined that Miami Beach will not become a second Chicago. But no one can guarantee that their efforts will succeed.



Police chief and city manager

Is health ill ?

The guardians of America's health have some headaches themselves. Health is only one of the three great concerns of the unwieldy Department of Health, Education and Welfare (it spends more money than the Defence Department) and over 100 liberal Democrats are backing a bill to split off the health component. The Democrats do not expect to pass this bill until next year but more imminent perils surround the Food and Drug Administration, the agency in HEW which is responsible for the purity of America's food and the safety and effectiveness of its medicines.

Spokesmen for the consumer, including associates of Mr Ralph Nader, and a number of members of Congress feel that the FDA and its associated divisions are too weak, too slack and far too close to the industries which they are supposed to regulate to do a good job of protecting Americans from contaminated food and ineffective medicines. Senator Magnuson is sponsoring a bill to dismantle FDA and transfer its powers and responsibilities for consumer protection to a new, independent agency ; in March the Senate Commerce Committee gave the bill overwhelming bipartisan approval.

One thing has angered Congress recently : the discovery that for years the Division of Biologics Standards, a unit of the National Institutes of Health, allowed pharmaceutical firms to market millions of doses of influenza vaccine which it knew to be useless. Nearly half of America's food-processing firms, which FDA is supposed to police, are said to be insanitary. In another case, a lawsuit under the Freedom of Information Act was needed to open FDA's files and show that FDA was allowing food processors to employ a dangerous preservative, although its use had been banned.

All the activity on behalf of the consumer is sharpening FDA's attitude toward industry ; pharmaceutical manufacturers were told recently in public by the agency's head, Dr Edwards, that they would no longer be allowed to sell products with little or no merit. The cap seemed to fit producers of a number of pain-killers —which studies by the National Academy of Sciences and the Mayo clinic have found to be inferior to simple aspirin.

The Nixon Administration opposes any splitting up of HEW, but it has gone some way to meet the critics'

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complaints. FDA is to be given more money, more staff, more independence and more powers. And FDA, over vigorous objections from industry, is proposing to open up to 90 per cent of its files to public inspection, reserving only the right to keep secret information which firms can prove would affect their competitive position.

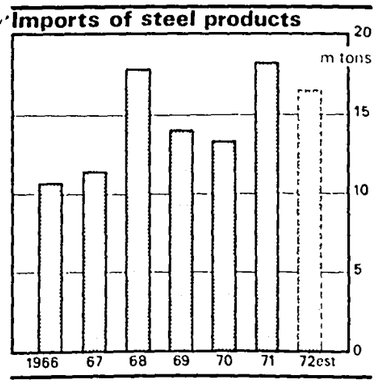
Trade-offs

The growing protectionist sentiment in the United States has produced some results. Steel manufacturers in western Europe and Japan have agreed to restrain their exports of steel to the United States in the next three years. They did so grudgingly, largely out of a fear that Congress might actually pass some of the harsh proposals to restrict trade that organised labour and some Congressmen are supporting.

The new steel agreement extends and enlarges one that existed for the three past years, the by-product of the threat of an American steel strike in 1968 which caused American imports of steel to be unusually high. This time Britain is included among the signers, along with the common market countries. The agreement with Japan was made separately. Under the new terms, the eight countries involved will reduce their agreed limit on the annual growth of exports of steel to the United States from the former 5 per cent to 2.5 per cent. There is to be extra protection given to American manufacturers on the West Coast (who are most affected by Japanese imports) and for those who make specialised steel. There are also to be restrictions on the exporters' ability to juggle the individual limits on different categories of product in order to ship more of the highly priced, better grades of steel to the United States.

But old and new, the agreements are only voluntary. Last year the record-breaking 18.3m tons of foreign steel sold to America was nearly 3m tons over the agreed quotas and accounted for 18 per cent of domestic consumption. This happened because American steel buyers, then facing another threatened strike in the domestic steel industry, placed extra orders abroad to be on the safe side. The strike never materialised, but President Nixon's 10 per cent surcharge on imports did. Foreign steel manufacturers therefore felt little guilt at exceeding their quotas for they held that the President had broken his part of the bargain. Now the Europeans have insisted that the new arrangement will become invalid if the United States makes any unilateral changes in the steel import rules. Assuming that will not happen, American imports of steel should fall by about 11 per cent this year.

Imports of steel products



The new agreements are hardly in keeping with the professed American philosophy of encouraging freer trade. Common market officials are unhappy about them; so are the Japanese. The American negotiator himself conceded that, if such a pact were arranged among domestic steel producers, it would violate American anti-trust laws. But all sides accept that the United States is getting tough in its trade policy. The intensification of anti-dumping actions, directed particularly but not only at Japan, is proof of that. Last month the Treasury announced that foreign goods whose export prices do not reflect revised currency values would be investigated under suspicion of being dumped (sold abroad more cheaply than at home). The Tariff Commission, acting on cases referred by the Treasury, has recently made judgments against fish netting, large transformers, asbestos-cement pipe and sulphur. According to Mr Eugene Rossides, the Treasury's assistant secretary in charge of trade policy, enforcement will become even stricter because "our foreign friends" still maintain too many barriers against American exports.

Abortive politics

President Nixon's antipathy to abortion has led him to reject the advice given by his own commission on population growth and to interfere in the internal affairs of New York State. The President managed to thank the commission for the hard work that it had put in over two years, examining the problems of population and the American future; but in the same breath he criticised some of its major recommendations. Mr Nixon declared that he found abortion an "unacceptable" form of population control. Moreover, he disapproves of giving teenagers help with contraception, for "such measures would do nothing to preserve and strengthen close family relationships." This is not the first time that Mr Nixon has dismissed the findings of a commission that he has appointed to look into controversial social matters; he did not like the advice that he got on marijuana or pornography either. But his emotional pronouncements this month made it clear, as does Senator McGovern's experience in Nebraska (see page 58), that abortion will be a political issue in the election campaign to come.

What the Population Commission recommended, among other things, was that other states adopt versions of New York's abortion law, the most liberal in the country. But a fierce campaign in New York has persuaded the lower chamber of the legislature to vote for repeal of the law, which permits abortions on demand for women until the 24th week of pregnancy. The advocates of repeal, including the Roman Catholic hierarchy and several organisations using the label of "right-to-life," want the state to revert to its nineteenth century statute which permitted abortion only when a mother's life was in danger.

Governor Nelson Rockefeller is firmly against repeal. He would like the law revised, to limit abortions on demand to the first 18 weeks of pregnancy, but he has sworn to veto an outright repeal, if the state senate should also pass it. Because the vote is bound to be close and because legislative time is short, there seems little likelihood that the legislature could muster sufficient votes to over-ride a veto.

Why then did Mr Nixon write a letter to Cardinal Cooke, the leader of the repeal campaign being conducted by the archdiocese of New York City, saying that "I would personally like to associate myself with the convictions you deeply feel and eloquently express"? Even the President acknowledged that his intervention was unorthodox by mentioning in his letter that the matter lay outside federal jurisdiction. The New York Times said that it would be hard to find another example of "a President openly working through a particular church to influence the action of a state government."

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BANK OF GREECE

ANNUAL REPORT FOR 1971

Sustained high rate of economic growth and monetary stability

The Governor of the Bank of Greece, Mr. Demetrius Galanis, presented his annual report to the shareholders of the Bank on 24th April 1972.

The main fact emerging from the Governor's report is that, in 1971, the economy kept up a high rate of growth for the third consecutive year, which was combined with favourable developments in the determinants of monetary equilibrium.

A summary of the Governor's report follows :

1. NATIONAL INCOME AND PRODUCTION

Over the past few years there has been a continuous high rate of fixed capital accumulation, which has expanded the economy's production capacity. This, in conjunction with growing demand, made it possible for economic activity to keep increasing at a high rate in 1971. This development is reflected in the growth of gross national income at constant prices, which is estimated by the National Statistical Service of Greece at 7.3 per cent. Since the rates for 1969 and 1970 were 7.7 and 7.5 per cent respectively, the three-year average corresponds fully to the target rate set in the five-year plan for 1968-72 (7.5-8.5 per cent).

A special feature of economic developments during 1971 was that a high rate of growth was realised in spite of slacker economic growth abroad and a marked deceleration of the rate of increase in agricultural income at home. The rate of growth of national income in 1971 was in fact higher than in any of the EEC and OECD countries. Moreover, a further development worth noting was the improvement in the composition of national income, which corroborates the economy's steady progress towards the required changes in the structure of its productive capacity. In fact, the rapid growth of income from the industrial sector resulted in raising its share in national income to 31.7 per cent last year, from 28.4 per cent in 1967.

According to NSSG estimates, income from secondary production increased by 9.4 per cent last year, compared with 7.9 per cent in 1970 and 11 per cent in 1969; industrial production in particular increased at practically the same high rate as in the previous two years (1971: +9.8 per cent; 1970: +10.9 per cent; 1969: +11.3 per cent). The recovery of building activity and strong foreign demand for industrial products, except metals, accounted substantially for the continued rapid industrial growth in 1971. In this respect, the slowdown of agricultural income growth and the fall of foreign demand for basic metals (e.g. nickel iron), no matter how substantial they have been; only counteracted the growth of industrial output to a limited extent, the latter having been sustained by other sources of demand. This achievement stems from the rapid growth of production facilities and the introduction of advanced technology, and is highly significant as far as the international competitiveness of Greek industry is concerned.

2. GROSS EXPENDITURE OF THE ECONOMY

According to NSSG estimates, the gross expenditure of the economy increased by 7 per cent last year, compared with 6.6 per cent in 1970. Even more significant is the fact that there was a further improvement in the composition of expenditure and especially in the structure of investment. Such improvements stemmed from investment rising at a faster rate than consumption and from differentiations in the sectoral growth rates of investment. In both instances, rate differentiation was in line with economic development targets.

As estimated by the NSSG, total gross fixed capital formation increased at a higher rate than in 1970 (+8.7 per cent against +6.9 per cent). This increase came mainly from the rapid expansion of public investment (+17.1 per cent against +12.4 per cent in 1970) and to a lesser extent from private investment, although the latter increased faster than in 1970 (+5.1 per cent against +4.7 per cent). It should be noted in this respect that, in recent years, changes in the growth rate of private investment were basically determined by investment in buildings, which has shown variations in both direction and intensity.

Following these developments, the ratio for fixed capital formation to gross expenditure and to GNP kept up its steady growth record of recent years by showing a further improvement in 1971, when it rose to levels conforming to patterns of investment behaviour in countries at an advanced stage in their economic development process. This is evident from a comparison of last year's investment-expenditure ratio with that of 1965 (24.7 and 19.7 per cent respectively). A similar picture emerges when we compare the investment-GNP ratios for 1971 and 1965, which were 26.6 and 22 per cent respectively.

Apart from the favourable structural developments in gross expenditure, a further improvement in terms of the allocation of available resources was seen last year in the composition of private investment. This was due to the slow growth rate of investment in housing, whereas the more productive categories of investment, especially that in industry, have been keeping up a high rate of expansion.

In view of the further substantial increase in imports of machinery and equipment and in long-term industrial credit for fixed assets, it seems that a high growth rate has prevailed in industrial investment. The fact that investment in industry has been increasing at a high rate throughout the last three years underscores the reforms that are taking place in the required direction as regards the set-up of the economy's productive capacity.

During the year under review consumption increased at a lower rate than investment (+6.2 per cent). This was mainly due to private consumption, which grew at a slightly slower pace than in 1970.

3. PRICES

Domestic prices rose last year at virtually the same rate as in 1970; during 1971, the consumer price index rose by 3 per cent, compared with 3.7 and 2.2 per cent respectively in 1970 and 1969. The wholesale price index rose faster, namely by 4.6 per cent last year, against 2.6 per cent in 1970 and 3.9 per cent in 1969. Last year's price changes were caused basically by the same factors that brought about the slight acceleration in price movements in 1970, namely imported inflation and shortages in the supply of some domestic agricultural products, owing to autonomous factors.

Although increased demand was partly responsible for the slight rise in the domestic price level, the main inflationary pressure came from factors related to the cost of marketed products.

Over the first four years of the current five-year economic development plan and in spite of the slight acceleration of the last two years, the average annual increase in the consumer price index was almost equal to the 2 per cent rate anticipated by the plan. Last year, the index in question rose less than the respective indices of all OECD countries.

4. BALANCE OF PAYMENTS

The main developments in the economy's foreign sector last year were an increased trade deficit and the further substantial improvement in the balance on invisibles, which led to a relatively better balance on current account. Under the effect of a considerable increase in invisible earnings and larger capital inflow, total foreign exchange earnings exceeded the corresponding payments substantially. This resulted in a spectacular rise of the country's foreign exchange reserves, which amounted to $502.8(1) million at the end of 1971, against $310.1 million at the end of 1970. These amounts include Greece's gold tranche with the International Monetary Fund, equivalent to $34.5(1) million. It is noteworthy that foreign exchange reserves have kept increasing this year as well.

In 1971, the trade deficit increased because of the continuing growth of imports and the virtual standstill in exports, owing to special reasons. Imports were influenced mainly by rapid economic development and the rise in incomes and rose at a high rate which, however, was well below that of the previous year (+13.6 against +19.6 per cent). The low rate of increase in exports (+2.1 per cent) was caused chiefly by the suspension of nickel iron exports following the sharp drop in world prices. Nevertheless, exports of other products, especially industrial ones, expanded at a satisfactory rate. Considering the generally adverse conditions that prevailed in international markets last year, the fact that exports of dynamic products maintained their high rate of increase points to the efforts being made to promote exports by providing the necessary incentives and organisation.

A substantially larger proportion of the increased trade deficit was offset by net invisible earnings, which recorded an impressive increase in absolute terms but also a very considerable acceleration in their rate of growth (+39.7 against +23.5 per cent in 1970). In fact, having almost doubled in amount over the last three years, invisible earnings rose to $940.6 million, thereby improving their share in offsetting the trade deficit from 62.1 per cent in 1970 to 72.3 per cent in 1971. Although all categories of invisible earnings increased at high rates, the most impressive performance was seen in earnings from tourism, which went up by 57.7 per cent against 29.5 per cent in 1970. High growth rates were also noted in earnings from emigrants' remittances (+33.5 per cent), as well as in earnings from shipping (+28.4 per cent), in spite of a recession in the international freight market.

Last year's significant increase in invisible earnings overcompensated for the deterioration in the balance of trade and brought about the improvement seen in the balance on current account, whose deficit was reduced by about 12 per cent to $361.6 million against $410.4 million in 1970. This deficit was more than offset by the larger influx of foreign capital, which contributed to the impressive increase in the country's foreign exchange reserves.

These favourable movements in the balance of payments took place in spite of the acute international monetary crisis that lasted for most of the year under review. This crisis had certain positive as well as negative effects on the Greek balance of payments, the most important of which was the expansionary impulse given to invisible earnings. The economy of Greece emerged from the crisis and the concomitant realignment in currency parities with a stronger position in terms of the competitiveness of the country's foreign trade.

5. MONETARY AND CREDIT DEVELOPMENTS

The ratio of total liquid assets (currency circulation, deposits, bonds etc) to disposable private income rose to an estimated 77.3 per cent last year, compared with 71.3 per cent in 1970, 67.3 per cent in 1969, 57.3 per cent in 1966 and 46.1 per cent in 1961. The secular rising trend in liquidity and its recent acceleration are normal developments related to structural changes, the most important of which are the economy's rapidly increasing wealth, the supply conditions for other assets which compete with the liquid ones and the prevailing favourable psychological climate. Nevertheless, it must be pointed out that the rapid increase in liquidity renders the economy more sensitive to psychological factors and less responsive to monetary policy.

In contrast with the rapid rise in total liquid assets and their ratio to disposable private income, currency circulation—at average annual levels—increased between 1970 and 1971 at a lower rate again than for gross national income at current prices. This implies that the demand for currency showed a further decrease last year, whereas the demand for other liquid assets, especially savings deposits, accelerated, due mainly to the expansion of banking services and the increased importance of financial criteria in choosing among various forms of liquid wealth.

More analytically relevant developments are as follows :

Currency circulation, which is in Greece the major item in total money supply, increased by Dr. 4,128 million or 10.6 per cent in 1971, against Dr. 3,438 million or 9.7 per cent in 1970. Private deposits increased by Dr. 27,106 million or 27.2 per cent in 1971, compared with Dr. 19,642 million or 24.6 per cent in 1970 and Dr. 14,061 million or 21.4 per cent in 1969. As a percentage of disposable private income, the increase in deposits rose to 11.1 per cent against 8.8 per cent in 1970 and 7 per cent in 1969. The main stimulus for this large increase came from savings and time deposits, which grew by 28.1 per cent last year, compared with 25.4 per cent in 1970. The rapid growth of deposits made it possible to finance a larger amount of investment and productive activity out of sound sources. During the year under review, total bank credit increased by Dr. 28,427 million or 21.2 per cent against Dr. 23,386 million or 21.1 per cent in 1970 and Dr. 19,181 million or 20.9 per cent in 1969. Last year's increase in bank credit corresponds to 11.5 per cent of national income at current prices, compared with 10.5 per cent in 1970 and 9.6 per cent in 1969. The private sector of the economy absorbed 88.7 per cent of the total credit expansion in 1971. Although bank credit increased rapidly in all sectors of the economy, the rate was particularly high in the manufacturing sector, where it rose to 24.5 per cent against 21 and 17.1 per cent respectively in 1970 and 1969. Over half (57 per cent) of the overall increase in bank credit last year referred to long-term financing for fixed assets. The growth rate of long-term credit was 24.9 per cent in 1971, compared with 27.9 per cent in 1970 and 30.4 per cent in 1969. A further slight acceleration was noted in short-term credit for working capital, which grew by 18.8 per cent last year, against 18.3 and 14.7 per cent respectively in 1970 and 1969.

6. PUBLIC FINANCE

In 1971 the public sector made an increased contribution to economic development through the realisation of a larger amount of investment, which was financed in part out of the surplus in the ordinary government budget.

The end of the year under review was marked by a series of tax reforms reflecting major readjustments in fiscal policy. These reforms have three main aims; to rationalise tax revenue, to improve the operations of public organisations, and make development incentives more effective.

7. PROSPECTS OF THE GREEK ECONOMY DURING THE CURRENT YEAR

Optimism regarding a high rate of economic and investment activity during the current year is based on expansionary trends in crucial sectors of production and expenditure as well as in basic determinants of demand, such as the larger public investment programme, dynamic foreign demand for services as well as industrial products, and the accelerating recovery of building activity. A further strongly expansionary factor, which is also significant in respect of structural improvements, is represented by private investment prospects. In fact, investment activity in the private sector is expected to be larger in amount and improved in structure; several firms have announced their intention to undertake large-scale business ventures, mainly with the participation of foreign equity capital. These ventures will be attempted in the highly development-oriented sectors of manufacturing (metallurgy, oil refining, aircraft repairs, construction of heavy vehicles etc), shipbuilding and a number of dynamic agricultural activities.

Further highly encouraging evidence is provided by the expansionary trends set up in basic categories of invisible earnings, especially those from tourism, which has become a major and constantly expanding source of foreign exchange. Together with other reliable indications, these trends support the expectation of a further large increase in total invisible earnings during the current year, which will strengthen the economy's ability to finance the increasing imports generated by the accelerating growth of production and investment activity.

The excellent climate of business optimism and confidence, sound consumer behaviour and the circumspect policy followed in the fiscal and monetary sector form a favourable environment for the maintenance of monetary equilibrium. The continuing growth of private savings and the increasing flow of a large part of them into the banking system greatly facilitates the implementation of an easy credit policy. It goes without saying, however, that an expansionary monetary and credit policy can only be stretched to the limits imposed by the need to safeguard monetary stability.

The importance of maintaining monetary stability in the long run is evident. Steady and sustained economic and social progress presupposes accelerated income growth and extensive structural reforms in the economy. These can only be achieved, however, on the basis of a strong monetary and foreign exchange position founded on unshakable confidence in the stability and favourable prospects of the Greek economy. These conditions were established over the past few years, were further strengthened in 1971 and are expected to continue unchanged in the current year.

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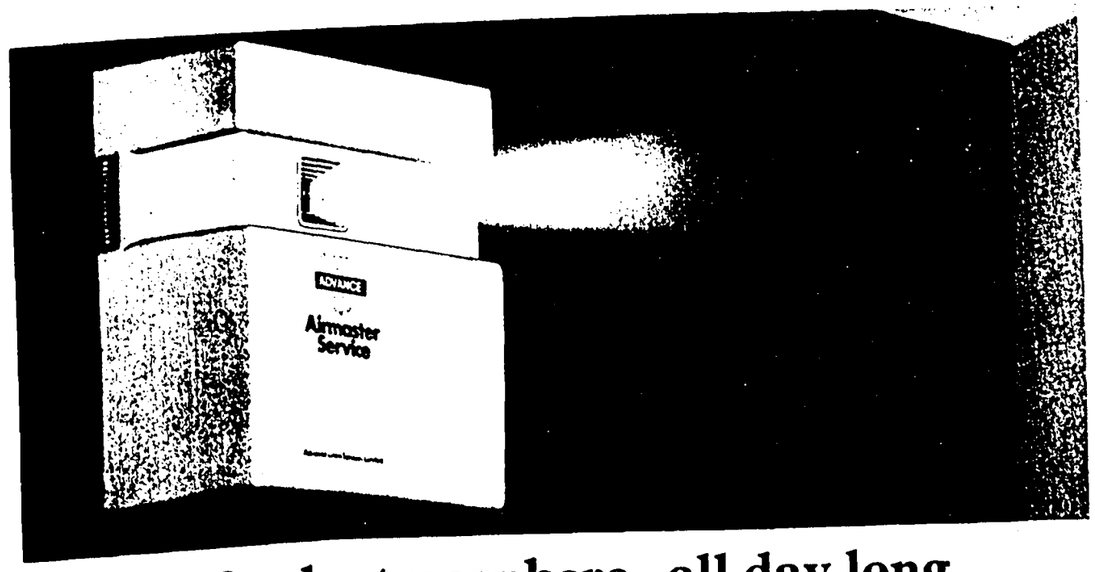
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MINISTRY OF COMMERCE FOR NORTHERN IRELAND

THE ECONOMIST MAY 13, 1972

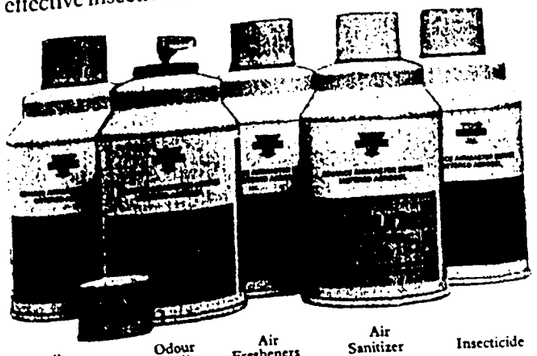
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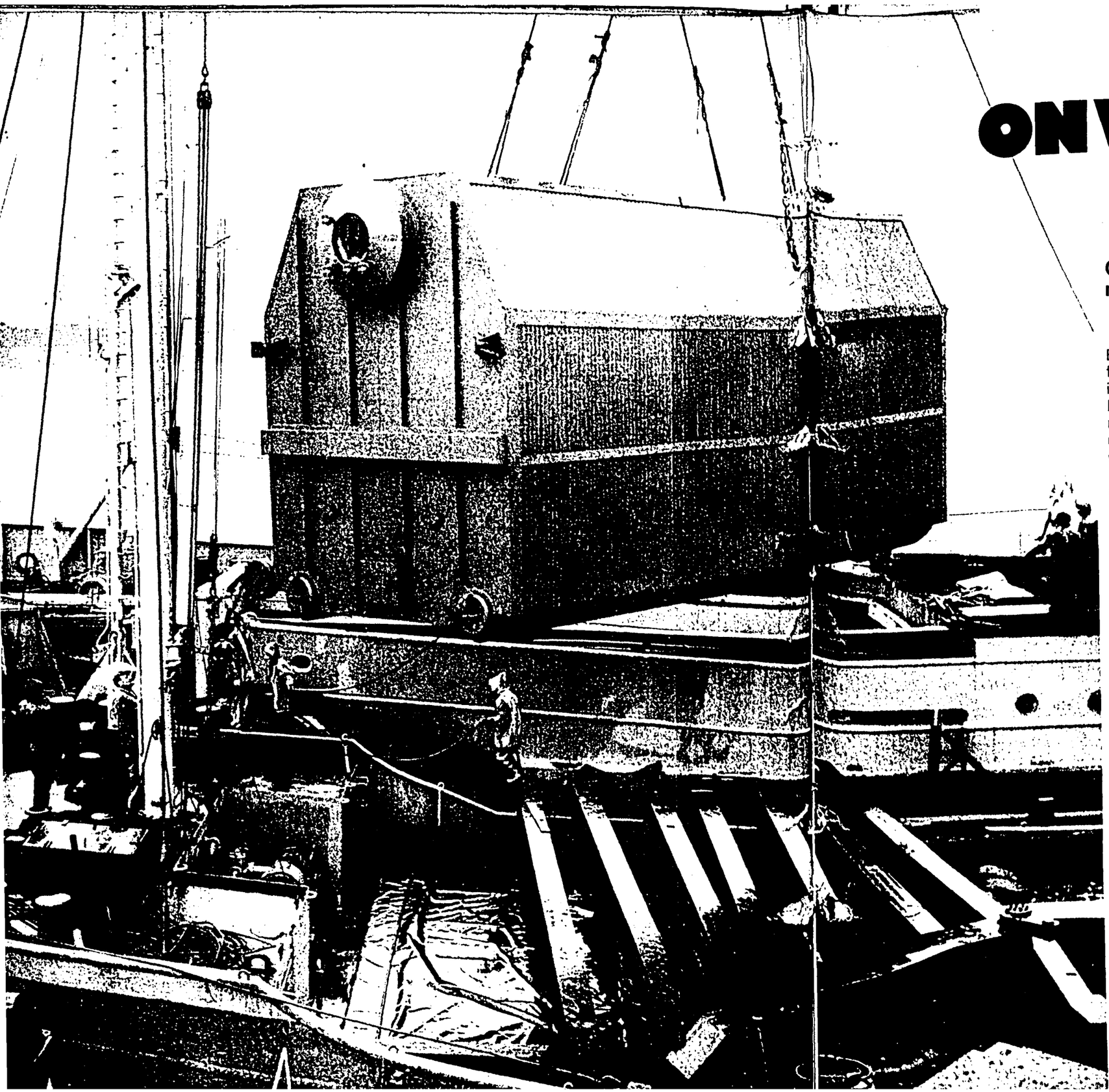
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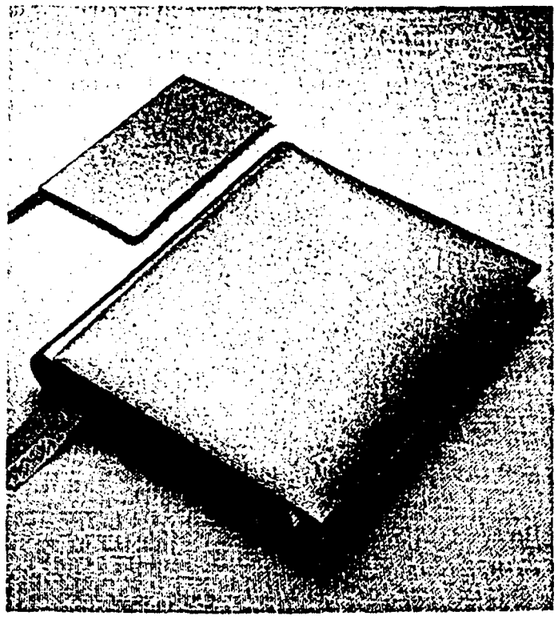
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Extraordinary items	40,000	317,000
Profit for the year	3,772,000	3,165,000
Per £1 Ordinary Share Dividends		
Interim paid 14th January 1972	5·0p	3·5p
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Total	15·0p	12·0p
Earnings before extraordinary items	33·2p	24·5p
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We are pleased to be able to report profits before tax of £6,518,000, showing an increase of £1,829,000 or 39 per cent. on last year. The major part of these profits is earned by the main subsidiary company, W.H. Smith & Son Ltd.

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Capital expenditure during 1972/73 will approximate £6 million of which £3.685 million has already been sanctioned by the Board.

Books

Genesis

CHANCE AND NECESSITY
By Jacques Monod.
Collins. 187 pages. £1.75.

Even the most cautious reviewer, however nervous of debasing the currency of adjectives, must sometimes use the word great. This is a great book, sinewy, lucid and intelligible, alike to the non-scientist and the novice in philosophy. The translation is excellent, and the publisher's only error—a serious one—is the failure to provide an index. But beware. The brevity of this book is no guide to the time it takes to read rewardingly.

Professor Monod is a molecular biologist who has won a Nobel prize for his work on protein synthesis. The advances in molecular biology of the last 20 years—the discovery of the structure of DNA (the double helix), the cracking of the genetic code, the solution of the mechanism of protein synthesis—all establish a microscopic basis for the theory of evolution. Professor Monod has ransacked them for clues to a solution of the fundamental epistemological contradiction in biology : " the cornerstone of the scientific method is the postulate that nature is objective." Scientists seek prior causes of the phenomena they study and deny that true knowledge can be gained by interpreting natural events in terms of purposes, goals or strivings—" final causes." Objects are not supposed to be decision-makers. Yet objective study of living organisms obliges us to recognise their teleonomic (Monod's word for purposive or " project-serving ") character, and to admit that both in structure and performance they decide on and pursue a purpose.


Monod : protein lives

The core of the book is a masterly summary of protein chemistry. Here Professor Monod describes the significance of the allosteric enzyme proteins. Their reactions used to be described as automatic and predictable. Now, it is accepted that they can recognise, choose and discriminate :

> When analysed at the microscopic—the molecular—level, these performances appear wholly interpretable in terms of specific chemical interactions, electively assured, freely chosen and organised by regulatory proteins. And it is in the structure of these molecules that one must see the ultimate source of the autonomy, or, more precisely, the self-determination that characterises living beings in their behaviour.

In Professor Monod's scheme, therefore, the boundary of what is alive has been pushed back several orders of magnitude from its usual place among the viruses to certain types of single protein molecules.

Teleonomic structures and performances are served by protein. Genetic stability, " invariance," is linked to the nucleic acids. So, says Professor Monod :

> We shall define the essential teleonomic project as consisting in the transmission from generation to generation of the invariance-content characteristic of the species.

The conclusion is necessarily pessimistic : " evolution is not a property of living beings, since it stems from the very imperfections of the conserving mechanism." Chance mutations emerge as teleonomic failures.

For all its intellectual richness, this book is not free of self-contradictions. Scientists and ordinary readers are more likely to be impressed by Professor Monod's arguments than are philosophers. He certainly handles them roughly. Vitalists (including Bergson), animists (among whom he includes Teilhard de Chardin) and certain doctrines of marxism are shown to be mistaken. Holistic theories are dismissed in a paragraph. But at the same time as he is rejecting the idea of the miraculous as applied to life he freely uses " final cause " verbs : recognising, discriminating, choosing, electing. Nor will methodologists be convinced that these concepts, appropriate enough to man, can be used in the same sense when applied to the functions of a single protein molecule. But then they are now not acceptable even as explanations of human behaviour to men like Professor Skinner ; philosophers, psychologists and scientists will buzz round this honey-pot of a dilemma for a long time to come.

Private places

MURGATREUD'S EMPIRE
By Bamber Gascoigne.
Cape. 192 pages. £1.75.
THE TENANTS
By Bernard Malamud.
Eyre Methuen. 230 pages. £1.95.
THE DISTANT LAUGHTER
By Bryan Forbes.
Collins. 287 pages. £1.80.
TRISTAN
By Hervé Bazin, translated by Derek Coltman.
Hodder and Stoughton. 315 pages. £2.50.

There is a spice of " Black Mischief " about Mr Gascoigne's first novel. Just a pinch : Murgatreud would have been incomprehensible to Waugh, and is hard going even now. Mr Gascoigne has a strong line in transliteration, and the international white trash esperanto thumps along in multi-syllable wordblocks. But when Murgatreud, Manning and O'Halloran find themselves in the cooking pot, Mr Gascoigne dispatches them in true Waugh style : the cliché is refreshed with a highly intelligent blend of the ludicrous and the macabre. This is a genuinely amusing book, with a plot that actually unfolds, as Murgatreud crashes into Manning and O'Halloran's faded, private, colonial world to create an export industry out of the native pygmies' phallic symbols. Mr Gascoigne peddles no message, he is not out to shock, and when he is crude he is always funny —very, very funny.

It is hard on fiction readers to assume that their needs, as well as the writer's, have been adequately met by writing a book about writing the book they are reading—unless the writer happens to be Mr Bernard Malamud. His novel of the private and mutual struggles of Harry Lesser (white, Jewish, trad,

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Four in hand : Gascoigne, Malamud, Forbes and Bazin

slow) and Willie Spearmint (black, angry, impatient) towards their disparately conceived goals switches on more lights than any reader has the right to expect.

Lesser sits in secure tenure of the last inhabited apartment of a derelict block awaiting demolition, contemptuously defying his suffering landlord and gradually, very gradually, approaching the end of the novel he has been writing for 10 years and in which he hopes to discover his own secrets. And that, in the beginning, is the full extent of his involvement with life. Very soon Willie's working squattership in the empty next-door apartment drags him, against his will, into real relationships and situations with which his clever writing about their imagined counterparts has not fitted him to cope. "The Tenants" is about the gulf between action and imagination : but also, much more importantly, it is a paradigmatic discussion of a particular society in a particular phase and of the impotence of the liberal ethic in that place and time.

Beside such excellence, it is a temptation to be dismissive about much other new fiction, including Mr Bryan Forbes's first novel (which is not about writing a first novel but about making an umpteenth film in the teeth of the film industry's ungovernable appetite for the blood, bones and souls of those who serve it). But that would be as unjust as the contemptuous treatment Forbes's films have reached from highbrow critics. In terms of their own limited and perfectly respectable aspirations, Mr Bryan Forbes's films have been almost wholly successful, and one can talk about "The Distant Laughter" in almost exactly those terms : it is no masterpiece, but it will give widespread pleasure. One has to put up with lapses and longeurs—notably the didactically adjectival opening and the failure of the central characters ever to come properly into focus—but there is plenty of good story-telling and some bitchy splendours.

A private place of quite another nature, the island of Tristan da Cunha, is the subject of M. Hervé Bazin's documentary novel. A straightforward account of the volcanic eruption on the island, with fictional names and characters assigned to the population evacuated and later returned by the British, this book purports to explore the touching of "natural" and "civilised" societies. It suffers grievously from its timing, for it is not long since the same material was treated more factually and challengingly by Mr Peter Munch in "Crisis in Utopia" (*The Economist*, September 11, 1971) ; but in any case there is not a great deal to be learned from it.

Underdeveloped antithesis

DISSENT ON DEVELOPMENT
By P. T. Bauer.
Weidenfeld and Nicolson. 550 pages. £4.75.

Development economics has for years been one of the more fashionable fields. The academic reapers, in their universities and institutes, have latched on to the good cause of the impoverished millions in the underdeveloped three-quarters of the world, berated their own countries for being responsible and reiterated in chorus a series of remedies that thinly disguise their own political views. This suspicious unanimity of diagnosis is now coming under increasing attack, not just from hardliners who make a virtue out of self-help and neo-maoists who, ignoring Mr Robert McNamara's speech at the Unctad conference last month, will doubtless continue to attack the World Bank and development aid as instruments of international capitalism. A growing squad of awkward economists is questioning the whole net of conceptions and prescriptions of the development economics industry. Professor Bauer is one of its longest-standing, most profound and vociferous members.

This book is a diatribe—or a set of similar diatribes—hurled at the "spurious consensus." The first element of this consensus is that underdeveloped countries—defined as all countries except those which are developed—share a common set of characteristics, principally poverty. This poverty is said to be self-perpetuating. Its causes are allowed to include accident, but are also rooted in colonialism and, more recently, in the mere existence of a batch of much richer countries. The prescription is aid (preferably soft, untied, and channelled through multilateral agencies), state control or ownership of local manufacturing industries, state control over external economic relations (currency and trade), and the abolition of landlordism.

Professor Bauer rejects the basic distinction, arguing that the poor in fact display no common characteristic. He believes the degree of poverty is exaggerated by the methods of calculation. He insists that there is no evidence that poverty is self-perpetuating. Not only were the rich themselves poor once, but there are numerous instances of quite respectable economic progress by "poor" countries in the nineteenth and twentieth centuries, not least in Latin America, but also in Malaya and parts of west Africa. Colonialism and exposure to rich countries are not to blame for the poverty : Liberia and Ethiopia, for instance, are among the poorest African countries. Aid, he argues (on empirical evidence), provides no guarantee of material advancement, and in many ways stimulates forces likely to obstruct it. It extends the area of economic activity of the state, encourages uneconomic investment and discourages local sources of savings.

Unfortunately, Professor Bauer's book does not consist of a statement of the case supported by detailed analysis. It is a compendium of edited and extended articles. There is therefore repetition of the same a priori arguments, supported by the same rather limited number of examples. As such it is a hard read. It is also open to criticism ad hominem. The case against colonialism, for instance, can easily be made a priori (the fate of the Indian textile industry provides a supporting example). The case for aid can also be argued a priori, with South Korea and Taiwan as examples. The

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dispute over underdeveloped countries' terms of trade (have they, or have they not, *deteriorated*?) also needs more detailed attention than it gets from Professor Bauer, or for that matter from Unctad. And the arguments in favour of more extensive state economic activity need to be studied, at least; here they are just dismissed with a mention of the sole and sorry example of Russia and eastern Europe. In some ways the most interesting part of this book is the balanced review by Professor Harry Johnson, which, after detailed analysis, endorses some (though not all) of Professor Bauer's own views. Professor Johnson concludes that what the underdeveloped countries need above all is better access to the markets of the rich countries (which might pay compensation to their own industries that suffer in consequence), or as a second best which is in fact now being partially realised, commodity agreements and preferences for manufactured goods in rich countries' markets. But he also argues not for less aid, but for more. The crucial and often unacceptable string he attaches is a demand for better assurances that this aid will, in fact, be used productively.

Mind-reading

THE GREAT TREK
By Oliver Ransford.
John Murray. 260 pages. £3.50.

STUDENT PERSPECTIVES ON SOUTH AFRICA
Edited by Hendrik W. van der Merwe and David Welsh.
Rex Collings. 230 pages. £1.50.

For all the ties between the two countries, there are enormous barriers impeding understanding between the people of South Africa and the people of Britain. To some extent this is the fault of South Africa's political system: perhaps it is partly the fault of the common language, English, which (as Bernard Shaw remarked of Britain and America) has served to keep us apart. But it is also a language problem that has prevented the foreigner from truly understanding the Afrikaner. Few of those who make it their business to criticise South Africa really know what makes the Afrikaner tick. They may have spent months or years in his country but still not be able to speak his language, Afrikaans. In South Africa, in defiance of Marx, political power has not been captured by the masters of the economy—the English-speakers—but by their subordinates in matters financial and economic—the Afrikaners. Without a knowledge of their ugly tongue access to huge areas of great importance—from the Nationalist press to the government itself—must be incomplete.

Mr Ransford's book, "The Great Trek," is not (for those who were by now becoming nervous) written in Afrikaans. Nor is it a sociological study of present-day Afrikanerdom. It is a straightforward, readable account of that extraordinary migration of Boers from the Cape Colony across the Orange River to what is now Natal, the Orange Free State and the Transvaal. No new sources have been used and no new incidents or events are brought to light. But Mr Ransford has deviated from the usual approach of concentrating on the events in Natal by emphasising instead the occupation of the high veld, on which, he rightly says, "was bred the Afrikaner nationalism which plays so large a part in African politics today." The merit of Mr Ransford's work is that for those who speak no Afrikaans, it gives some insight into the Afrikaner mind.

Equally remote from most foreigners' understanding are the minds of South Africa's blacks. As black extremism follows white extremism, they are getting even more so. "Student Perspectives on South Africa" is of enormous value in drawing attention to the writings and thinking of the rising generation of South African politicians, both black and white. The black contributors are the most interesting; they break with the conventional African acceptance of multi-racialism, and are embarking now on a period of "black awareness" which has something in common with north American black power. Mr Seymour Lipset argues in the preface that "this book may be of more importance than the myriad literature about the French 'events' of May, 1968, or the activities of the American movement in the 1960s." He is probably exaggerating, but its importance is beyond doubt. This book does more to make clear the new complexion of the growing anger and resentment of South Africa's blacks than any yet published. One quotation from Mr Barney Pityana helps to make this clear:

> Many people would prefer to be colour-blind; to them skin pigmentation is merely an accident of creation. To us it is something much more fundamental: it is a synonym for subjection, an identification for the disinherited, the discarded people and the wretched of the earth.

Anyone who believes that South Africa's blacks are either too unsophisticated or too contented to cause trouble should read this book.



Vegkop, 1836: Voortrekkers' victory

Animal farm

The only swan fit to eat, according to Peter Scott (**The Swans**, by Peter Scott and the Wildfowl Trust, Michael Joseph, £4.20) is a really young one. After October or November, they grow progressively coarser and tougher. It is Scott the professional naturalist speaking, in a tone that is both cooler and more erudite than Scott the professional nature lobbyist and fund-raiser. But outside ballet school, swans have a tough dignity that discourages sentimentality, and a self-reliance that begins inside the egg, where the cygnet develops a spike on the end of its bill sharp enough to allow it to hammer its way out of the shell.

Swans consort in legend mainly with the beautiful people: kings, queens, gods, chieftains, Buddha and the like—but cats have had no such luck. They were associated for centuries with the devil and, except in Egypt, abominable cruelties were perpetrated on them. Mr Edward Hyams describes in **Animals in the Service of Man** (Dent, £2.95) how

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Camera fodder ?

even in the seventeenth century they were being walled up alive in buildings, burnt alive and ritually slaughtered in Lent. He puts this down to a case of guilt by association, for the cat walks by night and its fur gives off sparks. On the other hand, Mr Hyams is baffled why such a smelly, stupid and unattractive beast as a camel should have been generally so highly-valued when the range of jobs it can do better than other beasts is so specialised and narrow. Past-master of the pleasant, read-a-few-pages-before-going-to-sleep book, he puzzles in a mildly scholarly way over whether the Aztecs as well as the Romans domesticated snails, and concludes that they probably did, since it would have been hard to collect enough in the wild to feed the 1,000 people who regularly ate in the palaces.

But how does one classify Joy Adamson's **Pippa's Challenge** (Collins and Harvill Press, £2.75)? There is no doubt that she is a remarkable woman, that her ability to handle awkward and dangerous animals is something quite out of the ordinary—her interests have switched from lions to cheetahs—that her courage and fortitude are great and her photographs outstanding. But she is also incurably sentimental in the way of Englishwomen with their dogs, and nothing conveys this so plainly as her attempts to keep alive a cheetah with a broken leg, against the advice of vets who wanted to put the beast out of its pain. It died, in any case, horribly.

But the man who did more to change attitudes to wildlife than any other individual is Dr Bernhard Grzimek, director of the Frankfurt Zoo. His **Animal Life Encyclopedia, Volume 10: Mammals I** (Van Nostrand, £10.75 in 1972, thereafter £12) is the first volume to appear of a 13-volume series he is editing covering the whole animal kingdom from worms to birds. It bears his unmistakable stamp of authority as well as his eye for a picture; the greater gliding possum in mid-flight against a blue sky is a sight few will see outside these pages because they are one of the animals which, like koala bears, have too eccentric a diet (mainly the leaves and flowers of eucalyptus) to live in zoos. This volume's mammals are mainly marsupials and monkeys, and it has more to say about them than merely describing their habits. Kangaroo numbers, according to Dr Grzimek, who wrote this chapter himself, were once kept down by the aborigines, who lived off them. But the Europeans killed or sold off the aborigines and now the kangaroos go into pet food at the rate of 10,000 a week—133 kangaroos to the ton because only the hindquarters are used. Like Mr Peter Scott, who accepts philosophically that the only objection to killing whooping swans is the risk of hitting one of the rare trumpeter swans instead, Dr Grzimek accepts the need to keep the numbers down; what he does regret is the waste of all that flavoursome kangaroo meat that should be in butchers' shops and not in doggies' feeding bowls.

Deflated myths

THE LAND QUESTION AND THE IRISH ECONOMY, 1870-1903
By Barbara Lewis Solow.
Harvard University Press; London: Oxford University Press. 257 pages. £4.

AN ECONOMIC HISTORY OF IRELAND SINCE 1660
By L. M. Cullen.
Batsford. 208 pages. £2.

Unfounded myths about the past can have a baneful influence on the policies of subsequent generations. One such myth was that Irish agricultural production languished in the nineteenth century because of a wicked land tenure system which allowed landlords to exploit tenants. If a tenant sought to improve his land, so the story goes, an avaricious landlord responded by increasing his rent or evicting him without compensation. From 1870, successive British governments sought to remedy this situation. Tenants were guaranteed compensation for improvements and rents were controlled.

Mrs Solow challenges this accepted version. The tenants were never in a position to improve their land; their record after compensation for improvements was guaranteed was poor. If a peasant proprietorship had come into existence, as J. S. Mill had advocated, farmers could perhaps have found capital to improve their land and increase production. But landlords were rarely tyrannical; they tended to adopt an easy-going approach rather than risk assassination. They tolerated uneconomic holdings which made their estates unprofitable. This institutionalised unprofitability prevented an inflow of capital which was needed to finance improvements and so raise production. With rent control, all improvements ceased and production actually declined; rents remained static while agricultural incomes rose. In the late nineteenth century, while the Danes were doubling agricultural output to cope with declining world prices, the Irish were conducting disputes about the proportion of a stagnant output which should go in rent. As a contemporary observer put it: "They look to some political machinery or result to give them what their own industry should provide." Eventually, in 1903, the landlords were bought out. In Mrs Solow's words, "The prize was great; so was the cost."

Dr Cullen's book is altogether admirable. The emphasis of Irish history is generally too political. An economic history of this quality and readability is a most valuable antidote. He challenges the popular and influential nationalist myth that the union with Britain in 1800 destroyed Irish industry. He also makes clear the industrial predominance of Belfast in pre-independence Ireland. It is difficult to escape the conclusion that Ulster might have thrived better as the only part of an industrialising independent Ireland with a real industrial tradition than as a backwater (whose main industries of shipbuilding and linen were declining) of the British economy (whose centre of gravity was shifting to the south-east).

Dr Cullen endorses Mrs Solow's apologia for the Irish landlords. From both these books there emerges the extraordinary toughness of the Irish tenant farmers, who throughout the nineteenth century consistently improved their position at the expense of labourers and landlords. As a class, the tenant farmers were tenacious; but they lacked the vision or generosity for great things. Their descendants rule the new Ireland and their ethos has, for better or worse, determined the quality of its life.

The higher pessimism

JOURNALISM AND GOVERNMENT
By John Whale.
Macmillan. 120 pages. £2.25.

This is Mr Whale's second book on the communications industry and, like the first, it comes high in the ranks of informed pessimism. The first was published as he left Independent television ; this one comes after he has made his mark in the Sunday Times's coverage of Northern Ireland. It is impossible to think of anyone simply with a television news background making the same imprint in written journalism as Mr Whale has done, and that is only one of the reasons why what he says is well worth reading and digesting. The others are that he thinks hard, writes pointedly and writes of those things that he knows about : Ireland, the lobby system, television. It is a list that might make anyone pessimistic.

He is principally concerned at what he calls "the movement against reason" and what journalists should be doing to resist it. His scepticism is compelling, especially about new fads. "A data bank," he declares, "is no more than a public library on skates." And he knows his politicians, those vanity banks, and their fallibilities all too well. That is to say, just as well as he knows his journalists and what is wrong and vain and fallible about them. He can also be very commonsensical : the fashionable remedies for the sicknesses of the press, as an industry, do not persuade him. He sees through the proposals of how the state might help with printing machines and subsidies, and doubts if workers' control really can mean workers' control, or, if it does, if it can do much good.

So it seems that there is no commercial or institutional change that can rescue the press and the word to Mr Whale's satisfaction. His chief answer is to try to reform the journalists. He may very well be right : it is hard enough to be optimistic about the future of much of the press in the face of the intelleotual and commercial challenges to it. But Mr Whale does tend to push things a little far. Thus he can find barely a good word to say for competition in the media, allowing only that "it may be an antidote to the grosser forms of idleness."

The one exception to that which he gives is that BBC television was forced to "throw in moving pictures with their news" after ITN began in 1955. That is one way of looking at it. Another is that the whole BBC approach to news, and especially news gathering, was changed qualitatively ; and in the light of what Mr Whale says about passivity towards establishments and institutions he might not think that change too bad if he admitted it. Nor does he seem very clear about what he would put in competition's place : he knows the alternatives too well. Still, it is a book for journalists to read, and if necessary bridle at where they like. The more bridling they do, the more they probably need to read Mr Whale.

Old New York

EDITH WHARTON : A WOMAN IN HER TIME
By Louis Auchincloss.
Michael Joseph. 191 pages. £3.

Mr Auchincloss has a gift of measure which would have delighted Edith Wharton. Not for him the vast scholarly biographies which roll their stately way off the American presses. This is a beautiful book and even briefer than it seems : almost every page carries its evocative photograph of Mrs Wharton herself, her houses, her gardens (she was a passionate perfectionist where both were concerned), her regrettable husband, her dogs, her friends, her friends' houses, her grave and even the Pyrenees which gave this inveterate traveller such delight. But there is not a footnote in sight.

Like her great friend, Henry James, Edith Wharton was an expatriate for most of her adult life but her literary capital consisted mainly of the fashionable society of New York and Newport in which she had been brought up. The precision and delicacy with which she recreated its arbitrary standards, its foibles, its cruelties and its vulnerability to the new millionaires is one of the abiding joys of literature. But she was too demanding intellectually to be satisfied with life in such a society and in her frequent trips abroad she found the literary stimulus and companionship for which she ached among men such as James, the critic Percy Lubbock, Howard Sturgis and Robert Norton. By 1910 she had settled permanently in France and by 1913 she had divorced her increasingly ailing, increasingly impossible husband. Mr Auchincloss tells the story with a welcome brevity and detachment. In Paris she had with her her lifelong American friend and mentor, Walter Berry ; Mr Auchincloss considers, and dismisses, the widely held view that she and Berry were lovers. Whatever the relationship, the heroes of her books, usually stilted, hollow men, suggest that something was lacking.


Edith : portrait of a lady

The war saw Edith Wharton throw herself almost too emotionally into the service of France ; when it was over she continued to write about an America which had changed almost beyond recognition. For admirers of her gifts this is a melancholy period ; Mr Auchincloss suggests that the need for money may explain her ceaseless, sometimes embarrassingly misguided labour. Even her once-adequate fortune was no longer sufficient to sustain the state in which she liked to live and entertain. In Mr Auchincloss's view she redeemed herself, however, by creating Vance Weston in "Hudson River Bracketed" : a vision, he suggests, of the novelist which she might have been without the impediments of her sex, background and preoccupations with the details of daily life. But should we then have had "The House of Mirth," or "The Age of Innocence" ?

Set for revolution

WITHOUT MARX OR JESUS
By Jean-François Revel.
MacGibbon and Kee. 281 pages. £2.50.

THE POLITICS OF REVOLUTION
By Harvey Wheeler.
Martin Robertson. 316 pages. £3.50.

These are books to make bourgeois flesh creep out in the Middle West. M. Revel starts off with a sweeping statement : "The revolution of the twentieth century will take place in the United States. And it has already begun."

Earlier this year Mr Wheeler, a senior fellow at the Centre for the study of Democratic Institutions in California, suggested the same thing in his much more academic and tortuous book. These two authors' revolutionary aims are not so very different : a sweeping away of the nation-state, an end to waste of natural resources, a fairer share-out for all and an end to war. Both believe Europe to be dead, and America's young radicals the main hope.

But the resemblance ends there. Where Mr Wheeler ranges conscientiously among the philosophers and the founding fathers, M. Revel sends up a firework display. His book comes complete with its own review—a trenchant "afterword" by Miss Mary McCarthy. As she says, M. Revel is really a brilliant pamphleteer, an enfant terrible who loves to shock by turning conventional wisdom on its head. He is primarily concerned to expose French complacency and ignorance and the conspiracy in France between the left and the right to maintain the status quo. His invective is splendid. But his America, she argues, is as imaginary as the country of the Houyhnhnms.

This is not quite fair to M. Revel. Though he makes a few trifling mistakes of fact, his general thesis that American society is sympathetic to revolution (by which he does not necessarily mean blood upon the barricades) is quite convincing. Americans embrace change and look to the future, not the past. Compared with other societies, theirs provides the freedom revolutionaries need ; the courts are great defenders of liberty. A behavioural revolution is already virtually complete. The Free Speech Movement at Berkeley launched a thousand imitators. Freedom of information is unrivalled. But, disappointingly, this is where M. Revel stops. Neither he nor Mr Wheeler can say, in practical terms, just how the revolution which they desire is to come about.

Indian file

INDIAN POLITICAL THINKING
By A. Appadorai.
Oxford University Press. 215 pages. £1.10 paperbound.

Dr Appadorai is particularly fitted by his academic specialism and his participation in Indian public life to accomplish the task he has set himself in this book : to survey Indian political thought from the British crown's assumption of direct rule over India in 1857 to the death of independent India's first prime minister, Jawaharlal Nehru, in 1964. The volume is scholarly and lucid, based on a forthcoming collection of documents illustrating the same topic. Its aim—an introductory survey—is acknowledged to be limited. As such it will appeal to the student of political thought and Indian history. For the general reader its interest lies in its exposition of the thought of prominent figures like Nehru, Gandhi and Vinoba Bhave, whose ideas and actions have had repercussions far outside their homeland. It is also, by implication, a case study of the perennial problem of the interaction of political events and ideas.


Nehru, 1946 : time for thought

Indian political thought was until 1947 moulded by the circumstances of imperial rule and emergent nationalism. Few thinkers produced anything approaching a coherent political theory : most of them were practising politicians and their pronouncements were generally a reaction to immediate events and pressures. The problems which demanded their attention (and which take up the first part of this survey) were the value and role of imperial rule. Since Indians expected and welcomed the British raj as a long-term edifice in India, they discussed the desirable basis of its strength and the extent to which it should interfere in the lives of the people, particularly in questions of social reform. As the political tide swung in favour of self-government so political thought concentrated on the reasons for that aim and the knotty problem of the methods to be adopted in its pursuit—constitutional agitation, terrorism, non-co-operation or a blend of these options. Meanwhile the need for united action against the alien ruler forced Indians to consider the factors forming national consciousness, particularly the role of religion, as the tragedy of the Hindu-Moslem division unfolded. After independence Indian thinkers turned to topics which had concerned them only marginally before.

The second part of the book deals with this reorientation of political thinking. The superiority of democracy (very variously defined) over other forms of government was barely disputed. But there has been much discussion and disagreement about the environment in which democracy is viable, the role of the state in relation to society and the individual, and the rights and duties of the individual.

Dr Appadorai stresses that modern Indian political thought is a blend from Indian and western sources. Often there was little that was original in Indian thinking, and western ideas were merely adapted to suit Indian circumstances ; sometimes, as in the case of marxism, there was no grafting of the western on to an eastern stock. However, in certain significant areas Indian political thinkers do seem to have broken new ground, particularly in Gandhi's now famous concept of *satyagraha,* non-violent passive resistance, and in the ideal of *sarvodaya,* "the welfare of all", as envisaged by Gandhi and elaborated by Bhave and J. P. Narayan. These are some of the key topics which the author believes deserve more attention.

Conchie

A CACKHANDED WAR
By Edward Blishen.
Thames and Hudson. 230 pages. £2.

Mr Edward Blishen was a conscientious objector in the second world war, neither suffering the martyrdom nor receiving the sympathy of posterity that was meted out to those who refused to fight in the first. His worst fate seems to have been as a henpecked handyman at a girls' hostel. Men have joined up to avoid less, but it hardly amounts to victimisation, and Mr Blishen does not for a moment pretend it did : when he was cross-examined by the objectors' tribunal in an air-raid shelter under the Strand, he was quite surprised to be addressed as "Mr" : "there was a part of me that would have dismissed myself far more brusquely."

Mr Blishen has an outstanding ability to draw characters, quickly and easily ; it has already been well displayed in "This Right Soft Lot," the best of his books about teaching, but

it is here used to advantage on his fellow conchies. This is not so much an autobiography as a muddle of firsthand experiences. Among one batch of objectors, he writes, was a Quaker: "the most normal looking of us all." The rest of them "were first-generation objectors, and some very queer reasoning had gone on among us: but Billy was secure in the traditions of his non-conformity."

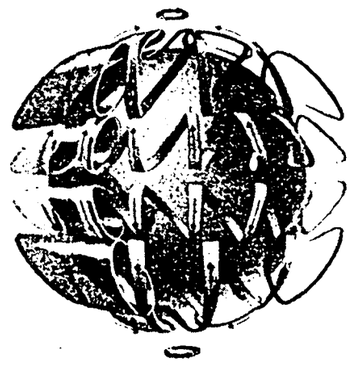
Mr Blishen was, naturally, jeered at by soldiers; a fellow-objector spent his life looking for insults; the old witch of a landlady breathed contempt: but it was his own adolescent mind that inflicted any torture. This is a young man's book, a difficult feat to achieve in middle age. The sexuality, the emotion, the self-doubt, the self-obsession are all adolescent. Mr Blishen was 19 when the war broke out; he writes at the end that had he been "two or three years older when it all began, I *think* I could *not* have been a pacifist. I should then perhaps have been able to accept the grim logic of the case. . . ." But he was young, and strongest in his uncertain mind was "all that literature of disgust I'd read, bitter fruit of the Great War . . . the horror of it, the rejection it expressed, had run in my veins." The strangest thing is that he has been able to make such a detached yet self-revealing book out of a freakish decision of his youth that took him into a lay-by of history.

Global spread

THE ATLAS OF THE EARTH
Edited by Tony Loftas.
Mitchell Beazley/George Philip. 448 pages. £13.95 during 1972.

When a book costs nearly 5p a page, as this one does, critical admiration has to be tempered by the very real question of whether it gives value for money. Admittedly, the pages are very large indeed. But even in these days, nearly £14 is a great deal to lay out on an atlas unless it stands in a class of its own. Getting the bad news over first, for the second half of its length this book does not. Its maps, even with the inclusion of such refinements as national parks and rainfall patterns for most of the big cities of the world and quite a lot of the small ones are clean, competent cartography of a thoroughly familiar kind. It is for the first half of the book that you pay the money.

This is where the interest lies. Not even a genius could satisfactorily encapsulate the whole history of the evolution of matter into half a dozen



Some maps have atmosphere

coloured spreads. But people who want the whole history read books. If, on the other hand, you merely want to check quickly on the depth to which the sun's ultra-violet rays penetrate the earth's atmosphere; where bronchitis does most damage in Britain; what animals are on the verge of extinction and how the chain of pollution works, there is a great deal to be said for finding this in one place. The currently fashionable bias towards ecology is marked; but this is a much pleasanter way of keeping abreast of it than through the even more biased and infinitely more boring books that pour out on the subject.

Papal statesmanship

THE LANDS OF ST PETER
By Peter Partner.
Eyre Methuen. 488 pages. £6.50.

Throughout the middle ages, the impact of the Italian territories which came under the direct temporal rule of the papacy on the operations of the institution as a whole has been a cause of scandal both to contemporaries and to subsequent commentators. By producing a conspectus of the whole history of the papal state from its origins to the middle of the fifteenth century, Dr Partner has provided English readers with much material for deciding whether that sense of scandal was justified. His own conclusion is moderate: that the violently adverse judgments of historians of a generation or so ago must be rejected, and the position of the papal state considered only as part of the wider unity of the church. It is a useful corrective, as is the realisation, most clearly delineated here, that the papal states originally fulfilled a kind of charitable function, supplying food to a Rome for which the popes had assumed responsibility in the decadence of imperial power. Yet Dr Partner records continuous criticism of the papal states: from those of Arnulf of Brescia in the twelfth century, through the demands that papal income should be used for the relief of the poor rather than the raising of armies, to the exhausted cries for peace in the late fourteenth century. They leave one with an uneasy feeling that the overall psychological effect of the pope's lands was disastrous for medieval Europe.

For a great deal of the book, the history of the lands themselves is inextricably intertwined with that of the temporal power, so that the narrative slides into a simple account of the political activities of the papacy in Italy. That is little more than a chronicle of wars. But the story is told with such clarity and command, backed up with such formidable erudition, that the book is both fascinating and a real contribution to knowledge. If the style is occasionally a little flat, and the sheer concentration of material somewhat daunting, these are minor defects. More serious is a lack of analysis in the treatment of the later history of the states, where sources for it are available. One could wish for a more detailed description of the actual government of the states in the fourteenth and fifteenth centuries, and of their legal and their financial arrangements.

Some points, however, emerge with great force. There is the repeated tendency for the popes to be forced to appease secular powers, feudalists or signori, in order to retain control. The role of Innocent III as the true founder of the papal state as such is highlighted, as is the work of Martin V and Eugenius IV in preserving it after the threat of the great schism. Some conventional wisdom on the papal states comes in for close examination, not least the universal acclaim for the work of Cardinal Albornoz. Repeatedly, Dr Partner's shrewd and sound judgments force one to think again about casually accepted assumptions. The illustrations, although pleasing in themselves, do not add much to the text, but there are some useful maps, and most helpful summary lists of events and reigns. The book is unusually attractively presented, although marred by an irritatingly large number of misprints. But that is a minor and depressingly common flaw.

Short list

Inflation and the Unions by Gottfried Haberler, Michael Parkin and Henry Smith (Institute of Economic Affairs, £1). The principal essayist, Professor Haberler, is contemptuous of the standard types of incomes policy and contends that the only solution is to attack the source of the problem, the unions' monopoly position. He wants to see the removal of all union privileges. Minimum wage laws should be repealed, welfare subsidies to strikers should be ended and unions should be financially responsible for damage caused by illegal strikes. (Sadly, the new Industrial Relations Act receives no more than a footnote.) He refers to *The Economist's* idea that inflationary wage increases should be taxed away by higher national insurance contributions by employees, agreeing that such a policy would indeed remove any incentive to ask, or strike, for larger wage increases, but arguing that such a measure would be equivalent to a wage freeze and would only be justified in an acute crisis. The real question is whether such distortions would be more or less than those that are caused by the nearly-unfettered use of union bargaining power.

Competition and the Corporate Society by Nigel Harris (Methuen, £3.75). In economic matters, the conflict between liberalism and what Dr Harris calls "corporatism" has since the war been almost exclusively located in the Conservative party. This is partly because a socialist economy involves a corporate state by definition; and partly because the Conservative party inherits the conflict along with Whig and Tory traditions. Dr Harris's account of the conflict shows most of all, however, the unimportance of doctrine for the Conservatives in government.

Social Change in Industrial Society by Thomas C. Cochran (Allen and Unwin, £2.90 clothbound, £1.50 paperbound). More and more in the United States, Professor Cochran tells us, younger historians are searching for the mechanisms of social change—if only because the torrent of facts threatens otherwise to engulf them. His own search has taken him to the behavioural sciences and in this work he applies the concepts of role-players and role-sets to the immense social changes in the United States during the twentieth century. These concepts seem most rewarding when applied to the business corporation, an institution with which the author, as a business historian, is particularly familiar; but they also provide interesting insights as he examines child-rearing, education, the decline of hierarchical authority and the dilemmas of the young.

Man's World, Woman's Place by Elizabeth Janeway (Michael Joseph, £2.50). Mrs Janeway, the well-known American novelist, makes a sensitive and scholarly investigation of the deep-rooted conviction that women ought to be sequestered in their homes. Mrs Janeway's husband, the equally well-known adviser to businessmen, tells the man and woman in the street (not Wall Street) how to survive financially in America's current economic emergency. Each section of **What Shall I do with my Money?** (Michael Joseph, £2.75) —on cash, property, stocks and so on —is followed by a question-and-answer session which has little relevance for the un-American reader. But the special introduction to the British edition advises investment managers in London, for whom Mr Janeway has the highest regard, on how this country might escape the worst of the threatened crisis of "deflationary nationalism," brought on, in his view, by the mistaken policies, political and economic, of his own country.

The Strategy of Takeovers by Anthony Vice (McGraw-Hill, £3). In the long term, the merger of two consumer-orientated, complementary businesses must make sense. So writes Mr Vice in his analysis of the Cadbury-Schweppes merger, one of nine case studies. This kind of simplistic and uncritical assumption runs right the way through the book. Although he explains the chronology of each takeover and who had lunch with whom and where, there is no attempt to analyse either whether the supposed reasons for each takeover were the real motives, or whether any have worked out as hoped.

The Middle East: Temple of Janus by Desmond Stewart (Hamish Hamilton, £4). In November, 1869, the Khedive Ishmail welcomed European royalty for the opening of the Suez canal: in October, 1970, when President Nasser died, the canal had been closed for three years. Mr Desmond Stewart takes these dates as the starting and ending points for his account of the events of the intervening 100 years. The history which Mr Stewart recounts in a vivid, colourful and immensely readable style is enlivened by long digressions into the backgrounds and personalities of the men who fashioned it. A worthwhile book for the general reader.

The Arabian Peninsula edited by Derek Hopwood (Allen and Unwin, £4.25). The eighth in the series "Studies on Modern Asia and Africa" is a useful anthology of historical developments, present problems and future prospects for the countries which form the Arabian peninsula. Three articles on the state of Oman give a particularly valuable insight into one of the most backward of the peninsula's states and Mr Frank Stoakes's piece on the social and political changes being brought about in the smaller Gulf states provides essential knowledge for anyone contemplating dealings in this area. Mr Yusif A. Sayigh contributes his thoughts on the ways the oil-rich states might use their revenues to increase the prospects of future stability and benefit all the people of the peninsula. The rulers would do well to note his ideas.

A History of OPEC by Fuad Rouhani (Pall Mall, £7.25) is a history of the organisation through which the Arabs are presenting most of their demands and as the author is a former secretary-general of OPEC the book naturally tends to favour the oil-producing countries. This is useful if only because so many western books, consciously or unconsciously, favour the giant oil companies. **Alaskan Oil: Costs and Supply** edited by M. A. Adelman (Praeger, $10.75), in presenting many of the economic criteria used in assessing the oil reserves of the North Slope of Alaska, describes the fundamentals used to appraise oil finds everywhere. **Oil: A study of Wartime Policy and Administration** by D. J. Payton-Smith (HMSO, £6.75) will probably only appeal to specialists; but many of the considerations that were important in those years still are.

African Liberation Movements by Richard Gibson (Oxford University Press for the Institute of Race Relations, £3.50). This is a useful, concise handbook to Africa's liberation movements which, however shambolic, still look like the most powerful force for change in white-ruled Africa. Mr Gibson, who is sympathetic to the aims of most of the nationalist organisations that he discusses, is sufficiently objective to be critical and realistic in his assessment of their failings and achievements. His book is valuable for that, and for its guidance through the morass of acronyms and initials from ANC to Zapu.

ISTITUTO DI CREDITO PER LE IMPRESE DI PUBBLICA UTILITÀ

I.C.I.P.U.

AN ITALIAN PUBLIC STATUTORY CREDIT INSTITUTE WITH HEADQUARTERS IN ROME, VIA QUINTINO SELLA, 2.
FULLY-PAID CAPITAL : LIT. 21.000 MILLION
RESERVE FUNDS : LIT. 48.864 MILLION

During financial year 1971 :
—the Istituto di Credito per le Imprese di Pubblica Utilità granted loans totalling Lit. 344 billion, comprising domestic loans for Lit. 301 billion, foreign loans for Lit. 26 billion and financing of export credits for Lit. 17 billion;
—the loans to enterprises located in Southern Italy were increased by 207 per cent in resp. of 1970, totalling Lit. 182 billion;
—Bonds for Lit. 277 billion, for DM 100 million were issued and a DM 50 million loan and two advances withdrawn from credit institutes for smaller amounts were obtained;
—After appropriation of Lit. 4.700 million to Special Contingency Fund, the financial year 1971 closed with a net profit of Lit. 2.993 million, of which Lit. 827 million was allocated to Reserve Funds.

BALANCE SHEET AT 31st DECEMBER

	1970 (million lire)	1971 (million lire)
ASSETS		
Loans	790.675	**1.066.945**
Securities	49.441	**7.121**
Current Accounts with Treasury, Bank of Italy and other Banks	135.784	**155.107**
Sundry debtors and various	9.470	**17.586**
Unamortized Bond Discount	13.458	**24.154**
Other Assets	14.480	**12.493**
Contra Accounts	110.779	**221.569**
	1.124.087	**1.504.975**
LIABILITIES		
Capital	21.000	**21.000**
Reserve Funds	42.550	**48.037**
Bonds in circulation	767.517	**998.255**
Matured Bonds and Accrued Interest	63.847	**75.254**
Foreign Loans	62.300	**68.477**
Current Loan Commitments	769	—
Sundry Creditors and various	36.482	**47.155**
Other liabilities	17.300	**22.235**
Net profit	1.543	**2.993**
Contra Accounts	110.779	**221.569**
	1.124.087	**1.504.975**

Union Corporation Chairman, Mr C.B.Anderson, reports to shareholders

During the year Mr. T. P. Stratten asked to be relieved of the Chairmanship of your company and the Board decided that I should take his place and also retire from the post of Managing Director. Mr. E. Pavitt was appointed in my stead.

ACCOUNTS The Consolidated Profit after tax for the year ended 31st December 1971 amounted to R14,618,000, or 29 cents per share, compared with R12,589,000, or 25 cents per share, in 1970. Dividends declared were increased by 1 cent to 13 cents per share. Since the year end there has been a recovery in market values and the market value of the quoted investments has risen from R156,435,000 at 31st December 1971 to R182,090,000 at 28th April, 1972, an increase of some 16 per cent.

EXPLORATION During 1971 we maintained a vigorous exploration programme, the main target being as previously Southern Africa. We are continuing overseas exploration, particularly in Australia.

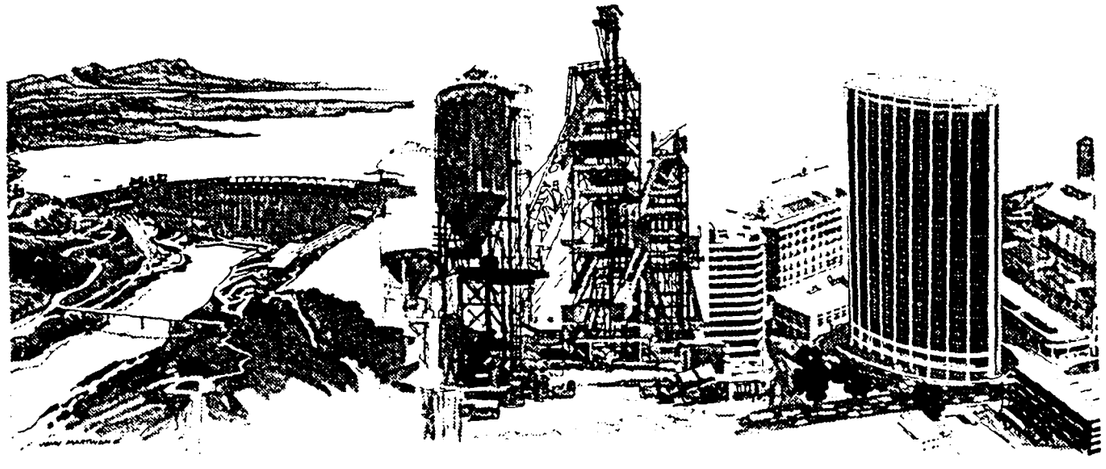
GOLD Revenue earned by gold mines administered by our Group in 1971 increased by approximately R6 million over the 1970 figure. The higher earnings have continued in the first quarter of 1972 and the interim dividends paid in March this year by Group gold mines have been increased.

PLATINUM The supply of platinum exceeded demand throughout 1971. Impala made use of this period to improve its mining and refining operations and to lower costs of production. Additional plant has been installed and the company is well placed to increase production rapidly.

CAPITAL & COUNTIES The total value of properties held by this company has increased to over £120 million. The company has an ambitious development programme both in the United Kingdom and overseas, particularly in Australia.

AUSTRALIA Union Corporation, in association with Bay Hall Trust and Hambros Bank, was successful in obtaining a majority holding in Cudgen RZ and an 8 per cent interest in its subsidiary, Consolidated Rutile. This investment will be a useful addition to the Corporation's activities.

Union Corporation Group



Business Brief

The steel merger Britain missed

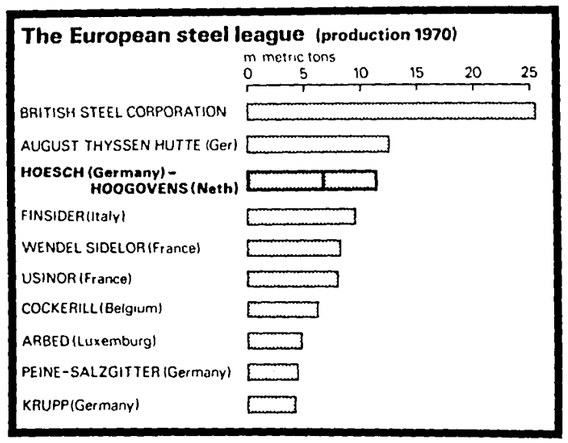
The shareholders of the German steel firm, Hoesch, will be asked on Wednesday to approve the terms of the link with the Dutch steel company, Koninklijke Nederlandsche Hoogovens en Staalfabrieken, the company with the reputation of being the best managed and most profitable steelmaker in Europe. The British Steel Corporation once dreamt about merging with Hoogovens, but it did not wake up in time.

The merger of the two continental companies will enable them together to press ahead with the construction of a giant new steelworks suitable for the 1980s. By contrast, although British Steel is twice as big as the new combine, the British Government seems to have no similar ambitions (page 89).

If Hoesch's shareholders vote yes, the merged company will be the third largest steelmaker in Europe, after British Steel and August Thyssen Hütte, with an annual capacity of 11m tons. It is still far from being in the Japanese or American class, but it will be Europe's first truly international steel firm.

Hoesch's links with Hoogovens go back to 1966, when Hoesch merged with the other steel producer in Dortmund, Dortmund Hörder Hüttenunion, in which Hoogovens had a big minority stake; Hoogovens, therefore, ended up with 14.5% of Hoesch. Since then, there has been small-scale co-operation between the two. But there was some sound logic for a full merger.

Hoogovens operates an integrated steelworks on the coast at Ijmuiden, near Amsterdam. It has deep water access for bulk ore carriers and is not tied to high cost domestic coal (as the German producers are, getting subsidies that are quite inadequate to compensate for it). Hoogovens, therefore, has an enviable low-cost operation. But its space to expand is limited. By contrast, the German producers are close to their markets: Thyssen, Hoesch and Krupp in the Ruhr; Klöckner at Bremen for north Germany; Peine-Salzgitter to the east, near Volkswagen; and the producers in the Saar for the south (although this is less convenient, and competition from Luxemburg, Belgian, French and Italian producers has bitten there recently). So the idea was for a combination of Hoogovens to concentrate—gradually—on crude steel production, the German partner to concentrate on the re-rolling, platemaking, etc, and the intermediate product being shifted between the two preferably (because cheaply) by water.



The choice of partner quickly reduced itself to Hoesch. Salzgitter and Klöckner were thought to be in the wrong places; Krupp is only partially a steel company and is still only gradually adapting from its feudal past; and Thyssen was out because of being so much bigger than Hoogovens. Yet on closer inspection a tie-up with Hoesch looked anything but simple. Hoesch's home town, Dortmund, had already lost control of its own well-known brewery to outside interests, so a foreign link for Hoesch, its other major employer, needed careful handling. Downgrading it to a mere re-roller was not on. Nor, on the other hand, was the Dutch government, which owns 29% of the shares of Hoogovens (for practical purposes, the entire Dutch steel industry), at all keen for its firm to become dependent on a foreign manufacturer.

Expansion

However, by 1970 a much more powerful argument for the merger had presented itself. Because of the limited scope for expansion at Ijmuiden (capacity could probably be expanded, by piecemeal additions, from the present 5-6m tons a year to about 8m), and the fact that the plant was not getting any younger, a brand new coastal works would eventually have to be built. But calculations of the minimum economic size of this were constantly being revised upwards: 2m tons, 4½m tons, and now 10m tons. Such a huge addition to capacity in one go would be a major burden. It would be only partially used in the early years. The burden needed to be shared with a partner. Here again Hoesch was the obvious candidate; not so much because scope for expansion at Dortmund was also limited (though this was true up to a point), but because its location 30 miles from the Rhine would increasingly tell against it in competition with Thyssen and Krupp, both conveniently sited on the river.

Despite the arguments in favour, the first plan for a full-scale merger in 1970 soon ran into heavy weather. Hoesch is bigger than Hoogovens; their respective turnovers last year were £656m and £256m, largely because Hoesch does much more manufacturing of finished steel products. But it is much the less profitable: its profits in 1970-71 were £6.8m and Hoogovens's £14m. Besides, Hoogovens already owned 14.5% of Hoesch. So the original idea was for a combined company owned 60:40 between Hoogovens and Hoesch shareholders. But Herr Willy Ochel, chairman of the Hoesch supervisory board and former managing director, came out against this idea, for reasons that never became entirely clear, although the fact that he had played a leading role in the rebuilding of the German steel industry after the war may have made a difference. The German trade unions opposed the deal too, suspecting a possible loss or dilution of the considerable power they now enjoy at Hoesch where, as in all German coal and steel companies, they occupy half the seats on the supervisory board.

However, it so happened that Herr Ochel retired, to be succeeded by the awesome figure of Herr Hermann Abs of the Deutsche Bank, who threw his weight behind Hoesch's pushful managing director, Herr Friedrich Harders, who had pressed for the merger from the start. The problem of union control was solved by an ingenious formula, of the kind fast setting the pattern for cross-frontier mergers between European companies: that is, a 50:50 partnership between twin holding companies, on the lines of Unilever, Agfa-Gevaert, and Dunlop-Pirelli.

With Hoesch-Hoogovens, the holding companies will be the two present companies, but they will transfer their assets to a central holding company called Estel. This will be registered under Dutch law, and its offices will be sited midway between the two companies, at Arnhem in Holland, not far from the German border. Profits will go 50:50 to the two holding companies, but Hoogovens, of course, will also get 14.5% of the Hoesch holding company dividends. A minor segment of the Hoogovens assets will be kept out of the merger, so Hoogovens shareholders will end up with about 60% of the combined profits—as its managing director, Mr P. L. Justman Jacob, had advocated throughout.



Hoesch's Abs: subtle



Hoogovens's Jacob: tough

The subtlety of the board and management set-up, which German trade unions have been persuaded to accept, bears the Abs touch. Estel will have a board of 24 members, with Herr Abs and Mr J. H. Loudon (ex-chairman of Royal Dutch) as co-chairmen. Of the 12 German members, four will represent shareholders, four the German trade unions, and there will be four neutrals, of whom two will be chosen by the German trade unions. On the Dutch side, four will be chosen by shareholders, four by the works council (not by trade unions, since Dutch law forbids this), two by the state, and there will be two other neutrals, independent steel experts of standing who are acceptable to both sides. The model also owes something to the draft European company statute worked out by the Brussels commission (although this is not acceptable to all EEC members themselves), as well as to the need to reconcile the conflicting demands of the German unions and Mr Justman Jacob.

On the management board of Estel the Dutch have driven a much harder bargain. Although there will be five members from each side, Mr Justman Jacob will be the first chairman; his successor will be another Dutchman, and so on until all five of the initial Dutch members of the board have retired. Only then will the succession be open equally to Germans and Dutch alike. By then, however, the two parts of the company are expected to have fused inextricably. In this way the Dutch have made sure that during the crucial intermediate period of growing together it is their voice that will be decisive. The insistence on this point appears to owe little to chauvinism, or to uneasiness in The Hague about control of Hoogovens passing over the border, but to a belief that Hoogovens's management methods are more "American" and more suited to an international company. On this point it would seem that Herr Harders has generously given way, and Herr Abs (whose influence will remain considerable) has evidently been convinced. The Hoesch shareholders may have something to say on this. Whether they will carry this to the point of voting against Herr Abs's advice is another matter.

Steel slump

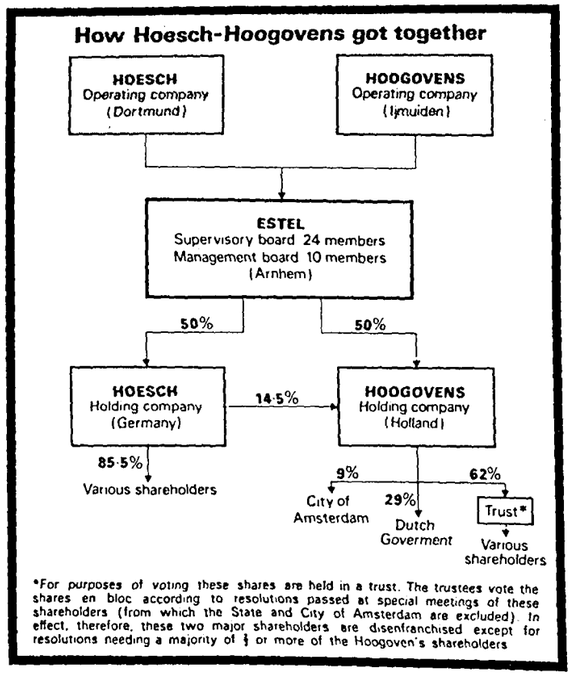
Once the merger is signed and sealed, the combined business will have to grapple with the state of the European steel market. The problem is most acute in Germany, where the proportion of the domestic market taken by imports rose from 25% when the D-mark was floated last May to 37% at the end of last year. A 10% drop in output last year cut Hoesch's profits by 75% and German steel production is expected to fall again in the current steel year (to September). At Hoogovens—which is less tied to the German market—output and turnover were maintained but costs rose sharply, cutting profits by 27% last year.

In the medium term a plan for integration will have to be devised. In principle Hoesch needs to replace its out-of-date and dirty open hearth steel converters with oxygen plant, and has already decided to go ahead with a new oxygen steel plant. But this raises the ticklish question of whether the new converters ought to be at Ijmuiden or Dortmund. The Dutch have been discreetly urging that the project should be postponed until the German steel market has picked up again. Perhaps wisely, Dr Harders has pushed ahead. Basic decisions on who makes what and which plant goes where will probably not be easy to integrate until the two sides have had time to grow together. More immediately, however, scope exists for integration on the purchasing side (40% of the costs of finished steel are made up by purchases of materials and other goods), and on product ranges, which now overlap.

In the longer term the combined group will be better placed to diversify into other metals than either partner alone. Hoogovens already has small interests in nickel exploration (in Indonesia) and aluminium. But most important of all will be the decision about a big new steelworks. Hoogovens's original plan was for an integrated plant at Maasvlakte, on reclaimed land in the Rhine delta, which would in effect be an extension of the existing Europoort complex out into the sea.

Paradoxically, the Rotterdam City authorities had been unsuccessfully badgering Hoogovens to come to the area for years until they produced the Maasvlakte site; but now, under intense pressure from environmentalists, the project has had to be shelved. Hoogovens and Hoesch have also developed their own doubts about the idea: is the landward communications system and other infrastructure adequate? Will the Rotterdam area be able to provide the labour force needed for a 10m ton plant (the smaller versions considered earlier were quite another matter)? Officially the city authorities are busy trying to reduce the pollution from the existing complex to an acceptable level, and will then review the Maasvlakte proposal. Hoogovens is lying low about the whole business hoping, probably, that the pollution row may blow over; it has not found any suitable alternative deepwater site on the Dutch coast. But it and Hoesch have been discussing bringing in another steelmaker (almost certainly Thyssen) to share in the project with them, if and when it happens.

The merger at least looks like creating a more unified management structure than at Agfa-Gevaert or Dunlop-Pirelli. But the deal has also shown once again that cross-frontier mergers between European companies are virtually impossible unless there is a 50:50 partnership, in the early stages anyway. And that the already severe problems are only compounded by the problem, peculiar to Germany, of worker participation. Neither of these headaches will be avoided by the proposed new statute for a European company registered under special EEC law.



*For purposes of voting these shares are held in a trust. The trustees vote the shares en bloc according to resolutions passed at special meetings of these shareholders (from which the State and City of Amsterdam are excluded). In effect, therefore, these two major shareholders are disenfranchised except for resolutions needing a majority of ⅔ or more of the Hoogoven's shareholders

SUN ALLIANCE & LONDON
INSURANCE GROUP

The following are extracts from the circulated statement of the Chairman, Lord Aldington

The past year has shown that the improvement started several years ago is continuing strongly and the vigorous way in which the problems of the more difficult areas of our business have been tackled proves that our progressive targets for underwriting results are attainable.
The net profit after tax is £14,186,000, compared with £8,258,000 for 1970. This gives earnings per share of 38·64p compared with 23·66p in 1970 and the Directors have decided to declare a final dividend of 10½%, making a total of 18½% against 16½% for 1970.
The profit before taxation rose by £7m. Of this just under £5m is due to the significant improvement in underwriting results. Looking to the future we can take some encouragement from the fact that although by no means all sections of the Fire and Accident account are yet profitable, there has been improvement in virtually all of them.
Costs of the failure of the Vehicle & General and other companies have now been fully reserved, and we have made a substantial additional contribution to the Pension Fund to help to meet the strain which arises from the sharp general increase in salaries due to inflation.
On the 1st June, 1971 Mr. Richard Fleming retired and I was elected to succeed him. The results for 1971, and the further improvement which we look forward to over the next few years will I hope be some reward to him and at the same time an expression of our thanks.
Lord Howard de Walden retired and we are grateful for his help and advice during 24 years as a director.
Sir Roy Matthews, who retired in March 1972, had been a Director of Companies now within the Group for many years. No Insurance Company could have been served better in its property investment business than we have been by Sir Roy.

Home Fire
Fire wastage figures increased again in 1971, but the results of our business were most satisfactory. As in 1970, there were no abnormal weather losses.

Home Accident
Our results were very much better than in 1970 and, although this account did not close with a profit, there are indications that it is now beginning to operate on a profitable basis.

Home Motor
Vigorous steps in 1970 led to a significant improvement in 1971, although we were still in deficit. We shall continue to watch premium rates very carefully to see that they are sufficient to cope with the facts of Motor insurance business.

Life
New business in the United Kingdom showed the largest increase which the Group has yet had and our overseas business has been proceeding as planned.
Retirement Plan which we launched in 1971 to meet the growing market in small pension schemes and our new Personal Pension Policy on a "with profits" basis are both proving successful.
The investment experience was very satisfactory, market values rose substantially and several increases have been made in the rate of our Capital Bonus. Real Property continues to form a growing part of the Life assets and the yield on the Fund rose from 7·03% to 7·29%.

Reinsurance
Despite unfavourable experience in certain European countries, particularly Germany and Scandinavia, the results show some considerable improvement and the overall underwriting loss has been reduced to a marginal figure. Further improvement is expected.

Engineering
All activities of the National Vulcan are now fully integrated and there was considerable improvement in the results after the disappointment of recent years.

Marine and Aviation
The transfer of £1m. relates to the 1969 account, the run off of which has produced a modest profit. However, repair costs have continued to increase. It would be a sign of weakness and not of strength of purpose for the Marine insurance market to refuse to face up to the realities of these sharply increasing repair costs.
The Aviation account has been profitable and some new insurers have entered this market. Severe competition has developed and a cautious approach to underwriting is now very necessary.
The Fund now stands at 146·2% of premium income, compared with 138·1% in 1970.

Overseas
In the United States the overall profit on the U.S. statutory basis amounted to $6,732,000, compared with $801,000 in 1970. This splendid result has been largely due to a remarkable improvement in the Fire and Casualty field which showed a profit of $3,143,000, compared with a loss of $1,088,000 in 1970. The Marine and Aviation account continues to show favourable results.
In South Africa and a number of other overseas territories our results have been good, but in some major areas, for example, Australia, Canada, Germany and New Zealand, we had underwriting losses.

Investment
The flow of new money ran at an exceptionally high level and, whilst the return on new investment has been lower than in 1970, the increase in our investment income in the General Funds at £1·6m. is larger than we had expected, and we are very pleased with the way our property interests are growing.
Excess of market values of Stock Exchange securities over book values in the General Funds was £61·3m. compared with £33·1m. last year and in the Life Funds £84·8m. against £36·7m.

Conclusion
There has been real improvement in 1971 but there is still considerable room for further progress. Competition through efficiency and innovation is welcome to us but perhaps I may add that if this competition is to serve the interests of those who want security and service, it must not take the form of unsound rates and imprudent terms with disregard of the need to build up reserves.
In facing this competition, we can look with confidence to our Management and Staff, backed up by many loyal and vigorous Brokers and Agents, and the results of 1971 will be some reward to all of them. We have, I believe, maintained and developed the really good understanding and co-operation between Board, Management and Staff which has long been one of the Group's greatest strengths and I am proud to express your thanks as well as my own to all who have contributed to the heartening results of 1971.
The Annual General Meeting of Sun Alliance and London Insurance Limited will be held on 31st May, 1972, at the Head Office, Bartholomew Lane, London, E.C.2.

SUMMARY OF RESULTS	1971 £000	1970 £000
Fire, Accident and Marine Premium Income	183,857	159,175
Underwriting Transfers:		
Fire and Accident	4,392	374
Marine	1,000	100
Long-term Insurance Profits	692	650
Investment Income	13,326	11,705
Other Income, including Trustee Fees	136	109
	19,546	12,938
Less		
6½% Unsecured Loan Stock Interest	141	563
PROFIT BEFORE TAXATION	19,405	12,375
Less		
U.K. and Overseas Taxation	5,130	4,136
	14,275	8,239
Less		
Minority Shareholders' Interest	89	(Cr.) 19
PROFIT AVAILABLE TO SHAREHOLDERS	14,186	8,258
GROSS COST OF DIVIDEND	6,792	5,758
PROFIT RETAINED	7,394	2,500

BUSINESS

Now it's a steel contraction plan

The Government's depressing, but long-considered, view of the British Steel Corporation is that it will not make profits and should not expand

It appears to have taken a joint committee of the Government and the British Steel Corporation one year to agree on the steel demand that is likely to prevail in 1980, given an average growth rate of the British economy in this decade of just 3½ per cent a year (and that is depressing enough). They seem to be unable to agree on anything else. The Government thinks British Steel will never be able to make sufficient profit to justify going for the major expansion needed to retain its present market share. It also expects the corporation to lose some of its present share of exports. BSC, obviously, thinks it will do much better in the next 8-10 years.

The forecast that emerged from all those hours of debate was no surprise. There was a margin of 25 per cent between the highest and lowest estimate of the size of market the industry should be geared for by 1980. The Government's estimate leans toward a cautious 28m tons, and BSC's toward an optimistic 36m. With 3½ per cent growth, steel consumption in Britain would rise to somewhere over 23m tons of finished steel, which would require a capacity of somewhere around 34m ingot tons. On past performance, that would mean the corporation's share would be around 31m ingot tons. BSC is asking for a margin above this because it plans to increase its export business, which in this depressed year is running at the equivalent of 5m ingot tons. So, if the Government is right, BSC's future is one of a sharply decreasing share of both home and export markets. The slack would be taken up in the main by imports.

So far as its investment plans go, BSC can forget at the bottom end of that range any thought of a greenfield, brownfield or even sky-blue-pink development. There just is no room. When it has finished facelifting the more venerable plants it acquired on nationalisation, its nominal net capacity if all the wholly uneconomic plants are closed comes to around 25m tons. However, if the Government insists on these being kept open as an act of social policy (which it is certainly doing now), there is barely room to build more than a couple of mini-mills in Scotland.

The Government apparently has no confidence in the abilities of the corporation ever to make money. It has been considerably shaken by the massive losses of around £100m a year for last year and this (although this year's results may look a little better) and is refusing to accept the management's excuses for them. It will not concede the argument that steel has been under price restraint ever since nationalisation and working with tired plant. Ministers now suspect that it has been a characteristic of the British steel industry, even when in private hands, that whenever it was faced with price restraints in any form its automatic reaction was to under-invest. Now that BSC would like to invest, the Government appears to think that the industry will be unable to show a reasonable return on the money.

There is no sign of any apparent willingness to consider the argument popular in the industry that, given new plant, British Steel might be as competitive as anyone else, especially with its relative commercial freedom to set prices once Britain is in the common market. The Government is reluctant to consider the sort of major investment programme which could cost as much as £2 billion between now and 1980, and for which the corporation has blueprints in plenty. This attitude might change if Lord Melchett and his colleagues can convince ministers that they really do possess drive and business ability. But what was very obvious this week was both sides' reluctance to commit themselves to the sort of detailed investment plan into which they would be strapped much in the way that the electricity industry got tied to its atomic programme—with disastrous results.

But playing by ear can be carried too far. There is

Where the money goes

	Modern capacity	Cost at 1972 prices
	m tons	£m
Modernising in hand		
Anchor, Scunthorpe	5	250
Lackenby, Teesside	3.25	43
Port Talbot, south Wales	3	83.5
Llanwern, south Wales	3.50	90
Ravenscraig, Scotland	3	50-60
Brownfield site (not approved yet)		
Redcar	6-8	800
Greenfield sites (for 1985 or beyond)		
Hunterston		
Merseyside		
Humberside		
The Wash	12-15	1,200-1,500

room within the estimated spread of output for a brown, if not a greenfield, site of perhaps 6-8 tons provided that something higher than the rock bottom figure for sales is accepted. The corporation favours Redcar on the north-east coast and has just got the Government's sanction for a major new blastfurnace in the area to serve the Lackenby basic oxygen steel plant near Teesside. It will inevitably go alongside the Redcar ore terminal now in the process of being built. When BSC's board makes its mind up to go ahead with this £150m project, it lays the way for the brownfield development there which is already planned in considerable detail. The one flaw in BSC's plan for this location for such a big steelworks is that it would need a big steel consuming process to go with it, probably a hot strip mill. The market for that product is much farther from Teesside than it is from, say, south Wales or Shotton. But it is still a good deal nearer than if the development went to Hunterston.

The Government may not see as big a steel industry for Britain as the corporation would like, but without a fairly steady pace of development the industry will have no market at all, and it is reaching one of those watersheds now where, unless the next stage of development is cleared fairly soon, Britain will be importing raw steel for finishing on outdated mills in the probable boom of 1979-80 just as it did in 1969-70. And after that the import bill for steel would just go on increasing.

This may not necessarily be a bad thing ; a case can be made for saying that steel is not the kind of industry in which Britain should be tying up resources in the 1970s. But this ignores the fact that steel industries on the continent make money, and some of them make it pretty efficiently (see page 86) with fewer natural advantages that Britain appears to have. Of the 20 possible sites for a new, deepwater steel complex in Europe, 11 are in Britain and looked at enviously by some European producers. That the Government apparently sees no point in developing any of them suggests that it has no confidence in the ability of the corporation's present management to do the developing. Yet it has only just renewed the contracts of some of the key members.

What rooms at the inns?

Britain is probably the only country with a big tourist industry but still no central register to guide visitors about where to stay. It urgently needs one

The English Tourist Board's scheme for a register of every tourist bed in the country, from the Ritz to the last caravan site, reflects a good many of the complaints that visitors (and not only tourists) have been making about British hotels: not least of which are the difficulty of finding them and their habit of raising prices to frantic late visitors who then have a choice of either paying up or sleeping in the park. The board wants all prices listed in its register, and at least some form of voluntary classification to warn clients how hard the bed might be when they find it.

It has never been clear why British hotels and boarding houses have been so reluctant to register. Provision for registration was written into the 1969 Development of Tourism Act, and all that is needed is an Order in Council to bring it into effect. That order has never been made. The Government felt it had done enough by establishing the four tourist boards: one, the British Tourist Authority, to get the foreign visitors in, and the other three to see there are amenities for them in England, Scotland and Wales once they get here—and for the locals, who outnumber foreign visitors five to one. It has been content to let the boards run the whole business, noting with satisfaction the mounting quantities of foreign exchange which tourism brings. A working party from the BTA was asked to look into registration, but its report last September was inconclusive.

The English Tourist Board—which deals with the bulk of tourists in Britain—got bored of waiting, but feelers put out to the responsible minister (Mr Anthony Grant, at the Department of Trade and Industry) produced little more than amiable expressions of interest. So last summer the ETB commissioned from McLintock Mann and Whinney Murray, the consultants, a report on whether compulsory registration was desirable in Britain ; and, if so, what system should be adopted.

It had expected some opposition from the establishment. Only last July Lord Geddes, president of the British Hotels, Caterers and Restaurants Association, slammed the call for registration as "bureaucratic nonsense." If he was then expressing a majority view, the ETB's energetic chairman, Sir Mark Henig, must have made a lot of conversions. It is now said that in principle virtually everyone in the trade favours the idea of compulsory registration, whether by previously held conviction or after persuasion from the ETB.

No one knows how many hotels there are in Britain ; it could be as many as 35,000, but only a third of this number is listed in any of the guidebooks. No one guidebook features all the listed hotels. The five largest guides contain 6,500 hotels, but only a tenth appear in all five. Further down the line—for motels, guest houses and boarding houses—information shades through the increasingly patchy to the non-existent. Most European countries operate some form of registration system, either compulsorily or voluntarily—but with arm-twisting. Foreign tour operators find the British vacuum of information infuriating. They cannot find out which hotels will accept group bookings and give other facilities ; and this country must lose a lot of potential package-tourists in consequence.

Why have British hotels and guest houses been so chary of registration ? The big groups just kept aloof. Smaller businesses were probably afraid about how much

OEM

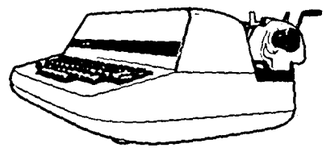
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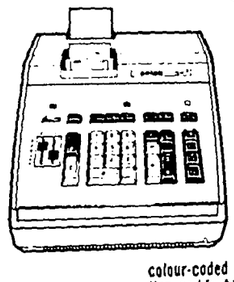
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Adler Universal 390
Precision built for years of trouble-free use. Features include quick-feed paper injector/ejector; speedily interchangeable carriages.

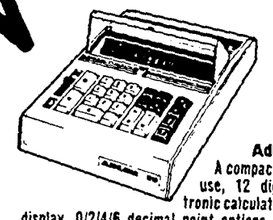


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We now have a far stronger base for earnings and the effects of this should be increasingly shown in the future

Burmah Oil reports on 1971, and its hopes for the future.

Turnover is up and so are trading profits in a year that has been particularly difficult for the oil industry as a whole.

Income from trading and trade investments at £30.7 million showed an increase of 10% over 1970 compared with an increase of 9½% in the previous year. Profit on trading contributed £19 million of this, an increase of 24% over 1970.

Development policy

Since 1959 we have sought to achieve a better balance in the Group's operations, which has involved moves into new geographical and product areas.

Burmah-Castrol Europe, the North American companies and the non-oil companies, particularly Halfords and Burmah Industrial Products, are providing an important part of the Group's income.

The delay in completion of our Ellesmere Port refinery has continued to mask the growth from other trading activities in the U.K. However, the fuel units are now on stream, and the rationalisation of the refinery and manufacturing operations of Burmah-Castrol in the U.K. will be largely completed during 1972.

We now have a far stronger base for earnings and the effects of this should be increasingly shown in the future.

Exploration

Additional cash flows from acquisitions have enabled us to increase expenditure on exploration and there have been additions to oil and gas reserves in USA, Canada and India.

Our Australian exploration company has made a number of very large gas and condensate discoveries in a concession area larger than the entire British sector of the North Sea.

In partnership with other companies we have been granted an exploration licence over three geologically well-situated blocks in Scottish waters of the North Sea.

Some financial highlights

	1971 £000's	1970 £000's
Turnover	355,950	316,498
Profit on trading (less depreciation)	19,063	15,244
Income from trade investments and associated companies	11,613	12,624
Dividends from BP	17,111	17,637
Profit before tax	40,043	40,148
Profit available to the Group	29,528	29,003
Gross dividends: Ordinary stock		
1971 16½p per £1 unit stock	22,182	
1970 16¼p per £1 unit stock		21,845
Earnings per ordinary stock unit	20.93p	20.55p

Future prospects

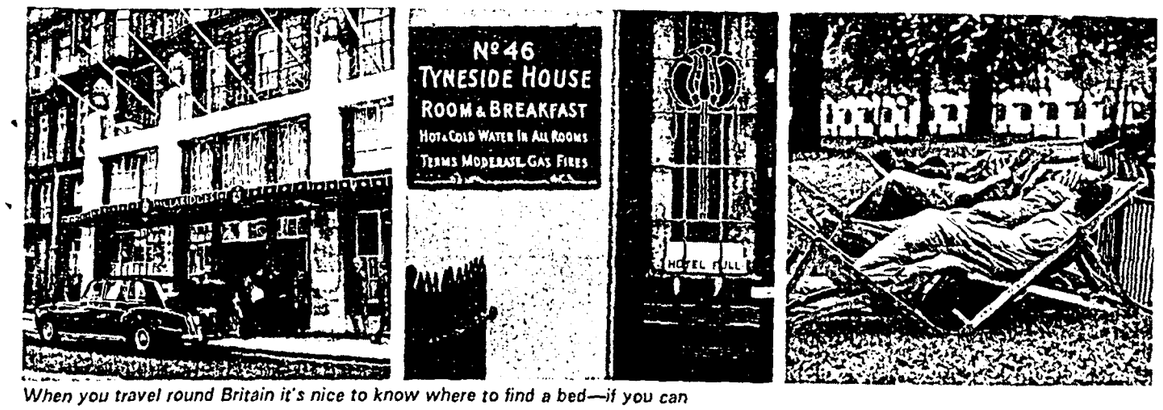
We now have in prospect a number of significant investment opportunities and, in the spread of our interests in what is inevitably one of the world's great growth industries, we have good reason to look to the future with confidence.

In the first quarter of 1972 group sales have increased: the effect on profitability of depressed prices for middle distillates and fuel oil is being largely offset by emphasis on specialisation within the oil industry and diversification into non-oil activities.

If you would like further information about Burmah Oil, or would like to receive a copy of our Annual Report, please write to the address below.

Burmah **The Burmah Oil Company Limited**

Burmah House, 57 Chiswell Street, London E.C.1.



When you travel round Britain it's nice to know where to find a bed—if you can

information would get back to the tax inspectors. Some saw registration as the thin end of the wedge of government controls, particularly on prices. The introduction of price controls is improbable, but compulsory registration may catch hoteliers under the Trade Descriptions Act if their establishments do not measure up to the details their brochures have given. If the proposals for compulsory price notification get through, it will be a major reassurance for many visitors.

In addition, small-scale hoteliers should gain greatly from the more efficient marketing that an up-to-date register would provide. The ETB is proposing a very simple system, with registrations going through local post offices, and to be held on a central computer, at an annual fee of £3 per establishment. Since it wants to include absolutely everyone, down to the last camping site, there might be as many as a quarter of a million entries—a massive operation. But it is hoped that the registration fee alone should enable the scheme to break even in five years; well before that, revenue will be earned from guidebooks compiled from computer printouts of the register.

The Scottish Tourist Board is in broad agreement with the proposals, but the Welsh want modifications. The Welsh agree with compulsory registration—although they have been running a voluntary system since 1967 to which they reckon to have got a 95 per cent response—but would like to see this tied to minimum standards. They are anxious to avoid giving any impression of official sanction to the seamy end of the market, such as tourist bedrooms that are used as chicken houses in the winter; but, if she meets the minimum standards, they would like to include even the landlady who rents out her front room for a few weeks a year. The Welsh do not like the idea of price lists, claiming that they have never had any problem with late-night or peak-season hotel gazumping. And they reckon that registration should be free, because advertising in guidebooks could cover expenses.

The ETB thinks that if the trade can agree on details during the summer, the Order in Council could be laid during the autumn. Registration could then start next year, and the information would be available to users in 1974. None too soon: the growth rates of foreign tourists coming to Britain are already dwindling, and London may soon have a glut of hotels.

Key indicators: British economy

Retail trade
Some recovery in March from low February level; but sales by durable goods shops down, probably because of holding-off by consumers before the budget.

Consumer credit
New credit extended in the first quarter was £561m, slightly below the levels of the last two quarters of 1971.

Overseas trade
Deficit of £53m in April. Bad results partly blamed on after-effects of miners' strike.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	February	111.9	−10.2	−10.6	−9.6
employment*	February	89.2	−0.6	−0.7	na
productivity*	February	125.4	−9.7	−10.0	na
Export trade*‡	April	148	+3½	+1	−7
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	March	106.8	+0.8	−0.3	+3.6
Unemployment*	April	177.2	+0.5	+2.1	+27.0
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	March	154.7	+0.3	+1.4	+7.6
Export prices	February	148	nil	+1½	+7½
Import prices	February	134	− ½	+ ½	+5

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *Britain*

Going for the ballot

The Government, after some hesitation and several cabinet meetings, telephoned the National Industrial Relations Court at 6 pm on Thursday evening to ask for a ballot of all railwaymen on British Rail's last offer. This was to give any railwayman not actually earning £20.50 a week the extra money from May 1st (there are not many of them), leaving the rest to wait until June.

The 14-day cooling-off period had passed with the railway union leaders as determined as ever not to budge from their full wage demand, and they decided on Tuesday to start the work-to-rule all over again on Thursday midnight. British Rail cancelled most of its commuter trains running after 10 pm, in preparation for the go-slow which, up to the time the Government had asked for a ballot, had shown every sign of starting at midnight.

The request to call a ballot is a major gamble for the Government. If the railwaymen vote against the latest offer, some impact of the Industrial Relations Act will be lost. If, however, a vote goes the other way, it will be a signal victory for the Government and will help to undermine the militant leaders in every other union.

If all three unions had been registered they could have run the ballot themselves, but only the white collar Transport Salaried Staffs' Association has signed up. So the job will be given to the Commission on Industrial Relations, which has had 200,000 ballot forms and three envelopes for each form ready for some time. The ballot could take about 16-17 days to complete. In the meantime, there would be another cooling-off period. Should the ballot go in favour of the offer, the unions would not be legally compelled to accept it, but it is presumed that they probably would.

If a work-to-rule does resume, its effects will be less serious than they would have been before the cooling-off began. The power stations, which could have been the railwaymen's trump card, as they were for the miners, are no longer as vulnerable. They already have coal stocks that would last nine weeks at normal load.

At any rate, if a work-to-rule lasts longer than 18 days, the railwaymen would lose more in overtime pay than they would get if their claim is granted in full. If British Rail's chairman, Mr Richard Marsh, took the bit between his teeth and ordered a lockout, it would only take five days for the railwaymen to lose money this year even if their claim was met in full.

Although Mr Marsh has done a first-class public relations job throughout the dispute, he seems to have allowed a howler to appear in British Rail's advertising. When BR was sticking to its original offer of 11 per cent, it placed advertisements claiming that this offer would add £4 to the average pay packet of a railwayman and £5 to that of a driver. But if that were true the offer would have been worth 14 per cent, and the Jarratt offer even more. So it was little wonder that the National Union of Railwaymen also bought advertising space to say that such an offer would suit them nicely. All the unions have made increasing use of press advertising since the postmen first tried it in their strike last year. But it didn't help the postmen much.



NUR executive : facing the music

London Transport

Service pays

London Transport's annual report, published Thursday, shows why the executive felt able to give in so readily to the railway unions' wage demands and pay the full 14 per cent to its men on the underground from the beginning of this month—instead of keeping in line with British Rail's offer. The fall in the number of passengers on London Transport is slowing down and business is looking up. Though so far this year the fall has been a little higher than in 1971, the loss caused by January's steep fare increase was less than expected. This is because, believe it or not, London Transport has been offering a more regular service : normally, public transport companies cut their service when they raise prices, so of course the passengers shy away. Further price increases are now promised to pay for the higher wages.

Continued on page 103



If it makes designing simpler, why isn't everyone doing it?

Some things are so obvious that it's possible to overlook them entirely. But if you run your own business and you are looking for more efficiency then you can't really afford to overlook the benefits of going metric.

The metric system is simple. That's why so many companies, big and small, are making the change. Already much of Britain's engineering production is metric.

Which is good sense when you consider that 86% of world trade is between countries that have chosen the metric system.

Metric working has already simplified things like design, production, paperwork and storage for many British firms.

If you are responsible for the future of your company start thinking about metrication.

Many are already benefiting from the changeover.

Business is ten times simpler in metric.

Please place my company on your mailing list for regular publications and send me "Going Metric—Check List for Managers."
Type of business:

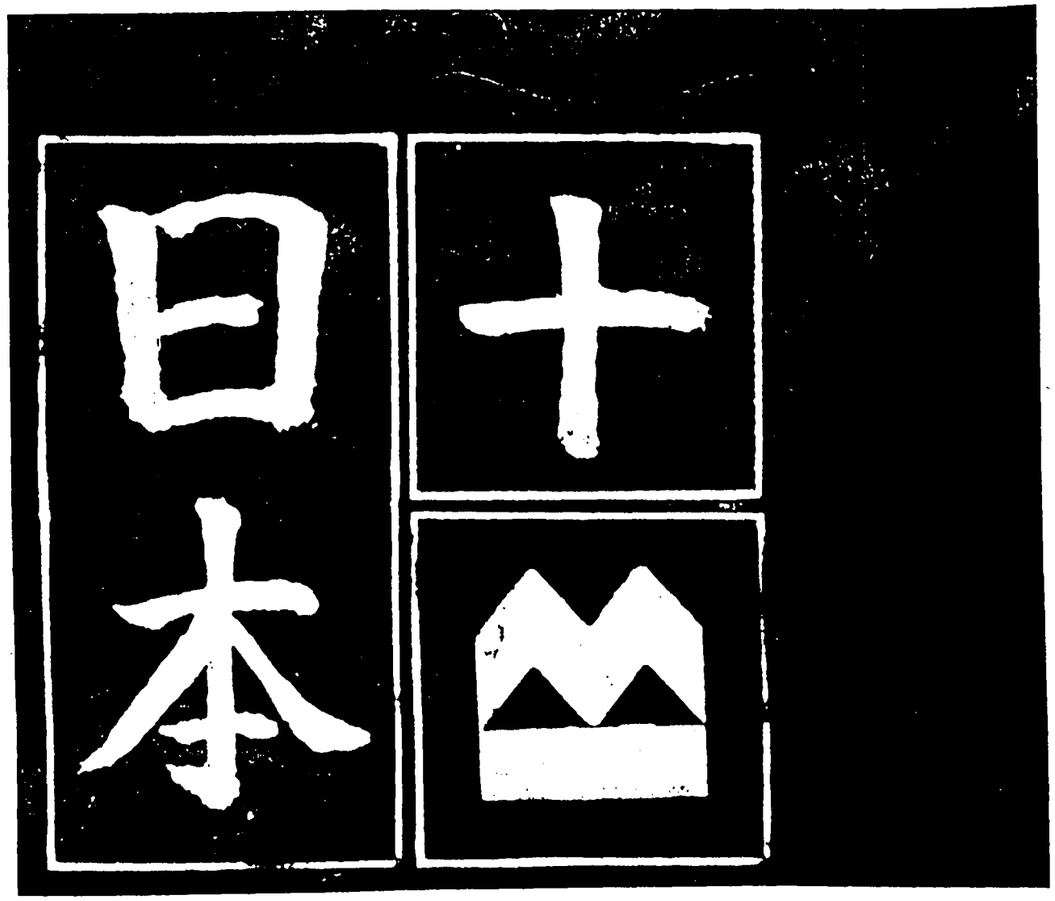
Name

Position

Company

Address

Send to: Information Office (BL6)
Metrication Board
22 Kingsway London WC2B 6LE



Bank of Montreal in Japan 10 years.

Bank of Montreal is celebrating its tenth anniversary in Japan. Though we were the first Canadian bank to establish ourselves there, our history of helping Japanese businessmen dates back even further. As a matter of fact, all the way back to 1886, when we opened a branch in Vancouver, Canada's Pacific seaport, to serving the flourishing tea trade with Yokohama.

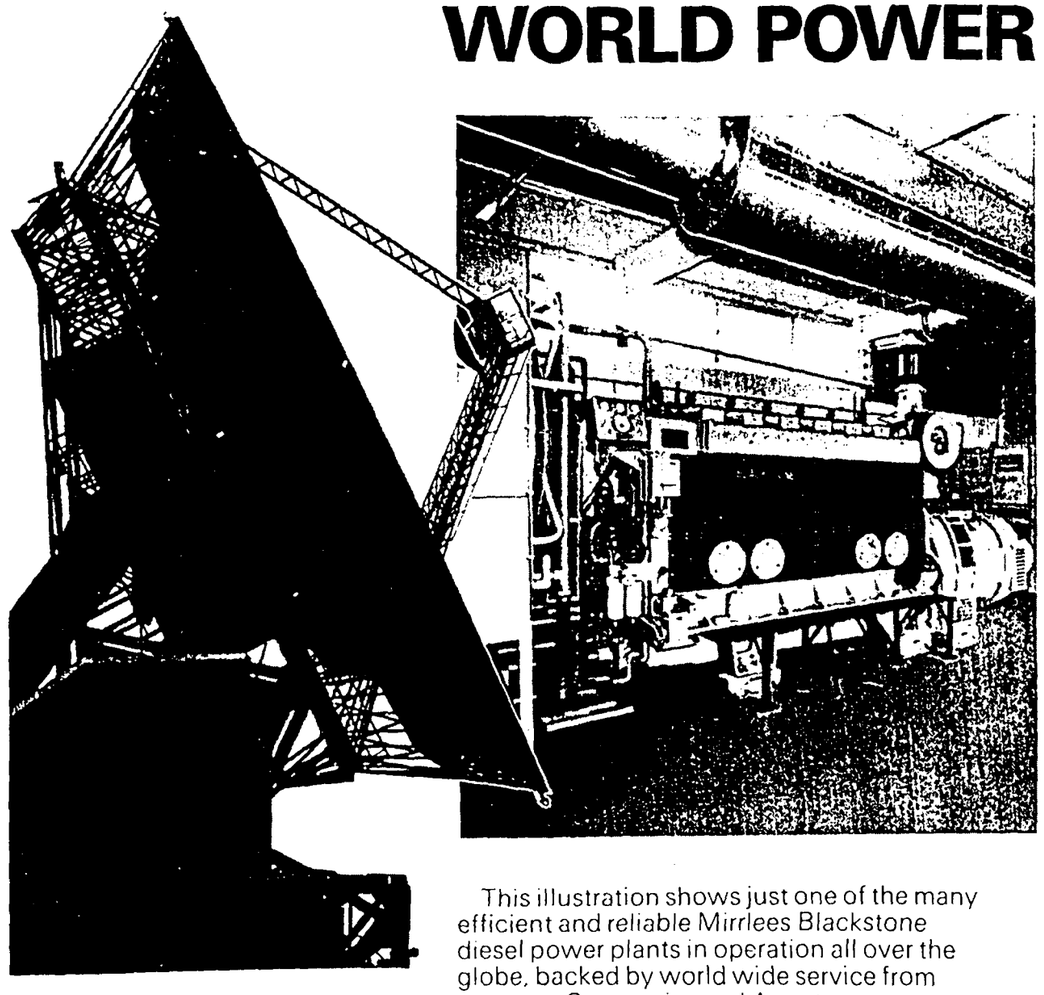
But enough of history. We're in business to help you here and now. With offices in Tokyo. And in Hong Kong. Offices staffed with international banking professionals who can help you capitalize on world-wide opportunities.

Call on Peter Blanar in Tokyo. Hal Hartmann in Hong Kong. Bill Hill in Melbourne. Lin Boynton in San Francisco. Bank of Montreal has over $10,000,000,000 in assets, and 19,000 people in 1,100 offices across Canada and throughout the world. These innovative bankers are standing by. To make the next ten years bigger and better for everybody. Starting right now.

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The First Canadian Bank
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WORLD POWER



Goonhilly Satellite Earth Station has earned an impressive list of 'firsts' for the British Post Office, transmitting and receiving, via satellite, telecommunications and television programmes from many parts of the world. Reliability is better than 99.9% and power supplies are safeguarded by six Mirrlees Blackstone automatic start ERS6 alternator sets each producing 346 kW.

Photograph by courtesy of the Post Office

This illustration shows just one of the many efficient and reliable Mirrlees Blackstone diesel power plants in operation all over the globe, backed by world wide service from overseas Companies and Agents.
K & K Major ranges now have well over three million horsepower from over 1,500 engines in service and more than 7,000 'E' type engines have been installed.

We can supply and engineer complete power stations for operation almost anywhere.
Our experience as a supplier of world-wide power is well worth exploiting.

Diesel engines from 180 to 10 000 bhp
Generating sets from 120 to 7000 kW

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Hawker Siddeley Group supplies mechanical, electrical and aerospace equipment with world-wide sales and service.



Don't let them give you the slip!

Senior management and other important people have a habit of taking off around the world – fast and frequently

To be sure of reaching them you'll need to place your advertisement so that it can travel with them – or meet them on arrival.

If you have confined your campaign to 'local' media you'll certainly miss some important members of your target audience tomorrow – how many did you miss today?

You'll often find THE ECONOMIST in the briefcases of the business jet set and they'll find that it's available in most first class cabins – one of the many valuable passenger services provided by leading airlines.

Journey's end? Well as you probably already know THE ECONOMIST is sold in every country in the world – except Albania.

The people you are after may have to pay for their travel but your advertisement can follow them free. When you buy space in THE ECONOMIST you only pay for the circulation in the UK – £360 for a whole page – so space for your advertisement in those very valuable copies that travelling businessmen read in other countries won't cost you anything.

Be sure of reaching E·M businessmen • wherever they are at the moment you want to reach them – at home or abroad – through THE ECONOMIST.

• The E·M (Economist Magdan) Business man is a person with real status within a company in such that he is invariably involved in the decision making process affecting important corporate purchases and management policies.
(The Economist Magdan Businessman Readership Survey 1971)

For Businessmen

The Economist



Without Steel Tubes, how would your motor car run?

Of the thousand and one parts that go to make up the motor car, some of the most important are precision steel tubes. Prop shafts, for example, bearings, steering column assemblies and brake lines.

As the largest producers of precision steel tube in the world, we've got the resources to take on anything any customer can give us, and meet the kind of specialist order that other companies can't.

And because our division is cellular (i.e. composed of 26 beady-eyed, entrepreneurial companies) we reckon we're able to offer specialised workmanship and encyclopædic research resources as well as the stockholding facilities of a giant.

We offer all this to the motor industry in Europe and throughout the world.

If you think this kind of set-up could do extraordinary and wonderful things for your company, or simply a sound job rather more rapidly than anybody else, get in touch with Paul Standing our Commercial Director.

TI Steel Tube Division, TI House, Five Ways, Birmingham B16 8SQ Telephone: 021-454 4838.

Steel Tube Division

Competition for research on small firms

DTI TO AWARD £2,000

The Department of Trade and Industry announces an open competition for a research grant of £2,000 to be awarded to the best proposal for a six months research project. The research may examine any aspect of the operation, management or exporting activities of small firms in any sector(s) of trade or industry.

Applications are invited from suitably qualified individuals in any walk of life (except Civil Servants) who are currently resident in the United Kingdom.

The successful applicant will be responsible for carrying out the research and for submitting a report to the Department within six months of the commencement of the research, which must have been started by 30th November, 1972. Closing date for entries to the competition is 3rd July, 1972.

Full details and application forms can be obtained from the Department of Trade and Industry, Small Firms Division (2), Room 245, Abel House, John Islip Street, London, S.W.1, telephone 01-834 4422, Ext. 361 or 14.

Conventions have to be convened. But not just anywhere. Take Vienna.

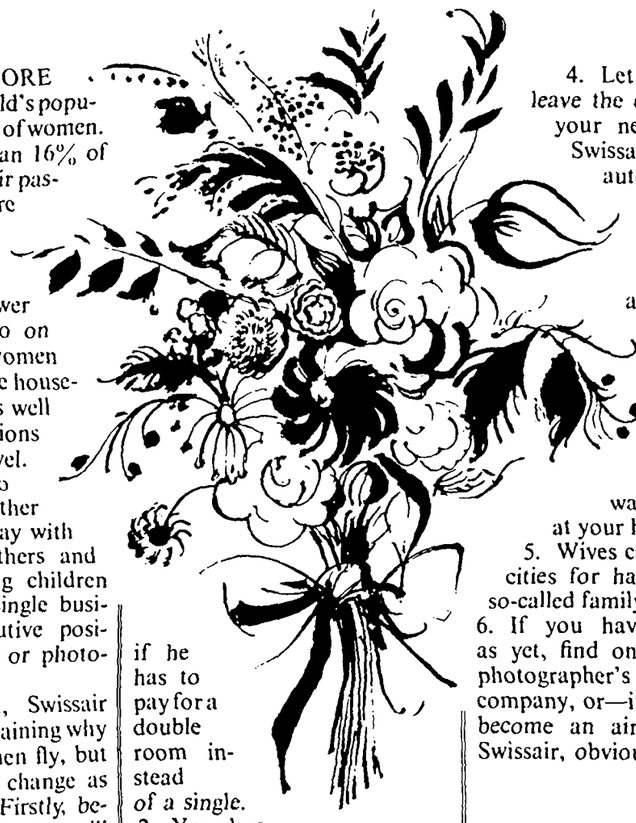
Why is Vienna renowned for successful conferences? Perhaps because of all that experience dating back to the Congress of Vienna in 1814. Or perhaps because Vienna knows how to arrange conferences with atmosphere, how to make life smoother for organisers and participants alike? After all, Vienna is host to a host of conferences – a thousand a year or so. Those contented delegates cannot all be wrong.

Let's convene our next convention in Vienna

Informations: Vienna Convention Bureau Stadiongasse 6-8 A-1016 Vienna phone 431608

{Women come to see. And likewise to be seen.}
Ovid, Ars amandi

Swissair thinks it's high time we saw more women aboard our planes.



SOMETHING MORE than half the world's population is made up of women.

But rather less than 16% of the 4.5 million Swissair passengers in a year are women.

Now of course there's a logical explanation for this: Fewer women than men go on business trips. And women who have jobs and are housewives and mothers as well naturally prefer positions that don't call for travel.

So the women who travel by plane are either wives flying on holiday with their husbands, mothers and grandmothers visiting children and grandchildren, single businesswomen in executive positions, film actresses, or photographers' models.

Actually, though, Swissair isn't interested in explaining why fewer women than men fly, but in bringing about a change as quickly as possible. Firstly, because then more passengers will be flying. Secondly, because women enjoy flying too. Third, because then the men will enjoy flying much more.

So here are a few hints for women who would like to fly more often:

1. Your husband's expense account is hardly burdened at all if he has to pay for a double room instead of a single.

2. Your husband might spend more in a strange city alone than your ticket would cost.

3. You can take the children along. They cost almost nothing extra up to two years of age; through to 12, half fare.

4. Let your husband leave the car at home on your next holiday, fly Swissair, and hire an automobile at your destination. In fact there are some very reasonable package arrangements with hotel and everything. Drop in at the next Swissair or IATA travel agent, and wave the folders at your husband.

5. Wives can go to certain cities for half price on the so-called family plan.

6. If you have no husband as yet, find one or become a photographer's model, start a company, or—if you're Swiss—become an air hostess. With Swissair, obviously.

Lonely Hearts

We are a group of well-preserved, lively DC-8s, DC-9s, DC-10s, Coronados, and Jumbo-Jets, looking for ladies of any age who would be welcome passengers sharing the heights and depths of our flights to happiness. Contact through Swissair and IATA travel agencies. Absolute discretion assured.

SWISSAIR

SINGER & FRIEDLANDER

A MEMBER OF THE BOWRING GROUP LTD.

Highlights of the Year 1971

	1971	1970
Capital, published reserves and unappropriated profit	£7,830,271	£6,729,043
Current, deposit and other accounts	£106,334,199	£80,656,094
Group profit before taxation	£2,509,355	£2,044,986



Extracts from the annual statement to shareholders by the Chairman, Mr. A. D. Chesterfield, C.B.E.

The Common Market has already brought to its members increased prosperity and greater growth. We look forward to sharing in the increased opportunities which joining the European Community will undoubtedly provide. In this connection we have formed an International Mergers Service with the participation of leading banks and institutions in Europe and in the U.S.A.

The International Department enjoyed an extremely active twelve months arranging and participating in transactions in 22 countries. In spite of greatly increased competition, the profits of the department were substantially in excess of those for 1970.

The Investment Department gained many new clients during the year and the funds under management at the year end were well in excess of any previous figure. In the Corporate Finance Department, in addition to arranging financing and acquisitions for many existing customers, four new issues were sponsored, all of which were well received by the investing public.

The substantial improvement in our results is gratifying. All departments of the bank have been busy.

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Continued from page 94

Despite the improvement so far under Sir Richard Way's chairmanship, London Transport still has no reason to be complacent. It shies from any radical change in service to meet the rapidly changing pattern of demand : its current minibus experiment has only four buses. Recently a private operator took over a route discontinued by the Midland Red, and turned it into a successful minibus operation, which shows in which direction bus services should be heading. London Transport is also still dragging its feet over marketing itself properly, although a report it prepared as a consultant to the American Department of Transportation was devoted chiefly to marketing.

Rightly, the annual report points to the need to stagger hours of work. The decline in blue-collar jobs in London means the rush-hour peak is becoming ever more acute. A go-slow on the underground would have been a nice test of commuter habits, as it was on the railways. Southern Region's morning peak runs from 7-10 a.m., but two-thirds of that traffic is concentrated into 60 minutes. The same happens on the buses and tubes. The cost of providing enough capacity for the peaks (which will be empty the rest of the day) can exceed £20 a week per passenger. In the week when the railways were last working to rule, commuters were asked to stagger their working hours ; and they are now being asked to do so again. But the peaks will never disappear entirely. The only way that London Transport can learn to live with them is by asking its staff to work more flexible hours. Now it has to maintain two separate sets of crews for the morning and evening peaks, which could easily be worked by one lot of men. Hence the inevitability of further rises in fares ; they could hit buses, where 80 per cent of the costs are labour, very hard.

Dockers

Backdoor takeover

The dockers and their employers have not met since 28 days' notice of a national dock strike was given nine days ago. A settlement looks impossible, unless the Government cares to step in and mete out the subsidies it gave the shipyards. That may be just what the dockers are after. Mr Maurice Macmillan has been active trying to reach a compromise over



Walk out at Seaforth—and back again

who is going to stuff containers. The Seaforth container dispute was settled in Liverpool on Wednesday by the employers there offering a lot more money. But containers are only a small part of the dockers' demands.

The other demands, a doubling of the fallback pay when the dockers are temporarily not needed and an increase in holidays to four weeks a year, are ones that most employers simply cannot afford to meet. If they increase their charges, they will force more shipowners to use containers. A large number of employers are in danger of going out of business anyway. Pushing more of them over the brink could achieve by the backdoor what nationalisation of the ports, scotched at the last minute by the Conservative victory in the general election, was supposed to do by the frontdoor : place all the dockers under one employer, the Government.

The syndicalist influence is stronger than ever in the docks now, and the usual people are cashing in. There has been a marked increase in the number of visits to the docks from the King Street headquarters of the Communist Party, and some previously inarticulate shop stewards have suddenly learned an unwanted eloquence. One disturbing sign is that many dockers in the meat trade, who had responded to appeals to raise productivity to normal levels, have found black marks on their doors ; this has naturally terrified their families.

Mr Jack Jones, general secretary of the Transport and General Workers' Union, has long been an advocate of workers' control. His chief docks official, Mr Tim O'Leary, argued wryly on Wednesday

> I'm an admirer of the old Macmillan, who saw it was not a bad thing to have a few healthy bankruptcies.

Leaving the Government to step in, presumably ? Mr Jones is having some trouble with the haulage members of his union, who do not want their jobs taken away by the dockers' demands.

At the court

Friday's verdict

The National Industrial Relations Court has put off until Friday morning the decision on how far it will hold trade unions legally responsible for the actions of their shop stewards. The unions themselves recognise this as vital and, having originally boycotted the court, their lawyers were much in evidence this week.

The hearings were yet another round in the dispute in the Mersey docks. The two haulage firms, Heatons and Craddocks, were claiming yet again that the Transport and General Workers' Union was in contempt of court because TGWU shop stewards in the docks were still organising the blacking of lorries in defiance of the court's order. On the two previous occasions when the TGWU was accused of contempt it was fined £5,000 and £50,000.

This week the TGWU's lawyers pleaded that the union had told its shop stewards in the docks to stop the blacking, and could not be held to be in contempt if the stewards did not take its advice. Moreover, they pleaded that if the union were to discipline or sack the stewards this would not halt the blacking but would deprive the union of what influence it now had in the docks. They also claimed that, since the shop steward system was introduced in the docks, the number of strikes has dropped.

But Mr Richard Yorke, QC, counsel for the two haulage firms, pointed out that the union had restricted itself to advising, whereas on other occasions when union rules were disobeyed it had taken disciplinary action at once, and severely. He also claimed that the Mersey union official sat in on the shop stewards' committee and had said that he was 100 per cent behind the shop stewards' actions.

The outcome will make legal history. If the court accepts the union's argument, employers may find it harder to sue unions for unofficial strikes, and

might have to concentrate on taking individual shop stewards to court—as two container firms did on Thursday. Panalpina (Northern) and Panalpina (Services), based at Hull, named a shop steward from the docks ; they got a temporary injunction to stop the blacking until the court gives its judgment on Monday.

Now that the ban on unions appearing before the court has been lifted by the TUC, simply because the size of the fine on the TGWU made it inevitable, the main rumbling has continued to be on whether or not to register. By a margin of less than 1 per cent, Mr Clive Jenkins's Association of Scientific, Technical and Managerial Staffs failed to get the two-thirds majority needed to take the union off the register, so it stays on. Mr Jenkins was quick to claim that the union would go on behaving as if it were deregistered. But that will not impress other unions, since ASTMS will get all the basic advantages of deregistration, such as tax relief, limitation on damages and freedom to strike without fear of court action. And Mr Jenkins is waiting to hear the verdict on Monday of his—and the country's—first case of a man claiming under the new act to have been wrongfully dismissed.

A protest movement has also been growing within the National Union of Journalists, which had decided to deregister. Since a ballot of NUJ members gave a clear majority for registration, it is hardly surprising that 29 NUJ branches have demanded a recall of the NUJ conference which voted to reverse the ballot decision. Like many unions, the NUJ conference represents militants more than membership.

Post office

Image-polishing

Hopes are rising in the post office that the Government will agree to write off its accumulated deficit—now standing at £114m—in the autumn ; if the Government does not, another sharp rise in the charges for letters must come. Losses on the postal service have been running as high as £73m a year ; another loss was almost certainly made in the financial year just ended.

But in other ways the postal service is beginning to look in rather better shape. The Opinion Research Centre has just completed a 50,000-letter survey for the post office. It showed that 92 per cent of first-class letters were delivered by the next day. Other surveys, carried out by consumer organisations, have shown nothing like these results : they have reported only 82-84 per cent of 3p letters arriving on time.

ORC's sample was much bigger than those of the less favourable surveys, and its investigation is said to have been conducted more "scientifically," which will ruffle some feathers. It was, as it happens, carried out on actual mail rather than by the deliberate posting of trial letters—although it is hard to see why this should have made a material difference. Greatly encouraged, the post office expects to get the success rate up eventually to 95 per cent. But with more than 10 billion letters a year, this still means more than 0.5m late letters.

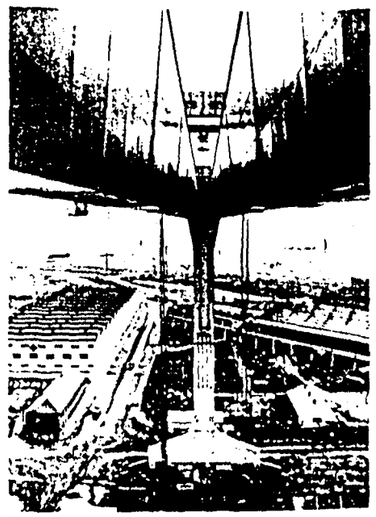
Shipyards

Gimme, gimme

The Government's help to shipbuilding is leading to claims for similar treatment elsewhere. Now the shipyards' suppliers are asking for it. They point out, accurately, that the Government is subsidising the builders for work that the suppliers have actually done. The builders are to get a 10 per cent subsidy on this year's turnover, largely a sop to those good firms that stayed out of trouble ; but two-thirds of that turnover is bought in from outside, so in effect the subsidy for the builders is a third of the added value of their work, almost as much as in American shipbuilding.

The irony is that a subsidy to suppliers might not be that much help. If it is given, their men might demand an inordinately large pay rise. The expectations of the shipyard workers were raised so much by subsidies that they may now turn down as too small the 30 per cent pay increase over two years that they have been offered.

The Government's aid, probably totalling £200m, will still not set the industry on its feet. The £49m investment in Harland and Wolff, announced a week ago, will increase the yard's throughput to that of the modern yards in Japan and elsewhere in the Far East, but the number of workers to be employed is two or three times what it would be in Japan, and at higher wages. Steel prices are lower in Japan, and so are the prices of a lot of other marine equipment. If Harland and Wolff is supposed to be Britain's most modern yard, what hope is there for the others ?



Belfast, emulating Japan

Other shipbuilding nations are losing their patience with Britain's subsidy programme, which is jeopardising attempts to keep down international subsidies, the only measure that will cure the permanent over-capacity of the industry. The common market is trying to get Japan to cut back on its investment programme, but the Japanese, with their eye on the British, are not having any of it. Yet forecasts of over-capacity are getting worse, not better. On Tuesday Britain's biggest builder, Swan Hunter, predicted gaps in its order book next year. Even the Japanese are quoting prices at which they will make a loss.

It might be better, though heretical, to pay people not to work than pay them to build ships nobody wants. To make British shipbuilding competitive would probably cost the temporary loss of 50,000 jobs. The £4,000-a-head subsidy being paid to keep them in work could be generous severance pay, and would make the long-term prospect for both employment and real wages better.

Aid for regions

Blank cheque

The Government's Industry Bill, promised at the time of the budget, was published on Thursday afternoon. It amounts to the Government asking Parliament to write it a blank cheque to give money to industries in trouble : whether they are in the sick regions, where two-fifths of the population live, or outside them. The Commons is none

Recovery – and confident of further progress

"Thanks are due to management and all staff for a very special effort in 1971"
—Chairman



Peter Robinson,
Managing Director

Extracts from the review of the Chairman, Sir Charles Hardie:

I am pleased to report that the planned recovery continued at an accelerated rate in the second half of 1971. Your Directors feel justified in recommending a dividend for 1971 on the ordinary shares of 5 per cent.

The turnround is highlighted by the movement in profit before interest and taxation from a break-even point in 1970 to a profit of £3·6 million in 1971. Interest charges have been reduced by £269,000. The result is a pre-tax profit of £1·48 million.

The Printing companies showed a significant improvement in the second half of the year. I am happy to report that the Packaging and Paper Group also made considerable progress in the second half following the effects of the postal strike in the first half. The Publishing Divisions began to trade profitably towards the end of 1971, and ILSC is operating profitably.

Particular attention has been paid during 1971 to the question of liquidity. Net current assets have improved by over £6 million. Credit balances at the bank total £2·9 million against a large overdraft of £3 million in the previous year . . . these improvements augur well for a reduction in future interest charges.

1972 has started well. It is disappointing that the results for the first half of 1972 will be influenced by the power cuts which cost the Corporation £400,000. The Board recognises that the profit recovery in 1971 still leaves the return on shareholders funds at an unacceptable level. I believe that planned recovery which started last year will continue and your Board is confident of making further progress in 1972.

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too happy about this trend towards subsidising private industry. A sub-committee of the Select Committee on Expenditure is writing its first report on the subject now, under the chairmanship of Mr William Rodgers. But the Government feels it has no better solution to regional unemployment than the pumping of money into areas where no sensible entrepreneur would invest his own cash.

Ulster was being dealt with separately on Thursday. Mr Willie Whitelaw announced that he was revising the scheme, which died when the Stormont parliament was wound up, for a special finance corporation with an initial grant of £50m to spend in the province. But for the rest of the country, the whole armoury has been brought into action : the special help for shipbuilders described in the previous note ; another £300m added on to the revolving credits available to British shipowners who buy their ships here, bringing the total up to £1 billion ; 20 per cent grants for plant and buildings, rising to 22 per cent in special development areas (Glasgow is an obvious example). The whole package will cost something like £200m-£250m a year for the regions alone, with provision for what could be another £75m a year by the mid-1970s for industries in trouble outside them.

This recognises that industries do not have to be in the development areas and in specially depressed regions *before they run into trouble*. Some of the industries already promised government help and plainly much in need of rescue, like machine tools, have their factories in normally prosperous areas. The machine tool industry has been promised around £10m of help from the Government in the form of special orders, but the Bill makes no specific reference to it. This kind of help is covered by the general umbrella that the bill spreads over the shorn lambs of industry. But their problems are specific, local and usually to do with errors of management. The big problem worrying the Government is unemployment in the regions. It is likely to get worse.

One pointer was the National Coal Board's announcement that it would cut its white-collar staff by 10 per cent in the coming year ; it could cut off 3,000 jobs. Regional headquarters are going to be merged in Wales and in Scotland. The board says that it is merely trimming its tail down to the size of its much smaller industry, with 150 pits shut since 1967, but the arithmetic makes it look as if more pit closures are planned. Assurances were foolishly given at the end of the miners' strike that no men would be put out of work, but girls in offices apparently do not count. Anyway, these assurances cannot last. Once the board has caught up with the backlog of orders accumulated during the strike, which will take it to the end of this year, it will start looking at its heaviest loss-makers among the pits with an eye to closing them ; a lot are in Wales and Scotland. The Government does not see its regional plans having any visible effect on employment within the life of this Parliament, but it may have to work very hard even to keep things as they are.

Economy

Keeping Tony waiting

It seemed like old times. Thursday brought the news that Britain had an overseas trade deficit in April of £53m. This followed a deficit of £81m in March and one of £33m in February. But nobody tore their hair, and sterling did not take a battering in the exchanges. The figures have been confused by the miners' strike, and although it may be stretching things to blame the strike for the lowness of Britain's exports in April (£748m compared with £770m or so last summer), the possibility is there. More to the point, even though the visible trade deficit averaged £55m a month between February and April, invisibles brought in over £50m a month (much more than in the pre-devaluation days), or so the Treasury thinks. So Britain's current overseas account was still roughly in balance in the past three months. Even so, all the signs are that exports are levelling off and imports rising. The good times may be over for British trade.

But it is still the domestic economy that is Mr Barber's chief concern. The Treasury, in its mid-month assessment, confirms that domestic output in the first three months of the year was lower than in the second half of 1971. Again, this can be blamed on the power cuts —and on consumers holding back before the budget. But if this week's retail trade figures for March prove anything, it is that the Chancellor was well advised to go for a massive dose of reflation. Shoppers spent only 0.9 per cent more in the January-March quarter than in the previous three months (after allowing for seasonal variations) ; and this meant they actually purchased 0.7 per cent less. The buying of durables kept up, but that of food went down 1½ per cent. Consumers' hesitancy in these months is confirmed by the pattern of hire purchase — 2 per cent less in the first quarter of this year than in the Christmas quarter. Nor is there much evidence of a decisive upswing in spending over the past few weeks. The public still seems to be waiting, although quite for what no one knows, and that goes for Mr Barber too.

Computers

ICL taps America

The quickest and surest way for the Government to put International Computers on its feet—which it is going to have to do soon, anyway, to the tune of many millions of pounds—would be to put up the money for it to buy a large American computer business and thus get into the world market by the back door. Since this is something that Whitehall is apparently not prepared to contemplate, ICL is doing the next best thing and buying American executives by the brace. It is only two years since Mr Saul Steinberg, the American whiz kid who founded Leasco, outraged much of the British establishment by suggesting that a man with American experience be brought in to head ICL. When the outcry had died down, ICL did just that last February and quietly appointed Mr Thomas Hudson, a former executive of its arch-rival, International Business Machines, as chairman.

On Thursday Mr Hudson took this further by appointing Mr Geoffrey Cross as managing director. Mr Cross, who until Wednesday had been working for Univac, was born in Britain but has spent the last 14 years mostly in America, and is now an American citizen. His predecessor, the battle-scarred Mr Arthur Humphreys, moves into the more peaceful reaches of the deputy chairmanship.

Mr Cross at least appears to think like an American computer executive. He said on Thursday that if he had been working for ICL at the time when the RCA Corp (formerly Radio Corporation of America) announced its withdrawal from the computer business, he would have advised buying RCA's computer division. Many people, as it happens, wondered at the time why ICL didn't. The company which did was Univac.

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BUSINESS *International*

When to shoot to kill



Not how one hijacker thought it would end

The shoot-out at Lydda airport on Tuesday afternoon between Israeli troops and four armed Palestinians holding 100 people hostage in a hijacked Sabena airliner was beautifully planned and executed by the Israelis and, in its way, was wholly successful. The two Palestinian men are dead and one of the girls with them is seriously injured; the other girl is under arrest. But five passengers were shot and one of them is critically ill.

There may have been no other way to thwart the hijackers and save the lives of those on board, but the casualty list explains why most western governments are reluctant to use force when innocent lives are at risk. The Americans have shot and killed several hijackers, but only when most other people were out of harm's way. The Palestinians regard themselves as in a state of war with Israel—and that probably encouraged the Israeli authorities to storm the aircraft in the way they did. But it is not an example other governments should necessarily follow.

There is a clear distinction between the kind of hijacking that is close to guerrilla warfare and the other, recent spate of hijackings in which the object has been frank extortion. In the Arab hijackings the men are generally prepared to shoot it out without mercy or regard for civilian life. But the extortioners are bargaining lives for money, and, however much the hijacker may demand, it is hard to argue, as the former-astronaut-turned-airline-executive, Mr Frank Borman, seemed to be doing after a hijacking at Dulles airport at the weekend, that the chief aim of the authorities should be to execute the criminal. So airlines, with a wry face, pay up on demand, knowing that by doing so they will encourage a spate of imitators but knowing also that, to date, only three hijack attempts have got away with the money. But it is three too many.

Once an armed man, or a man who merely claims to be armed, is on board an aircraft, there is little that anyone can do but agree to whatever he asks. As the majority of hijackers are mildly deranged, it is safer to humour than to antagonise them, and the same holds for political refugees too. The first-ever reported hijacking, in 1930, was carried out by Peruvian refugees fleeing the country, and since then there have been regular waves of anti-communists leaving eastern Europe, left-wing sympathisers going to Cuba, and Latin Americans going almost anywhere.

In all, there have been getting on for 350 hijackings, with a peak of some 70 reached in 1969 alone. The rate went down after airport precautions were tightened, and last year the Americans were congratulating themselves on stopping 14 out of an estimated 25 attempted hijackings in the United States. The world total was probably not much more than 30 in 1971, although estimates are difficult to reconcile. But now all that has changed.

There have been at least 21 hijackings so far this year; they are listed on page 111. They include the usual measure of loonies, but there has been an alarming increase in armed hold-ups. This follows the first-ever successful parachuting of a hijacker out of an aircraft, ransom in hand, which took place over Denver last November. To the fury of the American authorities he—or the writer of a letter on the I-have-only-six-months-to-live theme claiming to be him—became a folk hero, sparking off a host of imitations and a rash of interviews in which airline staff and others gave away most of the secret methods used to detect hijackers before they get on board. In more ways than one, the American authorities are exceedingly annoyed with the airlines because the rate of hijacking could

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Charles Hill of Bristol

Future trend encouraging

In his statement to shareholders, contained in the Annual Report and Accounts for the year ended 31st December 1971, Mr. Richard Hill, Chairman, referred to the changes in the size and shape of the Group which have continued unabated. The largest gave Bibby Line Limited a 51% controlling interest in Bristol City Line. The strength of the company's present position is very largely due to the terms of this Agreement and the 1971 accounts have been drawn up to reflect its impact. The £1,200,000 received will be applied as additional working capital for the Group, particularly in the section dealing with Civil Engineering and Property Development.

The profit for the Group in 1971 of £519,069 after special items and having accounted for depreciation of £536,619 is much better than seemed likely at one time. The sum attributable to Ordinary shareholders is substantial. Even after providing for the larger dividend we thus have a useful addition to our Group Reserves.

If the results of the subsidiaries, in respect of which the controlling interests have been sold were excluded, the remainder of the Group achieved a record trading profit in 1971 of £313,753 against £160,170 in 1970 and this trend is most encouraging for the future. There seems no reason to expect an unsuccessful year for the Group in 1972.



SHIPSHAPE AND BRISTOL FASHION

CHARLES HILL OF BRISTOL LIMITED
Albion Dockyard, Bristol BS1 6UY.

The tally this year

	What they wanted	What happened
January		
Punjab	Pakistan military spotter plane hijacked to India	Pilot shot and killed by hijacker
San Francisco	Two Negroes hijack jet	Land in Cuba
Dallas	Hijacker demands $1m ransom	Arrested
Las Vegas	Hijacker demands $50,000 ransom	Arrested after parachute drop
Poughkeepsie	Hijacker demands $200,000	Shot dead
Kennedy airport	Hijacker demands $300,000 and release of, among others, Angela Davis	Shot and wounded
Amman	Palestinian hijacks Jordan jet	Arrested
February		
Aden	Five Palestinians hold Lufthansa jet	German government pays $5m ransom
March		
Miami	Two hijackers shoot and injure pilot and mechanic of small seaplane	Land in Cuba
Rome	Woman hijacks jet to Munich	Arrested
April		
Jakarta	Hijacker on Indonesian plane	Shot dead
Denver	Hijacker demands $500,000 ransom	Arrested after parachute drop
San Diego	Hijacker demands $500,000 ransom	Arrested
Los Angeles	Hijacker demands television time to plead case of Mexican-American poor	Arrested
Geneva	Hijacker demands to land in Rome to see Pope	Arrested
Palm Beach	Hijacker demands $500,000 ransom	Arrested
Prague	Two hijackers shoot and injure co-pilot	Political asylum in west Germany
May		
Bulgaria	Four hijackers on Turkish airliner demand release of Turkish political prisoners	Granted political asylum
Dulles airport	Hijacker demands $300,000 ransom	Parachutes over Honduras
Salt Lake City	Hijacker seizes plane	Landed in Cuba
Vienna	Four Palestinians hijack jet to Lydda. Demand release of 300 Palestinians under arrest in Israel	Two shot dead, one injured, one arrested

become negligible if the right precautions were taken.

But nowhere in the world, except in countries like Israel exposed to special risks, are airlines willing to take the sort of steps needed. The airlines carry something like 350m passengers a year, which they could not possibly do if each passenger were properly scrutinised before boarding. In America, President Nixon has now made these precautions mandatory on the airlines, with some remarkable results. During three weeks in February, when special measures were in force, the sky marshals picked up 1,000 suspicious people and stopped 189, or nearly 20 per cent, from joining their flight. They arrested a total of 203, of whom 70 were carrying guns and other weapons, and they removed 1,457 "potentially dangerous articles" which ranged all the way from scissors to arrowheads.

Yet, barely a month later, three separate airlines let hijackers board who ought to have been detected by any of the screening methods meant to be in use. The airlines have tacitly decided that the occasional hijacking is preferable to losing public goodwill.

Japan

It's shunto-time

Tokyo

Now is the season of the shunto, or spring wage struggle, in which the Japanese unions wrest what they can from their employers. This year, in the face of a recession that has cut the Japanese growth rate to 5 per cent in real terms, the unions are asking for a 15 per cent rise in basic pay, which by Japanese standards looks wildly inflationary. Each year the Japanese unions select a target industry on which they focus their wage demands and apply the settlement they get across the board. This year the railways were chosen and, after a short struggle, the workers have been awarded 15 per cent, an extra £3 a week on basic pay.

Now the seamen are trying to get the same, according to the accepted practice, but their employers are holding firm. The result is a go-slow which is gradually throttling the flow of goods through Japanese ports. Some crews are on full strike, and on Tuesday 79 ships were stuck in port. Another 430 vessels, used on the local coastal routes, were being worked at half speed with nobody turning up for night duty.

If Japanese industry generally comes to accept the 15 per cent wage rise, average cash earnings will be close to £30 a week, plus all sorts of traditional fringe benefits thrown in. In the wealthier industries men's earnings are already closer to £50 a week. If it were not for huge increases in productivity, stimulated by the massive investment of the past 20 years, wages of this sort would be rapidly pricing Japan out of its most successful markets. To date, however, productivity has outstripped the wage settlements, although in the textile industry Japan is already too pricey for its Far Eastern competitors.

The unions are expected to get their way, but not too easily. Although the rate of wage increases has been pushed down from last year's 17 per cent, the current settlements are, in the opinion of most Japanese businessmen, especially inflationary when the long-term growth rate seems to be slowing.

Gold

All go

After gold touched an astronomic $54 an ounce on Tuesday in London, anyone with half a memory might well assume another judgment day for world currencies was on hand. But this time the gold-buyers are not looking at it as international money. Indeed, the latest and most dramatic jump in the price has come in a week that started with the formal declaration of the new exchange rate of the American dollar, which revalues monetary gold at $38 an ounce in place of $35. And yet this change, which Mr John Connally, America's Secretary of the Treasury, kicked against so hard for so long, caused not a flicker of interest in the gold markets, although it destroys one of the old arguments of traditional gold hoarders that any change in the official price, when it came, would be a hefty one, probably not stopping short of doubling.

So why has the free market price risen 50 per cent in under two years and all of 10 per cent in the past two weeks? The quick answer is that gold has become a commodity to be bought and sold like any other, with buyers now foreseeing future demands



Hardly a hurdle, John

for its industrial use (which is chiefly in jewellery) outstripping supply. But the biggest factor in the recent price upsurge has been a sudden shortage of new supply : in the first three months of this year South Africa produced 600,000 ounces less than in the same months last year. Since South Africa has reported a slight increase in its reserves, there is the sneaking suspicion that some of the shortage in the market might have been deliberate. Whether that was so or not, with industrial demand now normally taking up most of new production, it needs only a small reduction in supply, especially when it is coupled with a small increase in demand, to rock the price. And political uncertainties in Germany and Italy, as well as in south-east Asia, did bring in that extra marginal buying.

What will happen to the price next ? Dealers are wary about the short term after such a steep climb, but there are a lot of longer-term bulls around. Some have a direct interest in being so : for instance, Consolidated Gold Fields, in a new report, argues that the growing gap between the quantity of gold used for fabrication and new mine production will have to be brought into balance by a rise in the gold price to about $85 an ounce by 1980. At least one London bullion dealer was prepared to go to $100, and sooner.

But how can the British or American citizen, forbidden by law from holding private stocks of gold, benefit from all this bullish talk ? Buying equity in gold shares (which have already risen on average by 45 per cent since the start of the year) is the only answer unless he is prepared to try the Indian trick of buying his wife some hefty gold jewellery. Gold shares, however, are extremely sensitive to any fall in the free market price, and in the short term, therefore, are best avoided. If the price remains near its present level, however, most South African mines will be making record profits.

The real gainers from the present boom are both governments and individuals with large hoards of gold. Curiously, the higher price of gold will probably encourage them to increase their holdings rather than take their profits.

Air fares

Ice cracking

With much creaking and grinding, the system of fixed international air fares is beginning to crack up like an icefloe in thaw. On Thursday and Friday, the International Air Transport Association was meeting, reluctantly and under protest, to rubber-stamp a decision taken independently by the British and Australian airlines to cut fares between their two countries from the present £317 one-way to a more reasonable £196. Under normal conditions, every airline along the Far East route would have expected a say in settling these fares. But times have not been normal for two years or more ; with charter airlines walking away with the cream of the business and all its growth, scheduled operators like the British Overseas Airways Corporation are in open revolt against a system that allows other, stuffier airlines to continue to exercise a veto over the fares it shall charge.

They came no stuffier than Australia's Qantas until BOAC lost patience last year and began to run services (under the fancy name of "exempt charters") to such places along the route to Australia as Singapore and Kuala Lumpur for £85 one-way (the timetables still show the standard fare as £233). From there, it was possible to pick up a scheduled flight for the last leg of the trip to Australia and show a sizeable saving. Within the year, Qantas's nerve had broken, and the new rates are the result. They, too, will have a fancy name that fools no one. But they raise the whole issue of what will happen to other fares along the route, to Tokyo, for example, where the one-way fare is more than £297. Wise travellers destined for Japan will book themselves to Sydney on a flight that refuels at Tokyo and simply walk off the aircraft when it stops there, saving themselves £100.

A move to loosen fares is also taking place on the North Atlantic. A meeting in July is intended to bring scheduled fares down to levels where they can compete better with charter rates of around £40, and sometimes as low as £20 one-way. Not many people expect that it will ; and if it does not Aer Lingus, for one, is making contingency plans for a special low scheduled fare across the Atlantic from Ireland. The idea that was once anathema to many airlines, of a cut price for tickets booked three to six months in advance, is much less unpopular than it was because it looks like the only acceptable alternative to the present system of selling charter tickets to "clubs," most of which are now wholly fictitious. But there is going to be a fight here between the Europeans, who want to make the cheap fares as difficult to buy as possible, and the British who want to make them easy.

The point to watch is the British brief against setting these Early Bird rates at any fixed level. The intention is to allow the travel agent who retails them to charge whatever he thinks the market will bear, and tickets will vary in price from agent to agent. This will be a wildly unpopular proposal, but it could be the beginning of the end of air fares as they have been known since the war.

Key indicators: world commodity prices

Sisal's soaring

After years in the doldrums sisal suddenly spurted 10% this week to £97 a ton. The rise has been caused by droughts in East Africa which have substantially reduced the expected crop. At these prices, sisal, which is used mainly for binder twine, becomes uncompetitive with synthetics. Producers therefore will get no benefit, only long term loss.

	Index 1963=100 May 3	May 10	Percentage change on one month	one year
All items	129.2	128.7*	nil	+ 7.3
Food	141.6	140.4*	+ 0.9	+ 7.3
Fibres	100.9	100.8*	− 0.1	+24.0
Metals	182.6	182.3	− 2.9	− 5.0
Misc	114.1	116.4*	+ 2.6	+ 5.6

*provisional

What do you know about JAPAN



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STORA KOPPARBERG

Increased steel production. Lower pulp shipments

The Swedish steel, forest and power company Stora Kopparberg, parent company of Stora Kopparberg Ltd., London and Stora Steel Ltd., Lye, held its G.M. in Falun on May 10th. The following are details of the report presented by the Board of Directors.

Market trends

In 1971 steel production in Sweden amounted to 5.27 million metric tons (4 per cent less than in 1970), of which so-called specialty steel accounted for 1.41 million tons, a decrease of 10 per cent. Steel exports totalled 1.35 million tons valued at Skr 2,560 million. Specialty steels accounted for 35 per cent of the volume, but 70 per cent of the value, of these exports. Swedish mills supplied 2.1 million tons of the commercial steel delivered in their home market, with 1.5 million tons coming from foreign suppliers. Sweden's production of specialty steels, 60 per cent of which was exported, was valued at approximately Skr 3,000 million. Imports of specialty steel increased, mainly due to a sharp rise in deliveries of stainless steel from Japan.

There was an ample supply of raw materials and prices declined. Stora Kopparberg's coke requirements were covered at successively lower prices. Alloy prices declined and toward the end of the year nickel could be purchased at prices substantially below official quotations.

Production capacity in the pulp exporting countries exceeded market demand by about 25 per cent, necessitating cutbacks in production. Despite this, mill inventories rose in all the producing countries. Prices for pulp qualities produced by Stora Kopparberg were steady throughout the year. Since, however, practically all sales are made in dollars, pulp producers incurred substantial losses as a result of changes in dollar exchange rates.

Newsprint production capacity also exceeded demand. While the excess was not as striking as in the case of pulp, some restrictions on production were necessary. Certain minor price increases could be posted for newsprint as well as for magazine paper, fine paper and board.

Steel production

Stora Kopparberg's production of iron ore concentrates totalled 937,000 tons (in 1970: 894,000 tons).

Output at the Domnarvet steelworks reached the million-ton mark, 6 per cent higher than 1970. This included 55,000 tons of hire-rolling. Sheet and plate accounted for 65 per cent of the output.

In a memorandum to the Franchise Board for Environment Protection the Domnarvet Works outlined a comprehensive program for eliminating air and water pollutants. The total cost of the measures to be taken during the next few years is estimated at Skr 35 million. Much of the equipment to be used in this program has already been ordered.

In view of the growing demand for shaped steel used in the construction industry, it has been decided to install a second production line for galvanized and plastic-coated steel at Domnarvet.

There was substantial interest in the new segregation-free powder steel produced at Söderfors on a pilot scale during 1971. Due to delays in the delivery of certain equipment parts, full scale production of the new steel could not get under way until early in 1972.

Forest products

Favourable felling and logging conditions resulted in lower than estimated costs for timber from Company forests and also led to large offerings of contract timber. Fellings in Company forests produced 1,760 million cubic metres and fellings of purchased standing timber accounted for an additional 368,000 cubic metres. The yield from Company forests was equal to 4.1 cubic metres per hectare.

Shipments of newsprint and magazine paper totalled 345,000 tons, an increase of 7 per cent. Shipments of fine paper and board combined totalled 59,900 tons, 9 per cent lower than in 1970. Pulp deliveries amounted to 295,400 tons, a decrease of 16 per cent compared with the preceding year.

New pinewood debarking facilities and equipment for treating and storing wood chips were installed in the sulphite plant at Skutskär. Additional equipment for the manufacture of fluff pulp was also installed and production of this item was increased. Small-scale production of non-woven fabric was carried out throughout the year at Grycksbo and the machinery for large-scale production of this fabric was placed in service at Ställdalen early in 1972.

Power

Hydroelectric power produced by the Company during 1971 amounted to 2,280 MkWh or 80 per cent of a normal year's production.

The Company's deliveries of power to its own plants increased 2.7 per cent to 1,860 MkWh. External deliveries on fixed contracts totalled 890 MkWh, an increase of 19 per cent. Thermal power generated in wholly or partially owned companies amounted to 760 MkWh.

Stora Kopparberg will have a 6 per cent interest, entitling it to 100,000 kW, in the new nuclear power plant being constructed at Forsmark on the Swedish east coast.

Condensed Group Report

(Skr. m. except where otherwise indicated)

	1971	1970
Sales	1,887	1,903
Operating profit before depreciation	234	304
As percentage of sales	%12.4	%16.0
Depreciation	148	175
Operating profit after depreciation	87	129
Operating profit after non-operating income and expenses	46	97
Extraordinary income	18	7
Appropriations	—23	+2
Taxes	9	57
Net profit	32	49
Per share	Skr 7.80	Skr 11.90
Proposed dividend per share in Parent Company	Skr 10.0	Skr 11.0
Working capital		
Current assets and inventories less current liabilities	195	255
Property and equipment, net after depreciation	1,316	1,174
Long-term liabilities	960	830
Shareholders' equity	683	694
Average number of employees	14,235	14,119
Wages and salaries including employee costs	561	496
Number of shares in Parent Company outstanding during the year	4,107,500	4,107,500
Number of shareholders in Parent Company	37,000	36,900

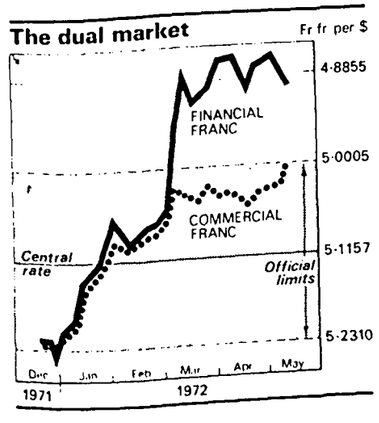
France

Growing twinges

France has relaxed certain foreign exchange controls. Overseas services such as transport and insurance can now, like imported goods, be paid for in the more advantageous commercial francs instead of financial francs. But the dual exchange-control system remains and will do so, according to the finance minister, M. Valéry Giscard d'Estaing, until "a reasonable degree of convertibility" is restored in international payments. This particular relaxation probably does little more than legalise the inevitable leakage between the two markets but, in addition, individual French people can now transfer francs up to £11,500 abroad for property buying, take £40 (instead of £4) on a day-trip to, say, Britain, carry franc travellers' cheques, and, in a number of other ways, spend more freely abroad. And French firms can invest up to £75,000 a year abroad without permit. On the other side of the coin, you should not expect a welcome on the mat should you try to invest in France, despite M. Giscard d'Estaing's call for an open-door Paris bourse; still, French policy towards inward capital movements has become a little more liberal of late.

It all shows the restoration of confidence in the French economy. This had been upset by the threat from German competition when the D-mark came out so lightly from the December currency realignment. However, French exports have continued to rise at 13 per cent a year in value and, although imports are running neck-and-neck, there is not much to worry about. France has reserves of $8.5 billion (or, rather, in 1972 parlance, 7.8 billion SDRs), one-fifth higher than Britain's.

The dual market



The French, however, like to make a fine point of their economic growth rate slipping further away from the sixth plan's target of 6 per cent; this year, they say, it could be down to 5 per cent and, after all, only 5½ per cent was averaged in the past three years. That still looks astronomical, of course, to most other western countries, and is indeed a continuing reflection of the success of the 1969 franc devaluation which so dramatically and quickly sent French exports soaring—at first in textbook style, at the expense of consumption. Now consumer spending is brisk again, growing, in real terms, about 5 per cent a year.

But France does have some worries. Unemployment, although unrealistically measured, has certainly gone up sharply in the past year and looks like going up some more. Consumer prices, likewise on a limited index, are still rising at an annual 5½ per cent despite the government's contracts to hold increases for manufactured goods to 1½ per cent over a six-month period. There has been stiff opposition to the price controls, which are blamed by industrialists for the modesty of the planned increase —only 1 or 2 per cent—in their real capital spending this year. It is against this background that the government has started drawing up its autumn budget. Higher public investment and still more encouragement to private investment should be the prescription. But policy has not been adventurous.

Leviathan and dodo

How many whales are there? The International Whaling Commission, which is due to meet in London next month, really ought to try to find out. For years now, conservationists have said that the massive blue whale is faced with extinction; they think its numbers have dwindled to a mere 1,000, so few that in the vastness of the oceans a pair is unlikely to meet. The journal New Scientist has recently attacked this view; it claims that the world population of blue whales is growing at 5 per cent a year and now totals 6,000. Mr Anthony Stodart, the minister responsible for fishing, claims there are 10,000; and the Japanese, the major whale hunters, confidently estimate that there are nearly twice as many as that.



The last blue one to be caught

For the blue whale, all this is academic. There has been a ban on hunting this, the world's largest animal, since 1965. There is little that man can do now except feel guilty for past sins. The blue whale will most probably edge its way back; but it will be at least 50 years before the oceans' population equals the catch of the 1930 season alone, when nearly 30,000 were slaughtered.

The conservationists' concern should not be over the blue, grey, right or hump back whales which are no longer caught. It should be over those species like the fin and sperm whales that are still hunted. Although the Whaling Commission fixes quotas on the permissible catch each year, these are based on the tenuous idea of a sustainable yield: the number of whales that can be killed without depleting the population. With statistics of even the 100-ton blue whale based on guesswork—angled to suit any particular view—this method is no guarantee that the less exciting whale species are not being fished to extinction at the moment.

Every year around 40,000 whales are caught: the great majority by Japan and Russia, the only countries still to operate factory ships. The Whaling Commission admits that the quotas that it has alloted these countries in the past have been excessive, that stocks have been depleted, and that the catch should be cut further. This needs international pressure. The United States has recently banned imports of all products made from the endangered species, but this will not help them much. Most of the Russian and Japanese catch is used domestically for pet food, low quality cosmetics and fertilisers. Both countries are likely to attempt to keep their present high quotas at next month's meeting, although a total ban on whale fishing would not cause them the smallest real economic embarrassment.

BUSINESS *Investment*

The markets push aside the Nixon mines

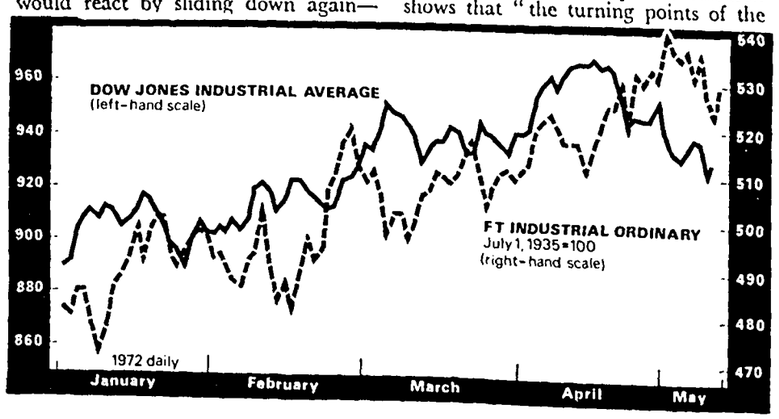
President Nixon's counter-attack against North Vietnam hit the world's main stock markets hard. On Tuesday Wall Street's Dow Jones index fell 12.7 points and London's Financial Times industrial ordinary share index dropped 9.3 points. But on Wednesday the Dow moved up 5.9 points to 931, and in the early hours of trading on Thursday was making firm noises. In London, too, the initial nervousness soon passed away, and after another fall of 4.4 on Wednesday, the index started to climb on Thursday, closing at 529.3, little more than 1% away from Monday's 536.2.

Wall Streeters are entirely fed up with the war. It has been around for so long that the news has to be of world war proportions to make a permanent dent in the firm, bullish trend of stock prices and the economy. With a healthy cynicism, as soon as prices were marked down because of the heavy bombing and the mining of Haiphong, the fund managers leapt in to pick up bargains. If the Nixon visit to Moscow were to be called off, or if a Russian ship stepped on a mine, then the market would react by sliding down again—and the buyers would again take the opportunity of taking on board some cut-price stocks.

Far more relevant is the threat to the continuing uptrend of corporate profits of the well-publicised actions that the Price Commission is taking against companies which are breaking its guidelines, and its refusal to grant price increases to major corporations. But the underlying growth of productivity should enable the companies to turn in higher profits even within the price limits. And there is also a basic scepticism about the practical power of bureaucracy to regulate profits.

The prime influences on the markets remain the growth in money supply, the growth in corporate profits and confidence in the economy (in that order), and all three indicators continue to point in the right direction in New York—and to a lesser extent in London.

Much the most important influence on London, we think, is the growth of the money supply—and support for this view comes in a further analysis from W. Greenwell, the brokers. Their empirical research shows that "the turning points of the growth in the money supply have always preceded the turning points of the equity index." The Bank of England now produces monthly figures of money supply, but a month behind. A further report from Greenwell, on how to monitor changes in monetary aggregates, is promised. In the meantime, the old water-diviners are still saying London's bull market has some way to go, Nixon or no Nixon.



Australian takeover

Bolte from the blue

Sydney

The Australian business scene has been shaken up by the row over the frustrated takeover bid for the country's domestic airline, **Ansett Transport Industries**. The airline was built up by Sir Reginald Ansett, a rugged, self-made man whose road to the top included several takeovers of rivals. Now, however, Sir Reginald himself has proved vulnerable. His company, in which he has only a minor shareholding, attracted the attention of the fast-growing **Thomas Nationwide Transport** (TNT). Having first bought two large parcels of Ansett shares, which gave it a quarter of the equity, TNT made an offer for the rest (in TNT shares or shares plus cash).

Sir Reginald tried to defend himself by a variety of devices, ranging from a dividend increase to a telegram to his employees appealing for support. But his efforts seemed unlikely to succeed because the market ranked TNT shares a better growth prospect than the rather static Ansett. Salvation for him, or at least the postponement of his defeat, came in the surprising shape of Sir Henry Bolte, the nearly permanent (since 1955) Liberal premier of Victoria, where the Ansett company is registered. Sir Henry introduced a bill to freeze the takeover for at least six months pending its investigation by a Victorian parliamentary committee. TNT promptly dropped its bid in disgust, after which Ansett shares jumped

DE BEERS CONSOLIDATED MINES LIMITED

Incorporated in the Republic of South Africa

Points from Mr. H. F. Oppenheimer's Statement

Total sales by the Central Selling Organisation at R446.4 million were R68 million, or 18 per cent higher than in 1970, due to the considerable improvement in sales of gem diamonds. Nevertheless diamond stocks at 31st December amounted, at cost, to R219 million which is R35 million higher than at the end of 1970. Our subsidiary, The Diamond Corporation, continued to buy large quantities of diamonds, with the object of maintaining market stability, from sources outside our Group, and indeed last year these purchases were, for special reasons, at an unusually high level.

The net consolidated profit for the year attributable to De Beers was R102 million. This figure includes the profits of our subsidiaries concerned with sea and foreshore mining, which have been consolidated for the first time. The comparative profit for 1970, adjusted accordingly, was R79 million, so that the increase in the Group profit attributable to De Beers was R23 million, or 29 per cent. A final dividend of 10 cents per deferred share was declared, making a total dividend distribution of 15 cents per share, which is one cent higher than in 1970. As a result of the re-alignment of currencies a surplus of R7 981 000 arose, mainly in respect of cash held outside South Africa against our normal commitments when the rand was devalued last December. In order to provide against the possibility of loss arising from further currency fluctuations, R5.7 million of this surplus was transferred direct to a capital reserve and has not been treated as a profit in the accounts. Shareholders will recall the different circumstances in 1967 when a substantial loss was incurred as a result of sterling devaluation and charged against current profits for the year.

During 1971 a new long-term mining plan was adopted for the four Kimberley mines. This plan, which envisages the operation at any one time of only three out of the four mines, is designed to maintain output at the lowest unit cost and to prolong the lives of these old mines for as long as possible.

While the total tonnage from the Kimberley mines was maintained at about the same level as in 1970, there was a considerable reduction in the carats produced on account of falling grades. As I pointed out in my statement last year this is unavoidable and must be expected. In these circumstances it is pleasing to be able to report that sampling at Wesselton indicates that this mine has a rather longer life before it than had previously been estimated, and the mining programme in Kimberley will be adjusted accordingly.

Production from the Finsch mine at 2 222 995 carats was lower by 373 033 carats than in 1970. This was on account of certain road construction work in the open pit which made it necessary to mine in lower grade areas to a greater extent. The grade has now returned to normal.

In Namaqualand the new mining policy to which I referred in my last statement was carried further during the year. The objective was to reduce the production of small stones which have been in oversupply and to increase the output of larger stones, with particular reference to the requirements of the South African cutting industry. For this reason operations at Koingnaas and Langhoogte were suspended in April and at Dreyers Pan mining was stopped in May so that the plant could treat gravels from the northern reserves of Annex Kleinzee. The effect was a reduction in the carats produced from 636 871 carats in 1970 to 505 191 carats in 1971 and an increase in the average size of stone produced from 0.51 carats in 1970 to 0.94 carats in the second half of last year.

The Jagersfontein mine ceased operations in May, after 100 years of life, and was replaced by Koffiefontein which has been re-opened and started production in August.

At the Premier mine production continued normally and prospecting has indicated improved grades at depth and an exceptionally long potential life. However, a considerable part of the stones produced are small and of poor quality and on account of market conditions have had to be stocked.

At The Consolidated Diamond Mines of South West Africa experimental mining to the west of the existing workings has revealed a much higher grade and average stone size than had been anticipated. This western block may prove to be an important source of comparatively large diamonds. Mining is, however, rendered difficult by heavy overburden and potential water problems due to the proximity of the sea and the fact that the bedrock is below sea level. Techniques are being developed to cope with these difficulties. During the year mining operations were continued with improved efficiency. The caratage produced increased slightly and the average stone size rose from 0.76 carats to 0.88 carats.

At the Orapa mine in Botswana the pilot plant ceased operations in June and the main plant was brought into production. During the year a total of 821 914 carats were produced and this year we are planning to treat approximately 2.3 million metric tons for a production of 2.4 million carats.

Gem sales this year have been running at a high level with demand in the United States improving and consumption in Japan, Germany and certain other countries continuing to increase. However, there is still a substantial over-production of smaller rough diamonds which results in considerable stocks continuing to be held by the Central Selling Organisation. Selling and marketing measures are being taken to remedy this situation and some success is being achieved.

We are expecting that total gem and industrial sales for the first half of this year will show a substantial increase over the same period of last year, after allowing for price increases and devaluations. This certainly shows a very satisfactory improvement in the market but I must again warn shareholders not to draw unwarranted conclusions from these sales. There are many other factors which affect De Beers profits and it is not possible to make even approximately accurate estimates on the basis of the Central Selling Organisation sales figures alone.

Copies of this statement and of the annual report and accounts are obtainable from the London office of the company at 40 Holborn Viaduct, EC1P 1AJ, or from the United Kingdom office of the Share Transfer Secretaries, Charter Consolidated Limited, Kent House, Station Road, Ashford, Kent.

The Eighty-fourth annual general meeting of De Beers Consolidated Mines Limited will be held on 6th June, 1972 at the head office of the company in Kimberley, South Africa.

back on the stock exchange. Although Sir Henry has sought to justify his actions on various grounds of public interest, many of his critics (and in his long reign he has accumulated many) see it as a blatant bit of political cronyism and of Melbourne's parochialism, TNT being based in the despised Sydney.

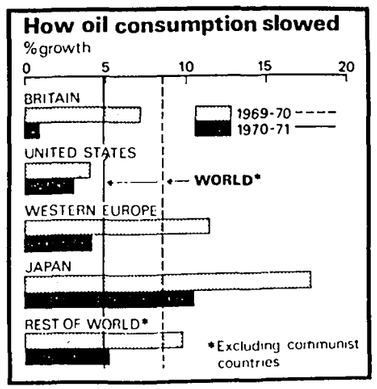
The serious issue raised is Sir Henry's assertion of state rights against the notion that Australia is a single legal entity, at least so far as company law is concerned. All states have separate company laws, but most people had assumed that it was unthinkable for a state government to use its power in such an arbitrary way. The question now is whether the federal prime minister, Mr McMahon, will rise to the occasion by defending Canberra's authority. A decision by the supreme court last year appears to give him clear authority to exert federal control over the activities of corporations. But in his year of office he has not yet won a reputation for decisive action.

The Ansett affair is one of a number of factors that have taken the steam out of what looked like a bull market a few weeks ago. Prices recently have been drifting in most sections—apart from a few takeover situations that investors still think have a chance of going ahead.

Oil companies

Fossilising fuels

Poor results had been expected from **Shell** in its first quarter. In the event, with profits down from £113m to £73m, they were not as bad as had been expected. The price even managed a light rise to 317p. **Burmah Oil** moved up in sympathy, to 428p. That is the trouble with Burmah. It



is always being moved sympathetically with Shell, in which it has an investment worth £58m, and with **British Petroleum**, where its 23% stake is worth £425m. Try as it may to become a major company in its own right, and it has tried rather more sensibly than it is generally given credit for, the trading profits of £28m hardly get reflected in the share price.

So the problem for Burmah is still how to get shed of BP, without paying a huge bill for capital gains tax or upsetting BP too much. It could find a way to pass the shares on to its shareholders, but it thinks it has the talents to use its big company status to get bigger and deeper in oil. One outside possibility is some sort of a deal between Burmah and the Iranians. Iran wants to find a downstream outlet for its crude, and perhaps "do a sort of Sohio" (ie, buy shares in some big European company with payment in crude oil). How the deal could be structured so that BP (which has 40% of the Iranian concession) would be satisfied, and Burmah could get rid of the shares in BP (to the Iranians, who might relish a large equity stake in BP) in return for crude, and Iran get the marketing outlets in Burmah, stokes the imagination.

Insurance companies

Compositive and negative

Insurance shares as a group now stand at three times their prices at the bottom of the trough in 1965, with most of the rise having come in the past two years. On a long view, composite insurance shares still look a better bet than industrial shares: they have built-in inflation protection, an international spread of business, and an unquestionable growth potential. Even if there is an earthquake in Tokyo, it will probably be the reinsurance companies and Lloyd's syndicates that will end up carrying much of the loss. One in California would be another matter.

The arguments against buying composite shares are: that insurance brokers' shares are an even better bet, offering all the attractions of the business and none of the risk (but none of the assets either); that insurance share prices move in big cycles as the underlying trend of earnings is subject to huge swings; and that they are now overbought. The mere reappearance of underwriting profits will lead to new outbreaks of competition on rates both in Britain and in America, and with insurance claims inflating at 10% a year the result will be another spell of huge losses.

But the financial sector is the market's darling and, for those who want to buy, six of the eight composites have now reported (one other is a mutual and the **Guardian Royal Exchange** report is yet to come). They will all produce better British motor underwriting figures in 1972, thanks to massive rate increases. This will benefit **Eagle Star** (p/e of 24 at 587p) and **General Accident** (p/e of 14 at 203p) relatively the most, as big motor insurers, and also **Sun Alliance and London** (p/e of 17 at 616p), because its rate increase was big and late. American business is now going spectacularly well, which should help the **Royal** (p/e of 17 at 439p), **Commercial Union** (p/e of 20 at 240p) and General Accident most, although the first quarter figures from the Royal, announced this week showed a disappointing deterioration; the Commercial Union figures, by contrast, showed continued improvement.

Key indicators: world bourses

Nixon knocks the markets, but bargain-hunters soon appear in Wall Street and London. Milan shows relief at undramatic general election results.

	Stock price indices May 10	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London	522.5	540.3	470.4	− 2.4	+ 0.9	+31.0	− 3.3
New York	931.1	968.9	889.2	− 0.3	− 3.7	− 0.7	− 6.4
Canada	201.2	210.4	187.5	− 0.2	− 0.6	+11.3	− 4.4
Australia	565.6	584.9	490.1	− 0.3	− 1.1	+10.4	−14.8
Japan	250.2	251.3	199.9	− 0.2	+ 0.9	+36.9	− 0.4
H'kong	382.8	400.1	324.0	− 1.9	+ 2.6	+63.4	− 5.8
Belgium	108.5	110.7	96.9	− 0.7	− 1.3	+ 9.0	− 2.0
France	79.4	82.2	67.6	− 1.0	+ 0.3	+ 2.6	− 7.8
Germany	116.4	116.5	97.1	+ 2.4	+ 1.3	+12.6	−17.0
Holland	132.8	133.8	105.4	−	+ 1.8	+ 8.3	− 0.7
Italy	49.4	49.7	43.9	+ 4.0	+ 1.0	− 7.5	−57.6
Sweden	343.3	350.9	308.7	− 1.9	− 0.5	+25.9	− 8.6

Stock prices and yields are on pages 137 and 138

What can your banker tell you about the surging economy in Brazil?

Can he tell you what will happen to Brazil's trade balance in the next few years? Can he tell you where and how Brazil's rapid growth will be felt around the world?

A Chaseman can.

Can your banker tell you how economic trends in the U.S. and Europe will affect Brazil? How Brazil's rapid growth will influence its economic structure. Can he tell you about prospects for future investment in Brazil?

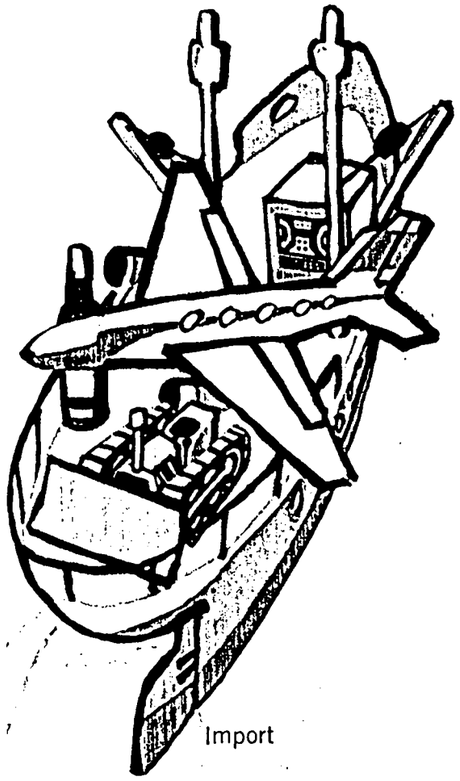
A Chaseman can.

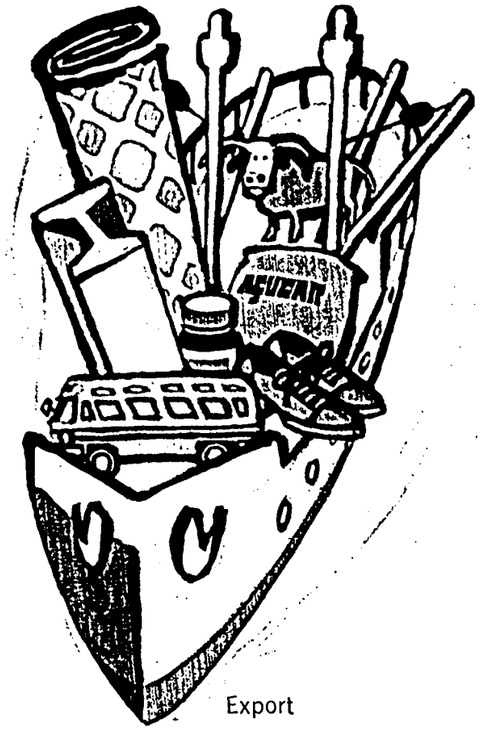
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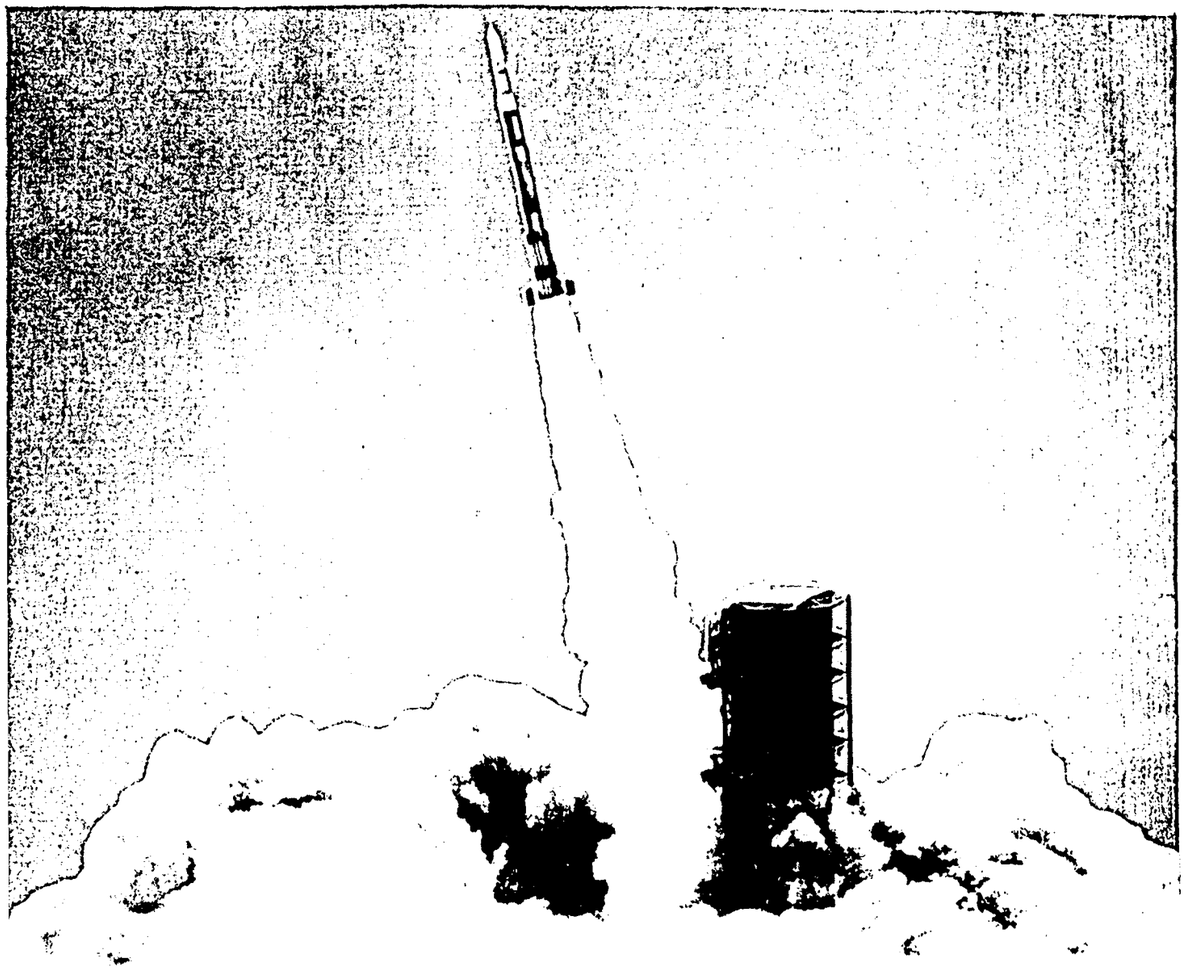
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Import



Export



From blast furnace to blast-off— Kawasaki (space-age) Steel

Here's further proof that for sheer versatility nothing beats good old steel:—

Japan's second space satellite was blasted into orbit on February 16, 1971. The outer shells of all three booster chambers were fabricated of Kawasaki's ultra-high-tensile-strength maraging steel, with a remarkable tensile strength of 200 kg/mm². They were formed at the company's Chiba Works from special alloy steel with 18% nickel content refined by electric-arc furnace at the Hyogo Works.

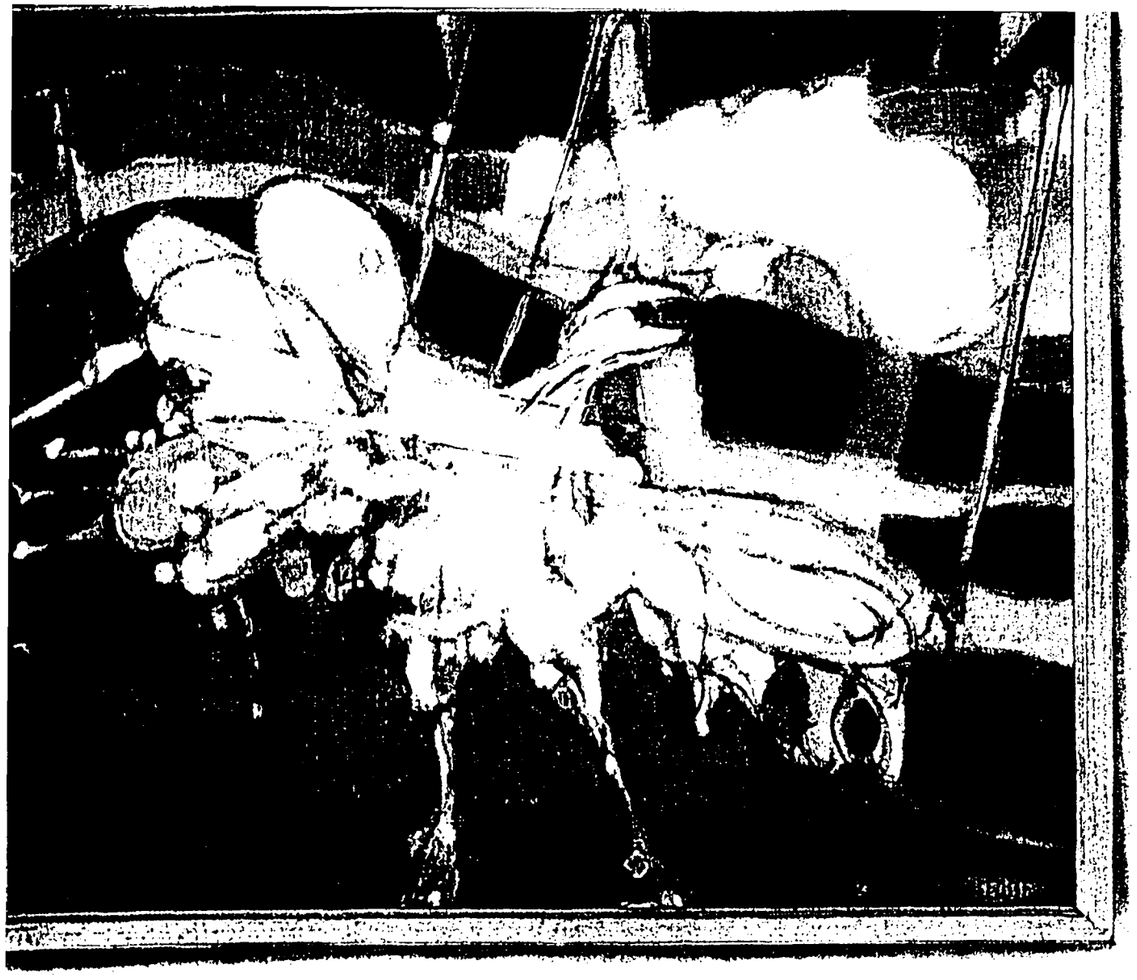
In order to form it into cylindrical shapes the steel in the first stage had to be soft and ductile. Then to be strong enough to withstand the tremendous pressure of blast-off, it had to be made as tough as possible. This was accomplished by a special aging—maraging—process that dramatically increases its tensile strength almost double.

Technology like that is what keeps Kawasaki ahead in steel.

Kawasaki: proud to produce some of the finest steels in the world for the space age.

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"Fiction merging with reality.
Such is my vision of the Concorde flight simulator, which instantaneously fictionalises true flight.
Here, the genius of man has given life to a fantastic robot. It is this I have symbolised in my painting."
–F. DEFOSSEZ, FRENCH ARTIST

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But Commercial Union comes bottom on the yardstick of underwriting and life profits as a percentage of premium income—half that of General Accident, which in turn is lower than Sun Alliance. The last two look the better bets.

Japanese market

Speculating on calculation

Tokyo

The Tokyo stock market simply refuses to drop back despite the almost unbroken rise of 50% from last autumn. There was some modest profit-taking last month, but since then the market has swiftly risen again, and the new stock exchange index on Wednesday, at 250.19, was close to its all-time high. Talk of a further cut in the official discount rate had swamped all worries about the course of the Vietnam war.

Given the rise in the market, it is not easy to recommend stocks to buy. The trading companies, for instance, which became so popular early in the year, have almost doubled since then, and are no longer exciting. The construction stocks have moved less, but it is being borne in on the investing public that the heavies—**Taisei, Kajima, Shimizu**—may not reap massive profits even if promises of a massive increase in public spending are fulfilled.

What investors are looking for is a stock which will benefit from the swift acceleration from a 5% growth rate (in real terms) to the 10% one that is expected by the spring of 1973. Rapid expansion will once again underline the endemic labour shortage in Japan and business efficiency will be the cry. Hence a view that office machinery, and makers of smaller computers, are in line for big new orders.

The best of the Japanese computer companies is **Fujitsu,** which has recently taken over—though all the polite talk is of a merger—the computer division of **Hitachi,** the biggest of the Japanese electrical giants. Fujitsu was priced at Y300 at midweek, far below its previous record in 1971-72 of Y490. The company's strength lies in communications and business information rather than in sheer calculating power: thus it is out of the **IBM** nexus, or at least not sitting in IBM's path. And at a p/e of 18 it is close to the market average, comparing favourably with IBM (comparing p/e ratios between Japan and America is a new fashion in Tokyo). Earnings are not expected to rise in the next year or so, however, and the argument for Fujitsu is a gut feeling that so long as wages continue to rise at 15% a year in Japan, an awful lot of business machines are going to be needed.

British Lion

The last small picture company show

The share price of the newly requoted British Lion has remained obstinately above the 135p of the cash underwritten offer by **Barclay Securities.** It has been as high as 175p, but has now come down to 146p. Since there is no chance of a counter-bid, a lot of people obviously reckon that it is worth paying to stay with British Lion and get the direct benefit of the company doctoring at which Barclay's Mr John Bentley is rather adept. The directors of British Lion have already pledged the 53% of the equity that they control, and Barclay has said that it wants the quote maintained. It could also be worth staying a minority shareholder in a company that could become the receptacle for some of Barclay's other interests. Outdoor advertising, making a fairly steady £1m, would provide a useful counterpoint to the inevitably fluctuating earnings from the film industry.

Barclay will have to stay involved in the film industry. The justification for the £5.5m being offered for a company whose latest interim profits were all of £3,000 lies largely in the property redevelopment potential of the 60 acres of British Lion's Shepperton studios, which could be worth as much as £4m if sold for housing. But the casting vote on Shepperton's fate is held in the one special share owned by the National Film Finance Corporation, so that, as Mr Heath, then Secretary of State for Industry, said in 1964: "No purchaser of British Lion shares can strip it of its assets or do anything but continue to operate it as a going concern."

But Mr Heath also said that the interest in Shepperton could be disposed of in "defined circumstances." These are that Shepperton could only be operated at a loss, or that some alternative arrangement could be made. Shepperton is making a big loss—for the past six months it has been operating at just over 15% of capacity—and a very logical alternative arrangement does present itself. There are too many studios in Britain, given the trend to making movies on location, and precious little money has been spent on making Shepperton efficient and modern. What British Lion could do is to form a joint company with the **Rank Organisation** to operate Rank's extremely well-equipped studios at Pinewood, and to give some guarantee of employment there to the 350 technicians who are paid, but not working, at Shepperton. What the NFFC would also, no doubt, insist on is a commitment by British Lion to stay in film production. Provided a film production company is run in a sane way it can make anything from a small loss to a huge profit. Since the NFFC has, this week, been given another £1m of finance by the Government to add to the £3m it raised in the City, there is another British party around to share the risks. As it happens, the first film the NFFC is to back with its new funds is a British Lion production.



British Lion product : loving kiss

Besides Shepperton, British Lion has two other things to offer Barclay. One is the library of films, in the books at nothing, but making profits from television sales at about £200,000 per year; the other is Pearl and Dean, in the advertising films business, making around £300,000, and well-suited to some existing Barclay activities. Barclay Securities itself, which has fallen from 252p to 210p in recent weeks, seems to be suffering from a growing backlash against Slater, Walker satellites. But the difference between Barclay and the others is that the profits are all hard industrial earnings, not paper-chasing profits, and the share price has solid asset backing. So the thing to do is to buy both Barclay and British Lion.

Investment trusts

Much less of a muchness

The investment trust market has moved in the past few months from boredom to euphoria through doubt and back to boredom. The Financial Times index of investment trust shares bounded up 8.3% in March on the strength of hoped-for budget concessions which were largely fulfilled. It marked time during April as the rest of the market moved up, and now seems to be slinking back.

The slippage is not a sign of nervousness, but of satiety. In March things went too far too fast, with the average discount dropping as low as 7% at one time. This was a sell signal to the vast weight of institutional money which dominates the investment trust market. Money earmarked for investment in trusts was soaked up in the remarkable spate of new ones. New issuers cashed in on a market mood which at first sent some trusts off with almost unheard-of over subscriptions and premiums on their first day out. But seven new appearances in two months—including the two £20m European heavyweights from John Govett and N. M. Rothschild and Sons—were a bit much; and the £12m issue by **Scottish Eastern** announced last week put the cap on it. The FT trust index fell back to 221 (compared with a 1972 high of 245.8) and the average discount came back to around 11%.

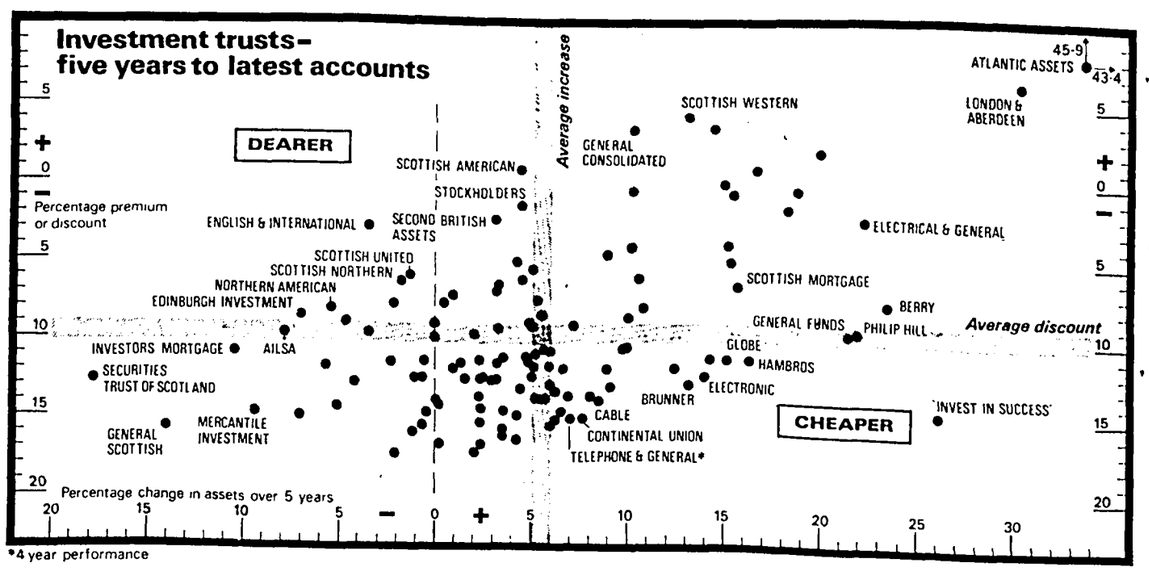
The budget cuts the trusts' capital gains tax from 30% to 15% on realised gains, and gives investors a 15% tax credit on profits made when the shares are sold. This should lead to a more exciting investment trust market and attract new investors, and give the trusts themselves greater freedom to pursue active and ambitious policies. There will also be greater demand for unit trusts that invest in investment trusts, like Save and Prosper's £170m **Investment Trust Units.** The budget has turned them into the equivalent of gross funds freed from capital gains tax; this should, in theory, make their style a lot less cramped. The net result should eventually be greater diversity in trust performance. Far more attention will need to be paid to management skills; the numerous trusts that still give scant information about their portfolios should start reviewing their policies, or else they will lose customers.

Our usual quarterly tables opposite already show some pretty startling deviations from the norm; once again the statistics are provided by brokers Wood, Mackenzie, but the comments are ours. The most spectacular feature is the colossal premium enjoyed by **Atlantic Assets,** which stands at the top of our table for five-year growth and sits misleadingly at the bottom of that for one year's performance. This premium reflects some soundly based confidence that there is more to Atlantic's assets than meets the eye. About 25% of the trust's portfolio is now held in unquoted securities—including a 26% stake in Britain's biggest unit trust group, Save and Prosper, which is currently enjoying the fortunes of that industry and diversifying into pension fund management and European mutual funds. Atlantic is also the sole owner of a busy bee merchant bank, Edward Bates, which has produced some sucessful issues in the past year (including its own investment trust, **Viking Resources**); appropriate to its Scots parentage, it is also getting well dug into North Sea oil prospecting. The managers, Ivory and Sime, are debating how they should most appropriately value these goodies in their annual statement in June.

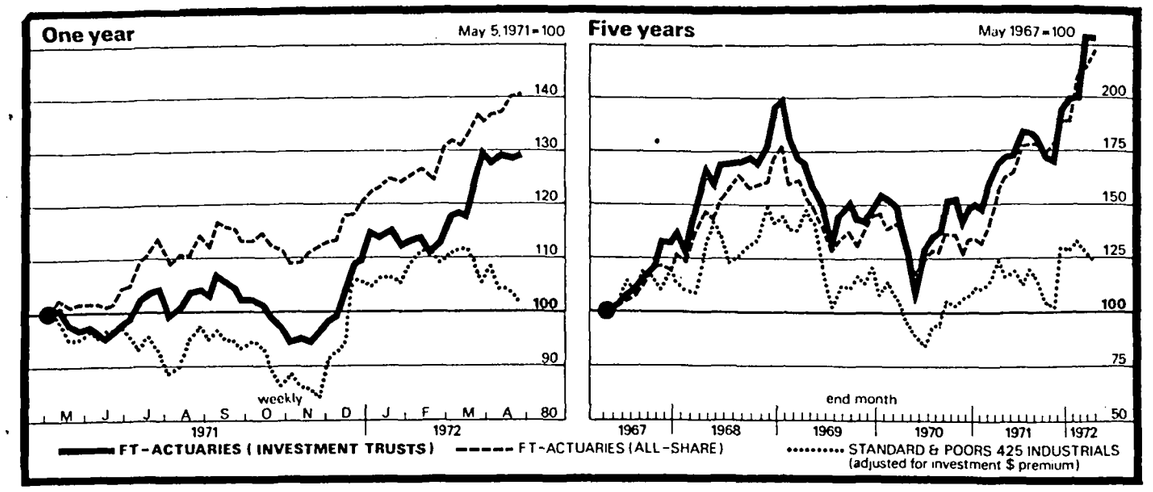
At the top of the one-year table is the astonishing 95% growth of Slater Walker's Flag. Its above-average discount reflects mixed feelings about the Slater formula for success in fund management, but it is a good bandwagon to be on when it is rolling. No one could criticise the managers' market timing, which contributed much to the near-doubling over the year. A more active market might grant it a higher rating.

At second place in the one-year table, **Throgmorton Trust** has totally dispelled a hitherto dismal image by a series of deals with insurance companies in which it got a bargain basinful of small companies and special situations in exchange for shares in the trust. The rating also reflects the greater respect now shown to the managers, Keyser Ullmann, as a dynamic (and large) merchant bank.

The prize for volatile group recovery goes to the trusts in the Drayton Group, helped by the recovery of the mining finance stocks like Lonrho and Consolidated Gold Fields, which the group has held through thick and thin; and the good performance of other favourites common to them all, like Associated Newspapers. The self-regenerating process has been aided by the funds' holdings in each other. This is another good bandwagon to be on in the good days and off in the bad ones—and investors should be prepared to do quite a lot more hopping on and off in future.



*4 year performance



One-year growth to April 30, 1972

	Managers/ Chairman	Change in net assets per share %	Discount (−premium) %	North America %	Gearing factor
Top 20					
Flag Investment	Slater Walker Inv	+95.0	12.9	2	18
Throgmorton Trust	Keyser Ullmann	+54.1	9.0	0	−1
General Funds	City Financial	+47.7	9.6	5	10
General Scottish	Robertson & Maxtone	+46.5	15.8	10	−10
City of London Brewery	Touche, Remnant	+44.0	13.7	0	1
Electric & General	Henderson Admin	+42.7	2.5	35	9
Berry Trust	G T Management	+42.5	7.8	24	5
Brunner Invest	Kleinwort Benson	+41.8	12.9	19	6
Investing In Success	City Financial	+41.8	14.6	6	12
Capital & National	Fleming & Murray	+41.2	8.0	13	2
English & Scottish Investors	Gartmore Invest	+40.7	4.0	18	16
Brit Am & Gen	Kleinwort Benson	+40.1	15.5	27	8
English Int'l	Mr D. Hewitt	+39.5	2.9	2	0
Yeoman Invest	Mr S. W. Gless	+39.5	12.5	12	3
Dominion & General	Chiene & Tait	+38.6	9.0	17	−1
Telephone & General	Electra Group	+38.4	15.0	4	−3
General Investors	F & C Mgt	+38.3	14.7	14	3
Great Northern Inv	Lawson & Miller	+38.2	11.4	9	5
Municipal Trust	Drayton Corp	+38.1	17.3	4	3
London & Holyrood	Fleming & Murray	+38.0	13.3	18	3
Bottom 10					
London Elect & Gen	Guiness Mahon	+20.9	11.8	29	7
Anglo-American	Inv Trust Svcs	+20.8	8.7	32	2
Second British Assets	Ivory & Sime	+20.6	2.4	37	14
Investors Mortgage	Mr J. Chiene	+20.4	11.0	28	3
Westpool Inv Trust	Schroder Wagg	+20.3	6.2	29	4
Stockholders Invest	John Govett	+19.9	1.7	36	10
Tribune Invest	Baring Bros	+19.7	9.2	29	4
Electronic Trust	Rbt Fleming	+19.3	12.3	29	0
Continental & Industrial	Schroder Wagg	+18.7	0.1	25	14
Atlantic Assets*	Ivory & Sime	+14.2	−45.9	40	12

*Net asset values are based on company's declared figures, if available, otherwise on Wood Mackenzie & Co estimates. *See text.*

Five-year growth to trust's latest year-end

	Managers/ Chairman	Change in assets %	Discount (−premium) %	North America %	Gearing factor
Top 20					
Atlantic Assets	Ivory & Sime	+43.4	−45.9	40	12
London & Aberdeen	John Govett	+30.4	−6.8	15	0
Investing In Success	City Financial Admin	+26.1	14.6	6	12
Berry Trust	G T Management	+24.4	7.8	24	5
Electric & General	Henderson Admin	+22.2	2.5	35	9
Philip Hill	Hill Samuel	+21.9	9.5	11	0
General Funds	City Financial Admin	+21.4	9.6	5	10
Sec Great Northern	Murray Johnstone	+19.9	−1.8	22	10
British Investment	Mr M. D. Pentland	+18.7	0.6	24	0
Caledonian Trust	Murray Johnstone	+18.2	1.8	23	13
Sec Scottish Invest	Macgregor & Glen	+16.8	−0.8	37	4
Hambros Invest	Hambros IMS	+16.3	11.2	18	17
Scottish Mortgage	Baillie, Gifford	+15.7	6.6	29	−5
Clydesdale Invest	Murray Johnstone	+15.4	0.8	21	10
English & Scottish	Gartmore Invest	+15.2	4.0	18	16
Globe Invest	Electra House	+15.1	11.3	9	0
Continental & Indust	Schroder Wagg	+14.9	0.1	25	14
Scottish Invest	Macgregor & Glen	+14.4	−3.4	36	6
Alliance Invest	F & C Management	+14.3	11.3	15	7
Bottom 10					
U S Debenture Corp	Garnett-Orme Group	−5.2	14.4	28	−3
Northern American	Aitkenhead & Marr	−5.5	8.2	29	6
St Andrew Trust	Mr A. L. McClure	−5.7	11.8	22	−1
Edinburgh Invest	Mr J. Chiene	−7.0	8.6	16	10
London Scottish American	Garnett-Orme Group	−7.1	15.0	28	0
Ailsa Invest	Thomson McLintock	−7.9	9.8	7	0
Mercantile Invest	Mr G. P. Ledeboer	−9.4	14.7	17	−1
Investors Mortgage	Mr J. Chiene	−10.5	11.0	28	3
General Scottish	Robertson & Maxstone	−14.0	15.8	10	−10
Securities Trust of Scotland	Sir Hugh Rose	−17.8	12.8	19	15

The five-year performance figures are based on the movement of each trust's total net assets relative to an index representing the average distribution of trusts in the major British, American and fixed-interest markets.

COMPANY STATEMENT

Wilmot Breeden

Record sales and earnings

Improvements in operating efficiency

1971 Results	1971	1970
	£'000	£'000
Group net assets	21,195	19,277
Sales	44,401	36,311
Profit before taxation	3,213	2,212
Taxation	1,359	974
Ordinary dividend	727	623
Retained Profits including release from provision for losses on Rolls-Royce contracts less corporation tax	1,127	67

Three principal factors contributed to these results. First, great improvements in operating efficiency were achieved in the UK motor component sector. Second, our French company produced higher profits. Third, profits of Wilmot Breeden (Truflo) Limited were very good. As a consequence, in the UK motor components sector stock in trade has been reduced and less factory space is required to produce the same physical output. The space released can be used for expansion, or it can be sold to reduce capital employed.

Closer liaison has been established between the UK motor components sector and the French company. This will improve the commercial potential of the group within the enlarged Common Market.

Better use is being made of funds employed, stocks and debtors being lower in relation to sales. These changes, together with improved cash flow, reduced the UK bank overdraft from £2,361 M at the end of 1970 to £747,000. This has been further reduced in 1972.

The financial strength of the company has improved, the total external debt being reduced from 54% of shareholders' funds to 42%. Cash facilities of overseas companies exceed all debt outside the UK.

In 1972, the miners' strike in February resulted in a loss of profit of about £200,000, but it should be another good year. There have been wage and other cost increases, and the final outcome will depend on the extent to which these can be offset by further cost savings and price increases.

The above information is condensed from the Annual Report considered at the Annual General Meeting held in Birmingham on 10th May 1972. Copies are available from the Group Secretary's office, Goodman Street, Birmingham B1 2SX.

Wilmot Breeden (Holdings) Limited

DIVIDEND NOTICE

FALCONBRIDGE

DIVIDEND Number 112

Notice is hereby given that a quarterly dividend of Fifty Cents (50¢) per share has been declared by the Board of Directors of Falconbridge Nickel Mines Limited, payable in Canadian funds on May 31, 1972 to shareholders of record at the close of business on May 5, 1972.

By Order of the Board
G. T. N. Woodrooffe
Secretary

Toronto, Canada
April 20, 1972

CHAIRMAN'S STATEMENT

Telephone Rentals LIMITED
Incorporating
DICTOGRAPH TELEPHONES LIMITED
OPERATING TR SERVICES

Points from Mr.W.Stuart Philcox's Statement

Group Profits after Depreciation but before Taxation were £5,651,382 (£5,245,390). These profits are, once again, a record and 1971 is the 15th consecutive year in which we have shown an increase. In view of the market conditions experienced in 1971 I think it can be claimed that the Company has come through a trying period exceptionally well.

The Directors recommend a final Dividend of 23% making 33% for the year (1970—30%). A 1-for-2 scrip issue is also proposed.

In the United Kingdom, business taken on rental during 1971 exceeded, by a relatively small margin, our previous highest figures secured in 1970, six of the individual months being record months in their own right. P.A.B.X. business taken during the year established new records and our share of the market increased in spite of strong foreign and home competition.

Electro-Rentals had another very successful year and the results from Grampian Reproducers were reasonably satisfactory in the conditions prevailing. Difficulties affected our subsidiaries in Canada and South Africa but new records were achieved by the companies in Australia, France and the Republic of Ireland.

Future Prospects: there has been a marked upsurge in the amount of business secured during the first four months of 1972 and new all-time records have been established. Although it is difficult to estimate what adverse effects continuing inflation, aggravated by industrial unrest, are likely to have on Industry and Commerce, I anticipate that the Company will, as usual, continue to make steady progress and that 1972 will be another successful year.

As previously announced, the Company has entered the Data Communciations field and is very well placed to take advantage of the potential inherent in this highly specialised market.

APPOINTMENTS

Economic Statisticians

for the new age of government statistics

To work closely with administrators and economists in congenial, multi-disciplinary professional atmosphere. Scope to develop own ideas and methods. Access to unrivalled body of statistical data and sources.

Department of Trade and Industry

to work in areas of national economic activity.

Collection, analysis, wide range of economic statistics. Preparation of reports and ministerial briefs. Close contact with economists and administrative divisions responsible for economic and industrial policy. Co-operation with other Departments, international organisations, business and financial community. Scope for original contributions to statistical and economic analysis, development of data processing methods. At least one vacancy at Business Statistics Office, Newport, Mon.

Treasury

computerisation of public expenditure statistics.

The Public Sector Group, Treasury. Practical experience of economic statistics, use of computers, familiarity with principles of national income accounting, essential. Join team responsible for computerised storage, retrieval, analysis system for data on past and projected expenditure; information to be used for policy making, compiling national income statistics, publication in white papers.

Candidates for these posts should normally be at least 27, with honours degree in statistics or other subject involving formal training in statistics. Several years' relevant experience essential. Appointments permanent and pensionable or short term (with FSSU). Starting salaries could be above minimum of scale £3653 – £4883 Inner London (£175 less in Newport). Prospects for promotion to Chief Statistician on scale £5175 – £6475.

Vacancies also for Statisticians and Senior Assistant Statisticians in other Departments. Salary of Senior Assistant Statistician – at least 24, with relevant post-graduate experience – on scale £2476 – £2984 Inner London.

Details of qualifications, information on other current vacancies, and application form (to be returned by 5 June 1972) from Civil Service Commission, Alencon Link, Basingstoke, Hants; or telephone Basingstoke 29222 ext 500, or London 01-839 1696 (24-hour 'Ansafone' service), quoting ref. A/619/29.

PHILIP MORRIS

PHILIP MORRIS EUROPE

The headquarters of an international diversified company rapidly expanding its operations throughout Europe has an opening for a chartered accountant in its Lausanne office as

manager of finance

We are looking for a dynamic young executive, with several years of experience, preferably in the consumer goods area and meeting the following qualifications:

☐ a solid professional background in general accounting, cost accounting, and internal audit ☐ experience in banking and treasury operations ☐ previous experience in the supervision of a small team ☐ English mother tongue and languages an asset. Excellent career opportunities, an attractive salary and appropriate fringe benefits are the remuneration of this very challenging opportunity.

Applications in English with curriculum vitae, expected salary and photograph, should be addressed to:
Manager of Personnel Philip Morris Europe S.A.
7, avenue de Tivoli, 1007 LAUSANNE - Switzerland.

APPOINTMENTS

THE
INTERNATIONAL MONETARY FUND

WITH HEADQUARTERS IN WASHINGTON, D.C.

has a career opening for a

REVISER-TRANSLATOR

Candidates must have English as their mother tongue, must be proficient in the German and Scandinavian languages and be familiar with the terminology of modern macroeconomics in the above languages. Candidates should have several years of working experience as translators and should be able to translate independently economic documents into English. A degree in economics would be an advantage and familiarity with monetary theory, public finance and international trade would be particularly valuable.

Salary will be commensurate with age, qualifications and experience. The salary for a reviser-translator with proven ability could be up to $20,800 per annum, net of income tax.

The Fund offers generous fringe benefits, including annual leave, family allowances, health insurance, paid home leave every two years, pension scheme, group life insurance and education allowances.

Candidates who meet the above requirements are invited to submit a curriculum vitae, including details of their professional career, to the

Director of Personnel
International Monetary Fund
19th and H Streets, N.W.
Washington, D.C. 20431
U.S.A.

The selected candidate will be based in Washington, D.C.

Fourah Bay College

UNIVERSITY OF SIERRA LEONE

Applications are invited for appointment to the following positions tenable from October 1972 :

LECTURESHIPS IN (a) Economics (at least 2) ; (b) Education ; (c) English (at least 2) ; (d) French ; (e) Philosophy.

Salary scale : Le 2,400-Le 4,740 p.a. (Le 2=£1 sterling). The British Expatriates Supplementation Scheme is unlikely to be applied to these appointments. F.S.S.U. Family passages ; various allowances ; regular overseas leave. Detailed applications (6 copies) naming 3 referees by 30 May 1972 to Inter-University Council, 90/91 Tottenham Court Road, London, W1P 0DT, from whom particulars are available.

University of Cambridge

University Assistant Lectureship in the Faculty of Economics and Politics

The Appointments Committee of the Faculty of Economics and Politics hope soon to be in a position to appoint a University Assistant Lecturer in economic statistics. The successful applicant will also be expected to take part in teaching elementary mathematics if so requested. The appointment will be subject to the Statutes and Ordinances of the University, and will be for three years in the first instance, with the possibility of re-appointment for two years and of promotion to a Lectureship if a vacancy occurs. The maximum tenure of a University Assistant Lectureship is five years. The successful candidates will be expected to take up his duties on 1 October 1972.

The pensionable stipends of University teaching officers are under review. The proposed pensionable scale of stipends for a University Assistant Lecturer is £1,788 a year, rising by annual increments of £147 to £2,346 or, if the person appointed is ordinarily resident in College, £1,689 a year, rising by annual increments of £147 to £2,277.

The pensionable stipend of a University Assistant Lecturer is subject to deduction on account of a Fellowship of a College with dividend, and also on account of certain other College emoluments. The General Board, if the Appointments Committee so recommend that the place of a University Assistant Lecturer on the scale of stipends on appointment shall be above the minimum. Information about the reimbursement of removal expenses and for persons resident outside the United Kingdom, travelling expenses may be obtained from the Secretary of the Appointments Committee.

Applications (nine copies) including a curriculum vitae and the names of not more than three referees, should be sent as soon as possible, and in any case not later than 31 May, 1972, to the Secretary of the Appointments Committee, Faculty of Economics and Politics, Sidgwick Avenue, Cambridge CB2 9DD.

APPOINTMENTS

To work closely with administrators and economists in congenial, multi-disciplinary professional atmosphere. Scope to develop own ideas and methods. Access to unrivalled body of statistical data and sources.

Statisticians
for the new age of government statistics

Home Office

Matters of social concern: planning and policies

Acquisition – through collection and arrangement of national and regional figures – of knowledge in the following subjects: crime, the penal system, probation and after-care, drugs, juveniles in trouble, immigration, fire statistics. Contribution of statistical expertise. Briefs and interpretive papers. Collaboration with research workers, and administrators on policy.

Civil Service Department

Manpower planning

Development large scale information systems for all aspects manpower, personnel management. Behavioural sciences research. Opportunities for model building. Ability in sampling, survey management, essential.

Candidates for these posts should normally be at least 27, with honours degree in statistics or other subject involving formal training in statistics. Several years' relevant experience essential. Appointments permanent and pensionable or short term (with FSSU). Starting salaries could be above minimum of scale £3653–£4883 (Inner London), slightly less for Home Office post which is at Surbiton. Prospects for promotion to Chief Statistician on scale £5175–£6475.

Vacancies also for Statisticians and Senior Assistant Statisticians in other Departments. Salary of Senior Assistant Statistician – at least 24, with relevant post-graduate experience – on scale £2476–£2984 (Inner London).

Details of qualifications, information on other current vacancies, and application form (to be returned by 5 June 1972) from: Civil Service Commission, Alencon Link, Basingstoke, Hants: or telephone Basingstoke 29222 ext. 500, or London 01-839 1696 (24-hour 'Ansafone' service), quoting reference A/619/32.

Carmarthenshire Education Committee

CARMARTHEN TECHNICAL & AGRICULTURAL COLLEGE, CARMARTHEN

Principal : E. Phillips, M.Sc., D.I.C., F.I.M.

Department of Business Studies and Public Administration

Graduate LECTURER GRADE I in PUBLIC ADMINISTRATION, principally for ONC, HNC, and DMA classes. The person appointed will share work in Government, Public/Social Administration and related disciplines.

The college has well developed courses with excellent co-operation from public authorities and a person of enterprise will find ample scope for initiative to work with an experienced team engaged in an expanding scheme of courses and training as recommended by the Local Government Training Board. Professional or administrative experience would be an advantage.

SALARY SCALE : Lecturer Grade I £1500-£2525.

The point of entry is dependent upon qualifications and experience and additional increments are provided for approved qualifications.

Further particulars and form of application may be obtained from the Director of Education, County Hall, Carmarthen, to whom completed application forms should be returned not later than 19th May, 1972.

University of Birmingham

DEPARTMENT OF ECONOMICS

Research Associate attached to the Esmée Fairbairn Chair of Investment
(re-advertisement)

Applications are invited for the post of RESEARCH ASSOCIATE for one year in the first instance from as soon as possible or 1st October 1972.

Candidates should be qualified in Economics or Business Studies with some knowledge of econometric techniques and, if possible, should be familiar with the computer and its applications. Some postgraduate studies and/or business experience is desirable but not essential. The main duties will be to work with the Professor of Investment in theoretical and applied research in money, banking and company finance, to assist in the presentation of a graduate course in "Money, Banking and Finance" and to conduct independent research in these areas.

Salary : £1320-£1935 + F.S.S.U.

Applications (3 copies) naming three referees by 5th June 1972, to Assistant Registrar (C), University of Birmingham, Box 363, Birmingham B15 2TT, from whom further particulars and application forms should be obtained.

Please quote ref C/051/G.

University of Otago

DUNEDIN, NEW ZEALAND

Visiting Appointments in Economics

The University of Otago is interested in appointing one or more visiting lecturers or professors in the Department of Economics. The period of appointment would be for not less than two terms (normally commencing about late February) and appointments for longer periods would be desirable.

No particular field is specified but, as the Department is a small one, it is desirable for an appointee to be able to teach a number of topics.

Contracts will be negotiated individually but in general return fares will be paid and a monthly salary based on current academic scales (Lecturer range—$NZ5,589 to $9,358 per annum).

Applicants should be able or expect to be able to arrange secondment from their present posts.

Further particulars are available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572), or from the Registrar of the University.

Applications close in New Zealand and London on *30 June 1972.*

University of Otago

DUNEDIN, NEW ZEALAND

Lecturer or Senior Lecturer in Accounting

Applications are invited for the post of Lecturer or Senior Lecturer in Accounting, who should preferably have interests in Financial Accounting. The appointee will contribute to Commerce courses at undergraduate and postgraduate levels, and will have opportunities for consulting work and for interesting personal research within the developing New Zealand environment.

Salary Scales
Lecturer : $NZ5,589-$7,149 per annum ; Senior Lecturer : $NZ7,278-$9,358 per annum with a bar at $8,579 per annum.

Salary scales are subject to both triennial review and interim cost-of-living adjustments. Within scales progression to the grade maximum is by automatic annual increment.

Further particulars are available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572), or from the Registrar of the University.

Applications close in New Zealand and London on *15 June 1972.*

APPOINTMENTS

Voluntary Service Overseas

Director

The Council of V.S.O. is looking for a successor to the present Director, Douglas Whiting, who is retiring in 1973.

V.S.O. recruits, trains and looks after volunteers who assist developing countries in response to specific requests. Projects cover a wide range of development work, both rural and urban, with social, economic and technical aspects. This calls for volunteers with a wide variety of skills and educational, professional or technical qualifications.

The Director is responsible for co-ordinating the various departments through which he manages V.S.O. In addition he represents the Council in all its contacts with organisations at national and international level concerned with volunteers. This involves a good deal of travelling, committee work and public speaking.

The appointment will be for between five and ten years at a starting salary of not less than £4,500 p.a.

Applications will be handled in confidence. Initial letters enclosing a full curriculum vitae should be addressed to the consultant :

M. J. Graham-Jones,
The Faculties Partnership,
26 Grosvenor Gardens,
London S.W.1.

UNIVERSITEIT VAN AMSTERDAM

Europa Instituut
The International Course on European Integration needs an

ECONOMIST

Applicant will be offered the position of tutor in the economic Section of the post-graduate Course on European Integration.

The Course is taught in the English language. Applicant must have a thorough knowledge of the economic aspects of European Integration.

Salary will be according to the University's standards.

Send applications to **Mr Robert Adolfs,**
ICEI Executive Secretary, Europa Instituut,
Herengracht 508, Amsterdam, the Netherlands.

National Economic Development Office

NEDO

ECONOMIC DIRECTOR

Applications are invited for the post of Economic Director in the National Economic Development Office.

The Office is concerned both with general questions relating to the management and growth of the economy and with the contribution made to economic growth by specific sectors of industry. The Economic Director gives professional guidance to the economist staff within the Office and directly advises the Director General on all economic matters. The post calls for a capacity to respond intellectually to new ideas combined with an ability to form a balanced and reasoned judgment on current issues. High academic qualifications, research experience and experience of working for or with public or quasi-public bodies and in industry are desirable.

The appointment is normally made for two years ; salary £6925 per annum (under review) ; FSSU.

Applications giving details of age, academic qualifications, publications and professional experience together with the names of three referees should be sent not later than 31 May 1972 to :

Mr P N Odell
National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

London School of Economics

UNIVERSITY OF LONDON

Applications are invited for appointment from 1 June 1972, or as soon thereafter as possible, to a Senior Research Officership and a Research Officership in the Centre for Urban Economics at the London School of Economics in connection with a project on the economics of labour markets in London. Candidates should be trained economists and able to handle data ; preference will be given to those experienced in research in labour economics. The appointments will be for two years, and will be on the salary scale for Senior Research Officers at £2,229 x £141-£2,376 x £150-£2,676 x £147-£2,970 : efficiency bar : £3,117 x £147-£3,411 a year plus £162 a year London Allowance, and for Research Officers of £1,641 x £147-£2,082 a year plus £162 a year London Allowance, with superannuation benefits. In assessing the starting salary, consideration will be given to qualifications, age, and experience.

Applications should be received not later than 23 May 1972 by the Administrative Officer (Room H.610), The London School of Economics and Political Science (TE/13), Houghton Street, London WC2A 2AE, from whom application forms should be obtained.

University of York

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

Research Fellowship in Economics

Applications are invited from graduates in economics for a 2-year research fellowship tenable at the Institute from July 1972 or as early as possible thereafter.

The person appointed will be expected to work within the general framework of the Public Sector Research Programme financed by the Social Science Research Council, and more specifically on studies of : (a) the efficiency of the nationalised industries ; and (b) the economics of government contracting.

Salary scale £1,326 to £2,676. Starting salary according to age and experience.

Six copies of applications, naming three referees, should be sent by 2 June 1972, to the Registrar, University of York, Heslington, York, YO1 5DD, from whom particulars may be obtained. Please quote reference number 12/7024(a).

For further appointments see pages 5, 126 to 134

FULL-TIME TRADE UNION ORGANISER

An Organiser is required by the National Union of Bank Employees to work principally in the London area but who may be required to work elsewhere from time to time. The successful applicant will be responsible for the efficient organisation of NUBE members and the recruitment of new members. Previous experience in this type of employment would be an advantage. Commencing salary £1,686 p.a. plus £150 London Allowance. A motor car will be provided. Good holidays and conditions of service. Official application forms available from :

NUBE, Queens House, 2 Holly Road,
Twickenham, TW1 4EL.

Completed application forms to be returned to NUBE not later than 31st May, 1972.

DERBY COUNTY BOROUGH

DEPARTMENT OF PLANNING

Senior Assistant Planning Officer

There is a vacancy for a Senior Assistant Planning Officer on S.O. Grade 1 (£2,367-£2,766).

Statistician/Economist—Structure Plan Section

to make a substantial contribution to the preparation of the Derby Structure Plan. The successful applicant should be a statistician, economist or town planner with wide experience of quantitative forecasting and analysis techniques, preferably in a planning context.

Appointment within the grade will depend on qualifications and experience.

Application form and job description from : Director of Planning, Department of Planning, The Council House, Corporation Street, Derby, DE1 2FP.

Closing date 9th June, 1972.

APPOINTMENTS

University of Melbourne

Kilmany Scholarship

in the

Department of Economic Research

QUALIFICATIONS : Degree in Economics. Preference will be given to candidates proposing to undertake research in economics or industrial, financial or social topics and especially in econometric research on factors determining the growth of and fluctuations in the Australian economy.

STIPEND : $A3,000-$A7,000 per annum for a period of not more than two years.

Initial stipend will be determined according to age and qualifications. Applications from recent graduates working towards higher degrees are encouraged.

Further information, including details of travelling expenses, and conditions of appointment, is available from the Registrar. All correspondence should be addressed to the Registrar, Attention : Mr. D. M. Mead, (Kilmany Scholarship), The University of Melbourne, Parkville, Victoria, 3052, Australia.

Applications close on *30 June 1972.*

University of Cambridge

Assistant in Research in the Faculty of Economics and Politics : Notice

The Faculty Board of Economics and Politics will shortly proceed to the appointment of an Assistant in Research whose duties will be to assist the teaching staff of the Faculty with statistical work and to organise and take statistics classes for undergraduates. Applicants should possess either an honours degree in Economics with some training in statistics or appropriate statistical experience in a government office or other organization. The appointment will be subject to the Statutes and Ordinances of the University and will be for two years in the first instance ; the person appointed will be required to enter upon the duties of the office as from 1 October 1972. Re-appointments may be made for periods not exceeding five years at a time.

The pensionable stipends of holders of University posts are under review. The present pensionable scale of stipends of an Assistant in Research is £1,347 a year, rising by annual increments as follows : by £144 to £1,491, by £138 to £1,767 and by £135 to £1,902. The stipend is subject to reduction if the person appointed is a Fellow of a College with dividend or holds a substantial College administrative office.

Further particulars can be obtained from the Secretary of the Faculty Board of Economics and Politics, Sidgwick Avenue, Cambridge CB2 9DD, to whom candidates should send their applications, including the names of two referees, so as to arrive as soon as possible but not later than 19th May, 1972.

THE INTERNATIONAL MONETARY FUND

WITH HEADQUARTERS IN WASHINGTON, D.C.

has career openings for

TRANSLATORS AND REVISERS

Candidates must have French as their mother tongue, must be proficient in the English language and be familiar with the terminology of modern macroeconomics in both French and English. Candidates should have several years of working experience as translators and should be able to translate independently economic documents into French. A degree in economics would be an advantage and familiarity with monetary theory, public finance and international trade would be particularly valuable.

Salaries will be commensurate with age, qualifications, and experience. The range for translators with proven ability will be up to $17,100 and for appointees with experience in revision it will be up to $20,800 per annum, net of income tax. The possibility exists of rapid advancement for appointees who demonstrate outstanding keenness and ability.

The Fund offers generous fringe benefits, including annual leave, family allowances, health insurance, paid home leave every two years, pension scheme, group life insurance and education allowances.

Candidates who meet the above requirements are invited to submit a curriculum vitae, including details of their professional career, to the

Director of Personnel
International Monetary Fund
19th and H Streets, N.W.
Washington, D.C. 20431
U.S.A.

The selected candidates will be based in Washington, D.C.

APPOINTMENTS

The University of Aston in Birmingham

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Lecturer

Applications are invited for a Lecturership in Marketing. Preference will be given to candidates with knowledge of and interest in Market Research.

Commencing salary in the range £1,641-£1,935 per annum on a scale rising to £3,999 per annum.

Application forms and further particulars may be obtained from the Staff Officer (Ref. No. 850/26). The University of Aston in Birmingham, Gosta Green, Birmingham B4 7ET, to whom applications should be forwarded within 14 days of the appearance of this advertisement.

City and County of Bristol

EDUCATION DEPARTMENT

Administrative Assistant, Information Section.

Grade A.P.4
(Salary £1,932-£2,199 p.a.)

Applications invited from suitably qualified persons for above post. Work is largely concerned with provision of statistical information for the Education Department, but it is intended that the Section will provide a general information service, especially in the light of Local Government re-organisation. Knowledge of statistics desirable.

Application forms (returnable by 31st May) from Chief Education Office, Council House, College Green, Bristol, BS1 5TN.

FULL-TIME NEGOTIATING OFFICIAL

A Technical and Services Officer is required by the National Union of Bank Employees. The successful applicant will be based in London and will be required to deal with domestic negotiations on behalf of technical and services members of the Union in the major banks and also national negotiations in respect of the Union's technical and services members. The salary range will be £1,936-£2,281 p.a. A motor car will be provided. Good holidays and conditions of service. Previous experience in this type of employment would be an advantage. Applications stating age, qualifications, present and previous posts should be addressed to:

Mr S. R. Lewis,
NUBE, Queens House, 2 Holly Road,
Twickenham, TW1 4EL
to arrive not later than 31st May, 1972.

Share in the future of Britain's gas

MARKET RESEARCH ASSISTANT

Cardiff up to £1884

Market research man needed with degree in economics or equivalent plus two years' experience of research techniques. Function will be to conduct sampling, interviewing, data collection and analysis plus the necessary report writing. Responsibility to the Board's economist. Salary £1596-£1884. Please apply in writing quoting reference F8E and giving full details of career, salary and personal history to: Senior Personnel Officer, Wales Gas, Snelling House, Bute Terrace, Cardiff CF1 2UF.

WALES GAS

Kingston Polytechnic

Lecturer II in Economic History

SCHOOL OF ECONOMICS AND POLITICS

A good Honours graduate, preferably with research experience, is required to teach modern English and European Economic History. Preference will be given to candidates with a special interest in European Economic History and Western Social History.
Salary £2473-£3201.
Further information and application forms (to be returned by 29 May) from the Appointments Officer, Kingston Polytechnic, Penrhyn Road, Kingston upon Thames KT1 2EE. 01-549 1366.

Wye College

(UNIVERSITY OF LONDON)

Research Fellow
IN
European Agricultural Economics

Applications are invited for a Research Fellowship tenable at Wye College for a period of up to five years. The person appointed, who will work under the direction of Professor D. K. Britton, will be required to study current developments in Europe (particularly in E.E.C. countries) in agricultural production, marketing and policy and to organise seminars and other means of mutual exchange between the institutions involved, both academic and operational. Ability to read and speak French or German fluently is essential, and applicants should have had training and research experience in agricultural economics, marketing or related fields. Salary will be at an appropriate point on a scale rising from £1,641 to £3,705 according to age and qualifications. Superannuation under F.S.S.U. Starting date by arrangement.

Apply to the Secretary, Wye College (E/6), Ashford, Kent, from whom further particulars may be obtained. Closing date, 31st May 1972.

University of Queensland

AUSTRALIA

Lecturer or Senior Lecturer in Accounting

Applicants to have suitable academic qualifications and an interest in Financial Accounting. Previous professional and teaching experience desirable but not essential.

Salary: Senior Lecturer $A9540-$A11,130 per annum; Lecturer $A6697-$A9288 per annum.

Other Benefits: Superannuation similar to F.S.S.U., housing assistance, study leave, and travelling and removal expenses.

Additional information and application forms will be supplied upon request to the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close in London and in Brisbane on *30 June 1972.*

Economic Models Group of Companies

An expanding economic consultancy based in London, Peterlee New Town and New York and specialising in the use of quantitative techniques, requires an assistant consultant economist/econometrician. Candidates should have high academic qualifications.

Applications setting out qualifications, details and experience and income required should be sent to:

Managing Director, Economic Models Limited, 19, West Eaton Place, London, SW1X 8LT.

University of Bristol

AMENDED ADVERTISEMENT

Lectureship and Temporary Lectureship in Economics

The Department of Economics invites applications for one Lectureship and one Temporary Lectureship in the fields of either (i) Microeconomics and Industrial Economics or (ii) Macroeconomics and Public Sector Economics. The Lectureship is tenable from 1st September 1972, on the salary scale £1641 to £3999, with initial salary according to qualifications and experience. The Temporary Lectureship is for one year only, tenable from 1st August 1972, at a salary within the range £1641 to £2876, according to qualifications and experience. Further particulars may be obtained from the Registrar, University Senate House, Bristol BS8 1TH, to whom applications should be sent by 31st May (Please quote reference EB). Those who have already applied for the recently-advertised Temporary Lectureship in Economics will be considered automatically under the terms of this advertisement.

University of Lagos

NIGERIA

Applications are invited for following posts in School of Social Studies:

a) PROFESSOR / ASSOCIATE PROFESSOR OF ECONOMICS
b) ASSOCIATE PROFESSOR OF POLITICAL SCIENCE
c) ASSOCIATE PROFESSOR OF SOCIOLOGY

Salaries: Professor £N3,300 p.a., Associate Professor £N3,050 p.a. (£N6 = £7 sterling). The British Government may supplement salary in range £1,050-£1,150 p.a. (sterling) for married appointee and £500-£800 p.a. (sterling) for single appointee and provide children's education allowances and holiday visit passages. Family passages; various allowances; regular overseas leave; superannuation scheme. Detailed applications (6 copies) naming 3 referees by 1 June 1972 to Inter-University Council, 90/91 Tottenham Court Road, London W1P 0DT., from whom particulars are obtainable.

BUSINESS NOTICES

noranda

DIVIDEND NOTICE

NOTICE is hereby given that a quarterly dividend of Thirty Cents (30¢) per share Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 15, 1972 to Shareholders of record May 12, 1972.

By Order of the Board,

R. C. ASHENHURST,
Secretary

Toronto, Ontario,
April 28, 1972.

EDIVAD LIMITED — **International Consulting**

A new company with professional skills of Manpower Planning, Executive Search, Counselling, Remuneration and experience in the United Kingdom, United States and Continental Europe.

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Latest date for acceptance of copy, noon Wednesday.
Telephone JEJ Johnson 01-930 5155

APPOINTMENTS

University of Surrey

Applications are invited for an S.S.R.C. Research Studentship in Economics. Candidates should have an interest in the construction of forecasting models for energy and have (or expect to obtain this summer) First or Upper Second Class Honours degrees in economics with statistics and/or econometrics.

Applicants should write with details of qualifications and the names of two referees, to Professor C. Robinson, Department of Economics, University of Surrey, Star Hill, Guildford, Surrey.

For further announcements see pages 5, 126 to 134

Queen Mary College

UNIVERSITY OF LONDON

Political Science

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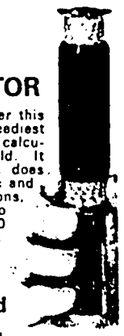
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By Order of the Board,

J. K. Finlayson,
Chief General Manager

COURSES AND LECTURES

UNIVERSITY OF LONDON : A lecture entitled "Development Planning for Greater Equality" will be delivered by Professor F. G. Pyatt (Warwick) at 5 p.m. on 18th May at Queen Mary College, Mile End Road, E1 4NS. ADMISSION FREE, WITHOUT TICKET, Academic Registrar.

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UNIVERSITY OF LONDON : A course of two lectures entitled "Modern Capital" Theory and the Concept of Exploitation" will be delivered by Professor C. C. von Weizsacker (Heidelberg) at 5 p.m. on 23rd and 24th May at London School of Economics, Houghton Street, Aldwych WC2A 2AE. ADMISSION FREE, WITHOUT TICKET, Academic Registrar.

UNIVERSITY OF LONDON: A course of two lectures entitled "1. On Body-Politics 2. Reading *Capital*" will be delivered by Professor J. O'Neill (Ontario) on 15th and 17th May at 5 p.m. at London School of Economics, Houghton Street, Aldwych W.C.2. ADMISSION FREE. WITHOUT TICKET, Academic Registrar.

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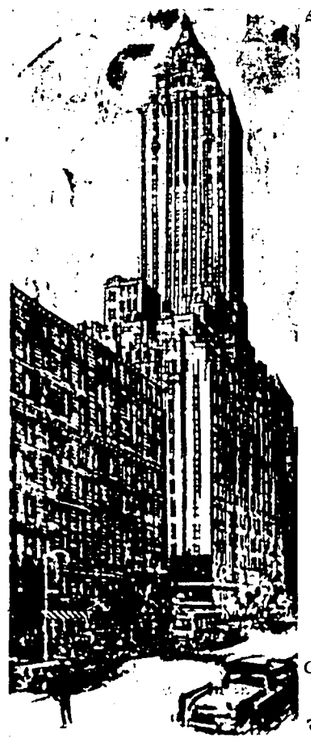
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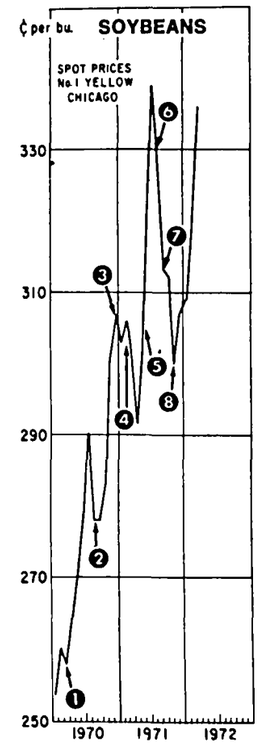
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Annual General Meeting of 28th April, 1972

The Company's Annual General Meeting was held under the chairmanship of Avv. Luigi Santa Maria. World production of chemical fibres rose by 10.3 per cent as against 5.1 per cent in 1970. Italian output rose by 14.5 per cent compared with a fall of 3.9 per cent in 1970. Production capacity remained stable for artificial fibres but increased appreciably for synthetic fibres.

Sales to outside customers totalled Lit. 229,200 m. as against Lit. 202,600 m. in the previous year, an increase of 13.4 per cent. Including trading within the Group totalling Lit. 26,300 m., the Company's overall trade figure for 1971 amounted to Lit. 256,100 m. Sales to outside customers by the Group, including associated companies both in Italy and abroad, totalled Lit. 368,300 m. as against Lit. 345,300 m. in the previous year.

The Textile Division's business suffered from the world surplus in the production of synthetic fibres. Sales by volume rose by 19.5 per cent compared with a fall of 13.5 per cent in 1970. In terms of value, however, sales rose by no more than 15.8 per cent, mainly because of the steady fall in the prices of synthetic fibres.

The business of the Chemical Division, the Engineering Division, the Defence and Aerospace Division as well as of sundry enterprises was fairly satisfactory having regard to the general economic situation in Italy.

The report of the Board of Directors closes with certain condlusive remarks which clarify the reasons why trading results were unsatisfactory. These were mostly circumstances unconnected with production. The fall in earnings was international in character even if it made itself felt more seriously in Italy.

The drop in prices, particularly noticeable as far as synthetic fibres were concerned, was due to the grave crisis caused by excess production capacity. This was due to huge new plants coming into service at the same time as a result of a policy of vertical integration carried out by some of the most important chemical companies in Western Europe in order to find outlets for their huge output of petrochemicals.

The report ends by saying: "To overcome this situation with all the other circumstances beyond our control, it is necessary to branch out in various directions : at home we must continue to follow, and indeed strengthen, the most advanced trends of technological research, applying to our plants such improvements as help to increase productivity and to improve product quality. The possibility of rationalising our business through co-ordination with the Montecatini-Edison Group is bound to contribute materially to putting production in the whole sector on a better footing.

At international level the reality of a unified European market requires an effort to establish uniformity of trends and language among European producers, thus promoting a development that is both co-ordinated and adjusted to the future consumption of chemical fibres envisaged for the Common Market by 1980, when it is expected to account for around 70 per cent of the consumption of the main textile fibres.

In this context we are planning an increase in synthetic fibres in due course, even in partial substitution of cellulosic fibres; a further diversification in chemicals and engineering, and organisational improvements in the fields of production and marketing in order to be ready to contribute to the economic recovery of our country that we all hope for."

Finally the report comments on the various items of the balance sheet for the year. Depreciation set aside in the balance sheet totalled Lit. 15,500 m. after utilising the balance of profits equivalent to Lit. 854 m. brought forward from previous years, and apart from the credit balances of Lit. 6,283 m. in respect of monetary revaluation.

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EXCELLENT RESULTS

Points from Statement of Chairman Mr. Joseph Fattorini MBE TD JP for year ended 31st January 1972

- Sales increased by 16.7% to £36,105,000.
- Group Net Profit another record increase by 9% to £2,697,000 in spite of Post Office strike.
- Final Dividend of 11%. Dividend for year 18½% compared with 15¼% in previous year.
- Bonus Share Issue of one new Share for every eight.
- An excellent result in spite of increased costs of installing computer. New warehouse now complete and mechanised assembly being installed.
- Mr. Joseph Fattorini retires as Chairman, June 9th. Mr. C. T. Wells new Chairman. Mr. Allen Nichols to be Managing Director.

Year ended 31st January	1972	1971
Profit before taxation	£2,697,000	£2,475,000
Taxation	£1,100,000	£1,025,000
Profit after taxation	£1,597,000	£1,450,000
Ordinary dividend	£492,000	£406,000

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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds		Price May 3 1972	Price May 10 1972	Net red yield, May 10 1972: £p	Gross red yield, May 10 1972 £p
98 33/32	98	British Electric 3%	1968–73	98 11/16	98 31/32	2·690	4 480 t
89¼	84	British Electric 3¼%	1976–79	84½	84¼	4 535	6 070 t
108	105¼	Treasury 8½%	1980–82	108¼	108	4·125	7 575 t
108½	104	Treasury 8½%	1984–86	106¼	106⅞	4·555	7·990 t
96⅜	88¼	Funding 6½%	1985–87	89¼	89¼	4 935	7·745 t
66⅜	61½	British Transport 3%	1978–88	62⅛	62⅛	5·345	7 020 t
86⅜	78	Funding 6%	1993	80½	79⅝	5·215	8 085
111¼	102⅜	Treasury 9%	1994	103¼	103⅛	5·140	8 640
58	52¼	British Gas 3%	1990–95	53	52⅞	5 455	7 305 t
89⅜	81¼	Treasury 6¾%	1995–98	83¼	83	5·265	8 385 t
73⅜	66¼	Treasury 5½%	2008–12	68⅛	67⅛	5·270	8·385 t
43⅛	39⅜	War Loan 3½%	after 1952	40*	39⅝*	5 285	8 790 f
30⅛	28¼	Consols 2½%		28⅞	28⅛	5·270	8 810 f

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	104¾–5¾	103½–6½	8·03
Barclays 8¼%	1986	102¼–3¼	102½–3½	7·68
Borg Warner 8%	1979	100½–1½	101–2	7·48
Commercial Union 8½%	1986	101¾–2¾	101½–2½	8·03
Esso 8%	1986	101¼–2¼	102–3	7·50
Ford 8%	1981	102¼–3¼	102¼–3¼	7·39
General Motors 8¼%	1986	105½–6½	106½–7½	7·73
General Telephone & Electric 8¼%	1986	101¼–2¼	101¼–2¼	7·82
Shell 8%	1986	101–2	101–2	7·61
Hill Samuel 8½%	1986	101–2	101–2	8·08
Rank 8½%	1986	103–4	103–4	8·09
Transocean Gulf 8%	1986	100¼–1¼	101¼–2¼	7·59
Firestone (DM) 7¾%	1986	105¼–7	106¼–7	6·97
Prov of Nova Scotia (DM) 7¾%	1986	104–5	104–5	7·19
ICI (£,DM) 8%	1986	106–¾	106–¾	7·24

Prices, 1972 High	Low	Ordinary stocks	Price, May 10, 1972	Change on week	Yield May 10
		Banks, other financial			
347	268	Algemene Bank	Fl 319	– 2	5·3
78	57·8	Amsterdam-Rot	Fl 72½	–1·4	4·7
360	257	Aust & NZ Bank	335p	+ 15	2·9
44¼	37¾	Bank of America	$42⅝	– 1⅛	2·6
455	370	B of Ireland	440p		3·2
1131½	886	B of Montreal	970p	+ 20	3·3
116¾	85	B Nac de Mexico	P 85		8 8
455	308	B of NS Wales	408p	+ 3	2·3
740	525	B of Scotland	660p	– 20	3·1
2625	2310	B Bruxelles	Fr B 2615	+ 30	4·6
266½	221	B de Paris Pays Bas	Fr 264·2	–1·6	5·1
64¾	54⅛	Bankers Trust	$59⅛	– 1½	4·8
480	298	Barclays	420p	– 24	2·3
15⅛	11 13/16	Can Imp Com	£13	+ 1⅛	2·1
111½	78	Charterhouse Group	109p	½	3·8
60⅝	52	Chase Manhattan	$58	– 1⅛	3·4
59½	51⅞	Chemical Bank NY	$54⅝	– 1⅞	5·3
257	233	Commerzbank	DM 237½	– 3	3·4
174	148½	Credit Commercial	Fr 167	–3·1	4·9
435	370	Credit Foncier	Fr 417	– 3	5·1
4225	3695	Credit Suisse	Fr S 4000	+ 25	2·0
350	313½	Deutsche Bank	DM 332	...	2·7
288	262	Dresdner Bank	DM 281	+ 8	3·2
57⅝	43⅛	First Nat City	$56¼	– 1⅝	2·3
490	355	Fuji	Y 490	+ 5	1·2
490	335	Hambros	470p	– 10	1·6
208	142	Hill, Samuel	186p	– 14	2·0
1⅜	1¼	IOS Mgnt	$1¼	...	...
17⅛	13¼	Hongkong & Sh	£16½	– 1	1·2
209	130	Kleinwort Benson	196p	– 8	1·9
7000	5830	Kredietbank	Fr B 7000	+ 60	2·6
395	330	Kundenkredit	DM 359	+ 3	2 8
2250	1840	Lambert L'Ind	Fr B 2235	+ 40	3·4
457	320	LBI	420p	– 5	2 4
850	601	Lloyds	779p	– 45	2·0
36⅛	30	Manuf's Hanover T'st	$34⅞	+ ⅜	4·5
81000	62670	Mediobanca	L 80800	+ 1810	1·4
293	216	Mercantile Credit	270p	– 23	2 8
256	176	Mercury Secs	224p	– 24	1·4
796	522	Midland	716p	– 48	2·5
327	202	Mitsui	Y 303	+ 3	1·7
320	205	Montagu Trust	307p	– 8	1·2
92	71½	Morgan J P	$90⅝	– 1⅛	3·1
580	355	Nat & Grindlays	580p	...	2·8
4·15	2·80	Nat Australasia	$A3·99	–0 04	3·0
250	176	Nat Com Grp	214p*	– 12	2·4
462	300½	Nat West	420p	– 30	2 1
144	120	Norsk Creditbk	%121	...	7·4
17	13⅜	Royal Canada	£15¼*	...	2·4
915	608	Schroders	860p	– 40	1·3
412	324	Slater Walker Secs	383p	– 26	2·9
3135	2910	Soc Gen de Banque	Fr B2930	+ 15	5·0
2800	2640	Soc Gen de Belgique	Fr B2650	– 25	5·6
430	328	Standard & Chart	425p	– 20	2·8
384	280	Suez	Fr 360	– 6	5·2
505	365	Sumitomo	Y 505	+ 5	1·2
4330	3710	Swiss Bank Corp	Fr S 4330*	+ 50	1·8
4410	3885	Union Bank Switz	Fr S 4380	+ 90	2·3
637	490	Union Discount	600p	– 30	4·0
297	237	United Dom Tst	272p	– 25	2·3
		Insurance			
69⅝	58	Aetna Life & Cas	$65⅛	– ⅞	2·5
475	388	Allianz Versich	DM 450	– 2	1·3
258	223	Comm Union	238p‖	– 16	3·5
618	496	Eagle Star	570p	– 38	2·6
214¼	164	Gen Accident	202p	– 8	3·2
57250	48350	Generali	L 57250	+ 2640	0·8
312	252	Gdn Royal Exch	254p*	– 14	3·5
420	326	Legal & General	390p	– 16	2·7
90	65 8	Nat Nedrlandn	Fl 69·2	– 4½	2·9
396	308	Pearl	378p	– 17	3·0
310	252	Phoenix	280p*	– 16	3·4
224	171	Prudential	201p	– 10	2·9
452	394	Royal	425p	– 21	3·5
640	502	Sun Alliance	610p	– 26	3·1
362	285	Talsho Mar & F	Y 322	+ 7	1·7
545	476	Tokio Marine	Y 520	+ 2	1·1
6010	4775	Zurich Ins	Fr S 6000	+ 325	3·0

Prices, 1972 High	Low	Ordinary stocks	Price, May 10, 1972	Change on week	Yield May 10
		Breweries, etc.			
116	89	Allied Breweries	107p	– 8½	3·2
69	55	Anheuser-Busch	$ 62¼	+ ¾	0·9
188	148	Bass, Charrington	179p	– 8	2·8
155	132 8	Bols NV	Fl 147 7	–2·3	2·4
184	117	Courage	163p	– 12	2 9
199	153	Distillers	188p	– 9	3·4
38	33⅜	Distill Seagrams	$37	– ¾	1·9
470	420	Dortmund Union	DM 437	– 6½	2·3
244	184	Guinness	237p	– 6	3·0
299½	239½	Heineken	Fl 284	+ 6	1·2
285	234	Kirin Brewery	Y 275	– 4	2·7
18⅛	15⅝	Nat Distillers	$16⅛	– ⅜	5 6
114	88½	Scottish & Newc	100p	– 8½	2·8
97	70	Sth African Br	92p	– 1½	3·2
264	163	Watney, Mann	232p	...	2·3
110½	84½	Whitbread 'A'	102p	– 8½	3·1
		Building, building materials			
520	419	Assoc Portland	489p*	– 28	2·9
246	178	BPB Industries	226p	– 19	2 9
20⅜	14½	Boise Cascade	$14⅛	– 1½	1·7
344	252	Bovis Ltd	320p	– 21	1·9
247	195	Ciments Lafarge	Fr 243	+ 6	5·8
2650	2100	Cimenteries Briq	Fr B 2585	+ 90	5·1
393	233	Costain	365p	– 23	3·1
143	105	Eng China Clays	122p	– 11	2·1
23300	19050	Italcementi	L 23300	+ 1600	2·1
224	179	Laing 'A'	212p	– 6	1·1
182	115	London Brick	163p	– 12	3·1
232	158	Marley	207p	– 22	2·7
375	325	Pilkington Bros	357p	– 17	2 8
170	124	Redland	154p	– 15	1·9
182	149	Rugby Portland	160p	– 16	2·3
174	151	Steetley	156p	– 4	3·4
310	250	Tarmac	278p	– 25	3·3
360	308	Taylor Woodrow	315p	– 12	1·8
275	212	Wimpey	250p	+ 8	1 0
		Catering, hotels, entertainment			
173	43	ATV 'A'	150p	– 15	4·7
57⅛	45⅛	CBS	$50⅝	– ⅝	2·8
280	202½	Granada 'A'	262p	– 12	2·1
275	200	Grand Metropolitan	245p	– 7	1·1
55⅜	43⅜	Holiday Inns	$49⅞	+ ⅛	0 5
714	600	Lyons 'A'	700p	– 7	1·9
243	167	Trust Houses-Forte	237p	– 4	4·2
		Chemicals			
77 1	62 8	AKZO	Fl 68·7	+5·9	5·8
815	713	ANIC	L 727	...	...
40¼	33⅛	Amer Cyanamid	$35⅝	+ ⅛	3·5
172·7	137	BASF	DM 172 7	+5·7	4 3
152	129·2	Bayer	DM 147	+ 1	4·4
2940	2580	CIBA-GEIGY	Fr S 2840	+ 80	0·8
93⅛	78	Dow	$87⅛	– 2⅜	2·0
175⅜	144¼	Dupont	$161⅛	– 2	3·1
399	327	Fisons	382p	– 4	3·0
30⅞	25⅝	W R Grace	$25⅛	+ ⅛	5·9
176 9	146	Hoechst	DM 166½	+2·6	4·5
305	238	ICI	264p	– 4	5·2
101	83	Laporte	96p	+ 9	2·1
55	46	Monsanto	$54⅜	+ ⅜	3·3
751	664⅜	Montecatini-Edison	L680	– 7	...
1030	875	Norsk Hydro	Kr 930	– 5	1·1
199	156	Rhone Poulenc	Fr 176	– 7	6·8
2710	2370	Solvay 'A'	Fr B 2600	+ 10	5·9
184	136	St Gobain	Fr 176	– 48	5·2
219	198	Takeda Chemical	Y 204	– 2	4·2
49	41⅞	Union Carbide	$47⅛	– 1⅛	4·2
		Coal & steel			
4645	3875	Arbed	Fr B 4100	– 380	6·1
34⅛	28¼	Bethlehem	$31	...	3·9
12·80	11·65	Broken Hill Pty	$A 12·25	–0·10	...
171·9	136 6	Denain Longwy	Fr 168 8	–3·1	8·0
321	286	Finsider	L 315	+ 3½	11·9
148	134	Fried Krupp	DM 142	– 6	7·0
168	151	Granges A B	Kr 162	– 6	7·4

Prices, 1972 High	Low	Ordinary stocks	Price, May 10, 1972	Change on week	Yield May 10
74	58 7	Hoesch	DM74	+ 2½	4·0
74·8	60·9	Hoogoven	Fl 74·2	– 0·6	5·4
213 3	145½	Mannesmann	DM 213·3	+ 14·3	4·7
60	52	Nippon Steel	Y 53	– 1	9·4
100·4	65·2	Rheinstahl	DM 100·4	+ 3 2	5·0
85·8	68	Thyssen Huette	DM 85	+ 2	4 1
34⅛	30⅜	US Steel	$31⅛	– ⅜	5·1
114·9	85·9	Usinor	Fr 105·8	– 4·3	8·5
52 2	40	Wendel-Sidelor	Fr 45	– 5·2	10·8
		Electrical, electronics			
185½	132½	AEG Telefunken	DM 163	– 9½	3 1
295	260	ASEA	Kr 265	...	3·8
218	169	BICC	205p	– 9	3 8
486	402	CGE	Fr 480	– 2	4·2
189	162	Chloride Electric	169p	– 11	2·7
75⅝	56⅛	Comstat	$61	– ⅛	0·8
403	260	Decca	383p	– 7	2·4
232	195	EMI	205p	– 7	3 1
270	181	Electrolux 'B'	Kr 265	– 5	3·8
295	263	LM Ericsson 'B'	Kr 276	...	2·0
68½	46¾	General Electric	$65⅝	+ ⅜	2·1
195	170	GEC	183p	– 6½	2·0
33	28¼	Gen Tel & Elec	$30½	...	5·0
124	106	Hitachi	Y 119	– 2	5·0
160	127½	Honeywell	$142⅝	+ ⅛	0·9
37¼	16	Hoover	$34	– 3	1·8
397½	331½	IBM	$383⅝	+ 4½	1·4
155	135	Int Computers	145p	– 5	7·8
91	76·2	Machines Bull	Fr 76·2	–2 9	...
769	509	Matsushita	Y 721	– 4	1·4
705	537	Philips	695p	+ 5	2·8
162	133	Plessey	148p	– 1	3·4
45	34⅛	RCA	$35⅞	– ⅛	2·8
127	104	Rediffusion	121p	+ 4	3·4
122	73	Reyrolle Parsons	90p	– 6	1·1
279½	204 3	Siemens	DM 279½	+ 8	2·5
4880	3240	Sony	Y 4590	– 110	0·3
38⅝	29¼	Sperry Rand	$35	– ⅛	2·0
152½	117¼	Texas Instruments	$149⅛	...	0·5
138	95	Thomson-Houston	Fr 138	– 3	4·3
552	458	Thorn Electrical	529p	– 11	1·1
77	68	Toshiba	Y 73	– 4	6 8
63	41⅞	Western Union	$61⅛	– ⅛	2·3
54	43	Westinghouse	$49½	– ⅝	1·8
		Engineering, shipbuilding			
237	200	Acrow 'A'	204p	– 8	2·3
245	214	Atlas Copco	Kr 233	– 5	2 2
45	30½	BSA	36p	...	...
417	297	Babcock & Wilcox	397p	– 9	2·7
187	154	John Brown	164p	– 2	7·0
1460	1150	Brown Boveri 'A'	Fr S 1270	+ 25	3·9
100½	79	Cohen 600	83½p	– 4½	5·4
71	49½	Davy Ashmore	59p	– 4	2·1
231	167	Demag	DM 231	+ 11	3·5
60	36	B Elliott	53½p	+ 2	1·2
166½	109	Firth Cleveland	133p	– 6	5·3
425	349	GKN	411p*	– 4	3·1
185	148½	Gutehoffnungs	DM 184½	+ 8½	3·8
60	21½	Harland & Wolff	50p	...	...
82	65	Head Wrightson	75p	– 6½	4·0
71	40	Alfred Herbert	53½p	– ⅛	...
93	76	IHI	Y 79	+ 1	7·6
25⅛	17½	Inter Combstn	22p	– 2	...
152	129	Inter Comp Air	129p	– 6	2·7
94	42½	Laird Group	89p	+ 2	2·8
206½	169	MAN	DM 205	+ 5	4·4
106	76½	Mather & Platt	106p	+ 1	2·9
415	376	Metal Box	390p	– 9	3·2
87	75	Mitsubishi Heavy	Y 78	...	7·7
156	107	Morgan Crucible	148p*	...	3·6
425	369	SKF 'B'	Kr 416	– 9	2·9
77	66	Serck	70p	– 3	2·9
136	108	Simon Enging	113p*	+ 1	6·6
93	71½	Stone-Platt	88p	– 3½	3·7
169	49	Swan Hunter	125p*	– 35	8·0
3675	3200	Sulzer	Fr S 3490	– 85	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. : Ex capitalisation ¶ Ex rights. † Ex all. (f) Flat yield. (f) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1972 High	Low	Ordinary stocks	Price, May. 10, 1972	Change on week	Yield May. 10
500	418	Tube Investments	446p	4	4·3
28¼	23⅛	US Industries	$24¼	1⅛	2·6
121	82	Vickers	106p*	1	
141	93	Weir Group	137p	-1	4·0
123	103⅛	Thos W Ward	104p	13	4·1
		Food, pharmaceuticals			
87⅛	69⅛	Assoc British Foods	83p	3	2·2
83	68	Assoc Fisheries	75p	3	5·0
126	94	Avon Products	$118¾	3⅛	1·1
334	281	Beecham Group	325p	1	1·9
192	139 1	Beghin	Fr 186		5·6
108	73	Brooke Bond 'B'	97p	2	2·8
132	87⅛	Cadbury Schweppes	114¼p	-12½	3·5
333	187	Cavenham	307p	19	1·1
69¼	57⅛	Colgate-Palmolive	$61⅛	⅛	2·4
5·56	4·80	Col Sugar Ref	$A5·18	0·02	
162	115⅛	Fitch Lovell	135p	13	2·2
36¼	27⅛	General Foods	$27⅛	-1⅛	5·1
51¾	38⅛	General Mills	$48⅛	+¾	2·0
545	437	Glaxo	544p*	+15	1·8
47⅛	40⅝	Heinz	$44¼	-⅝	2·2
195500	176500	Hoffman La Roche	Fr S 195500	-750	0·5
47⅞	42⅞	Krafteo	$44½	¼	3·8
2138	1605	L'Oreal	Fr 2138	+10	1·1
3095	2595	Motta	L 3003	+37	
3905	3000	Nestlé	Fr S 3900		1·8
47⅛	36⅛	Pfizer	$38⅛	+¾	1·5
93⅛	76⅛	Procter Gamble	$93⅛	+⅛	1·6
251	155	Ranks-Hovis	229p	-12	3·5
373	270	Reckitt & Colman	325p	27	3·0
5150	4180	Sandoz	Fr S 5070	+10	1·3
90⅛	60⅛	Spillers	96½p*	2½	3·6
38¾	30¼	Swift	$31	+¾	2·3
209	179	Tate & Lyle	195p	2	5·1
185	138⅛	Unigate	151½p	10½	2·7
394	318	Unilever	381p	-2	3·0
143 6	79 4	Unilever NV	Fl 138 8	-3·3	4·5
371	244	United Biscuits	350p	21	2·3
		Motors, aerospace			
56	37⅜	BLMC	38¼p	-2⅛	5·2
26⅛	19	Boeing	$20⅞	+¼	1·9
55⅛	46⅜	Caterpillar Tract	$51⅞	+⅜	2·7
36	28	Chrysler	$32⅛	-1¼	1·8
96	79·1	Citroen	Fr 87·1	-4·9	
441½	323	Daimler-Benz	DM 441½	+7½	1·9
199	167	Dunlop	178p	6	4·6
2440	2068	Fiat	L 2412	+87	4·9
27	24⅛	Firestone Tire	$24¼	⅛	3·3
76⅜	67½	Ford	$68⅜	⅜	3·8
32	22⅜	General Dynamics	$32	⅛	
84⅜	76¼	General Motors	$77¼	⅜	4·4
33⅛	29½	Goodyear	$30⅛	⅛	2·8
402	317	Hawker Siddeley	370p	15	4·1
379	254	Honda	Y 318	12	2·7
210	155	Komatsu	Y 210		4·0
15⅜	10	Lockheed	$11⅞	⅛	
438½	383½	Lucas	388p	-14	2·6
15⅛	11⅝	Massey Ferguson	$C 14⅛	+1	
45⅜	34⅛	McDonnell Douglas	$41⅛	+⅜	1·0
1520	1229	Michelin 'B'	Fr 1456	-24	1·4
500	246	Nissan Motor	Y 475	11	1·7
36⅜	30⅜	N Am Rockwell	$31⅛	+⅛	4·4
379	242	Peugeot	Fr 365·4	-7·6	2·9
1870	1540	Pirelli-Spa	L 1870	+90	5·9
231	200	Smiths Indust	197p*	-11	3·2
225	186	Steyr-Daimler-Puch	9225	+18	4·0
630	405	Toyota Motor	Y 617	+5	1·3
39⅝	28⅛	United Aircraft	$38⅛	+2⅛	4·6
163·8	133⅛	Volkswagen	DM 159½	+3	2·8
273	226	Volvo	Kr 238	-10	1·7
73½	57	Westland	61p	-1	4·9
120	92	Wilmot-Breeden	113p	-6	3·1
		Office equipment, photographic			
228	180	Canon	Y 196	-6	3·8
121	93¼	Eastman Kodak	$118⅛	+2⅞	1·1
427	358	Fuji Photo	Y365	-20	2·1
1750	1600	Gevaert Agfa	Fr B 1565	-60	3·8
183	150	Gestetner 'A'	180p	+1	1·7
381	349	Nippon Optical	Y 365	-15	2·1
2065	1439	Olivetti	L 2150	+105	3·2
262	228	Ozalid	256p	2	2·4
140½	86⅜	Polaroid	$132⅛	-7⅛	0·2
1100	825	Rank 'A'	1025p		1·1
145⅝	120½	Xerox	$136¼	-⅛	0·6
		Paper, publishing			
110	99	Borregaard	Kr 108	+2	
197	151	Bowater Paper	169p		3·0
124	110	Bunzl Pulp	108p	8	4·2
34½	27⅛	Crown Zellerbach	$30⅛	⅜	3·9
179	149	DRG	166p*	3	4·3
28	23¼	MacMillan Bloedel	$C 24⅜	-⅛	
20⅞	15⅛	McGraw Hill	$18⅜	+⅛	3·2
315	207	News International	300p*	8	3·1
237	174	Pearson Longman	237p	+13	2·3
325	274	Reed Int	310p	-10	4·0
155	78	Thomson Org	148p	13	4·7
		Property			
135	96	Capital & Counties	110½p	3½	2·4
615	530	Hammersons 'A'	540p	65	1·2
230	181	Land Securities	200p	9½	2·1
147	107½	LMS	133p	7	1·7
274	225	MEPC	258p		2·0
234	180	St Martins	200p	11	1·4
314	293	SG Immobiliare	L307	10½	3·3
398	259	Star (Gt Britain)	344p	4	2·6
845	735	Stock Conversion	740p	-60	0·8
219	150½	Trafalgar House	204½p	-9½	2·0
		Transportation			
49½	39⅜	American Airlines	$45⅜	-1	
298	229	Brit & Comm	296p	+2	2·7
15⅜	11⅞	Canadian Pacific	$C14⅜	+⅛	
382	318	Furness Withy	335p	5	4·5
23¼	18½	Greyhound	$18⅛	⅛	5·4
2200	1580	Japan Air Lines	Y 1900	+40	2·1
131½	115	KLM	Fl 115½	4	
78 8	63 7	Lufthansa	DM 74½	+1½	3·4
174	138½	Ocean Steam Ship	139p	6	5·5
17⅞	13⅛	Pan American	$14	⅛	
266	186	P & O Defd	250p	-1	4·8
730	575	Swissair (Bearer)	Fr S 696	-4	4·3
56⅞	39⅝	TWA	$51	+3⅛	
54	39⅜	UAL	$50⅜	+1⅝	
		Stores			
293	216	Boots	268p	-25	2·0
350	260	Brit Home	322p	-14	2·7
305	225	Burton Group	240p	20	2·5
350	234	Debenhams	326p	+6	3·5
185½	119·8	Galeries Lafayette	Fr 162½	-5	
390	341	Galerias Precdos	%357	+2	3·2
343	255	Grattan Ware	320p	20	2·3
22	18	Great Atlantic	$18⅜	-⅜	7·1
340	259	GUS 'A'	316p	-14	2·2
296	223	House of Fraser	278p	6	2·9
2100	1460	Innovation	Fr B 2025	65	4·5
110½	82·3	KBB	Fl 108 9	-1·1	3·3
427	330	Karstadt	DM 425	+29	2·4
328	243	Kaufhof	DM 328	+35½	3·0
622	484	La Redoute	Fr 599	+5	2·0
275½	227	La Rinascente	L 275½	+12	2·9
31⅜	27⅛	Marcor	$27¼	⅜	2·9
308	277	Marks & Spencer	285p*	-10	2·7
483	410	Mitsukoshi	Y 483	+20	1·9
2·30	1·70	Myer Emporium	$A2·30		
137·7	107	Neckermann	DM 137·7	+4½	2·2
172	114	Nouvelles Gals	Fr 151	-9	2·5
80⅛	67⅛	JC Penney	$72¾	-⅛	1·4
186	130 7	Printemps	Fr 165 8	-8 1	
397	281	Provid Clothing	370p	-25	2·3
242	162	Sears 'A'	212p*	-13	2·9
116¼	97⅜	Sears Roebuck	$111⅞	+5	1·4
830	643	WH Smith 'A'	825p	-5	1·8
87	75½	Tesco Stores	80p	-2½	1·8
176	138½	United Drapery	165p	-8	3·4
47⅛	37½	Woolworth	$37⅜	-2⅛	3·2
		Textiles			
40	33⅜	Burlington	$34⅜	-2⅛	4·1
174	132	Carpets International	170p	-3	4·0
80	68	Coats Patons	73½p	-1½	4·8
150	129½	Courtaulds	138p	+4	5·0
103 1	80	Dollfus-Mieg	Fr 99 1	-3·4	5·3
63½	48½	English Calico	61½p	-1½	4·1
1813	1245	Snia Viscosa	L 1438	+87	
31⅛	25⅞	Stevens, JP	$28⅛	-1⅝	5·2
78	71	Teijin	Y 76	-1	7·9
115	95	Toray Ind	Y 109	-1	7·8
57½	43	Woolcombers	49p	+1	
		Tobacco			
348	286	Brit Amer Tobacco	301p	-11	4·2
214	172	Gallaher	209p	-5	5·0
123	94½	Imperial Tobacco	117p	-4	4·5
76⅛	58¼	RJ Reynolds	$69⅜	-5	3·5
		Utilities			
47⅞	42⅜	AT & T	$42⅜	-⅜	6·1
855	790	Chubu	Y 840	-15	6·0
840	780	Chugoku	Y 825	-5	6·1
27½	25⅛	Cons Edison	$25	⅛	7·2
2875	2600	EBES	Fr B 2690	-150	5·8
2340	1995	Intercom	Fr B 2340	+65	5·1
836	780	Kansai Electric	Y 823	-12	6·1
191	171½	RWE	DM 174	+2½	4·6
845	795	Tokyo Electric	Y 840		6·0
105	89	Tokyo Gas	Y 100	+3	6·0
		Investment trusts			
279	234	Alliance Trust	239p	-12	2·5
181	146⅛	Atlas Electric	165p	-12	2·4
180	137	BET Deferred	176p	-1	3·1
98½	83	British Assets	83p*	-8½	1·8
180	151	Cable Trust	157p	-16	2·6
192	157	Foreign & Col	164p	-16	1·8
189	154	Globe Investment	174p	-9	2·4
167	133	Industrial & Gen	145p	-12	2·9
71	58¼	Mercantile Inv	62p	-4	3·4
253	225½	Robeco	Fl 249	-1	4·7
194 3	167	Rolinco	Fl 190	-1½	1·6
122	100½	Witan Investment	108p	-10	1·6
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 383	-24	3·7
1393	1009	BSN	Fr 1339	+41	2·4
203	142	Bookers	180p	-20	3·6
230	171	British Match	197p	+5	4·8
75½	66	British Oxygen	68p	-2	4·4
132	111	British Ropes	121p	-6	3·7
77	53½	Cope Allman	58p	-2½	4·9
271	194	Dalgety	259p	+13	4·2
244	188	De La Rue	235p	-5	4·8
27⅜	21¼	Engelhard Minerals	$25⅛	-1	1·6
44¼	28	Gulf & Western	$39⅜	-⅞	1·5
95⅛	67⅛	Halliburton	$92¼	+2⅛	1·1
482	388	Hays Wharf	425p	-10	1·7
1062½	806	Hudson's Bay	806p	-12	2·7
64½	52⅜	IT & T	$53¼	-¼	2·2
540	404	Inchcape	483p	12	2·5
416	345	C Itoh	Y 397	-3	1·5
14⅜	9¾	Ling-Temco-Vought	$10	-⅛	
26⅛	16½	Litton Industries	$16⅞	-⅛	
148½	129¼	Minnesota Mining	$141¼	-⅜	1·3
266	202	Mitsubishi Shoji	Y 252	+2	2·8
305	219	Mitsui	Y 294	+8	2·4
285	240	S Pearson & Son	268p	-5	2·3
36⅞	30	TRW	$34	-⅛	3·1
27	23⅞	Tenneco	$24⅝	+⅛	5·4
36¾	30¼	Textron	$32¼	-1	2·8
174	137	Thomas Tilling	170½p	-1½	2·5
245	204	Turner & Newall	224p	-12	4·8
		Oil			
614	545	Aquitaine	Fr 576	-12	3·1
610	498	BP	514p	-18	4·1
438	363	Burmah Oil	425p*	-7	3·9
229½	205	Cie Petroles	Fr 214·8	-8·4	5·6
93⅛	83·6	Gelsenberg AG	DM 88	+1	
30	24⅛	Gulf Oil	$24⅛	-⅛	6·1
56¾	49⅛	Mobil Oil	$49⅛	-1⅛	5·3
4690	3650	Petrofina	Fr B 4495	-120	2·5
30⅛	25¼	Phillips Petroleum	$27⅛	-¼	4·8
125	111½	Royal Dutch	Fl 115½	-⅛	6·3
359	298	Shell Transport	314p	+1	4·8
60¾	54⅛	Standard Oil (Calif.)	$56⅛	-¼	5·0
70½	61	Standard Oil (Indiana)	$61⅜	-1⅛	3·7
77⅞	69⅛	Standard Oil (NJ)	$71⅛		5·5
87¼	80	Standard Oil (Ohio)	$82	-⅞	3·3
36	29¾	Texaco	$29¾	-⅜	5·4
		Gold mines · finance			
368	255	Anglo-American	354p	+16	2·5
295	220	Charter Cons	270p	+7	2·6
257	206	Cons Gold Fields	243p	+10	3·0
1012½	790	General Mining	1000r	+10	4·4
1525	1100	J'burg Cons	1525p	+25	2·9
855	535	OFSIT	830p	+90	4·9
675	505	Rand Selection	635p	+20	3·4
267	150	Union Corp	255p	+7	2·6
		Mines, metals			
22⅛	17⅛	Alcan	$C22⅛	+⅛	
70	37⅜	Alcoa	$49½	-1⅜	3·6
2260	1875	Alusuisse	Fr S 2150	+36	2·8
32¼	27⅜	Amer Met Clim	$29	-⅛	4·8
20¼	15⅝	Anaconda	$19⅝	+⅛	
205	152	CAST	170p	-13	2·6
298	223	De Beers Defd	284p	-10	2·8
150	120	Delta Metal	138p*	-7	3·6
99⅛	74⅞	Falconbridge	$C74⅞	-3	
35¼	29¾	Inter Nickel	$31¼		3·2
377	288	Johnson Matthey	363p	-9	3·4
29⅜	23⅛	Kennecott	$24⅝	+⅛	7·2
109	70	Lonrho	81p	-6	3·4
3 90	2·35	MIM Holdings	$A 3·34	+0·04	2·6
353	275	Metallgesellschaft	DM 332	-5	
169·6	135	Pechiney	Fr 158·8	-0·2	7·5
75	52⅛	Penarroya	Fr 65·6	-1·4	4·6
132	79	Potgietersrust Plat	130p	+1	(n)
22⅛	17⅛	Reynolds Metals	$19⅛	-1⅛	3·1
248	196	RTZ	233p	-1	2·6
234	175	Roan Cons	232p	-2	(n)
650	540	Selection Trust	610p	-30	3·0
1600	1426	Union Miniere	Fr B 1520	-5	4·9
5·24	2·10	Western Mining	$A3·14	+0·08	0·6
220	182	Zamanglo	194p	-6	(n)
		Plantations, etc			
340	210	Consolidated Tea	220p		
307	267	Guthrie	298p	-9	5·4
48	40	Highlands & Low	45p	-1⅛	6·7
70	43	Jokai	59p	-7	4·2
164	118	Longbourne	132p	-11	(n)
38	30	Plantation Hldgs	38p		5·3

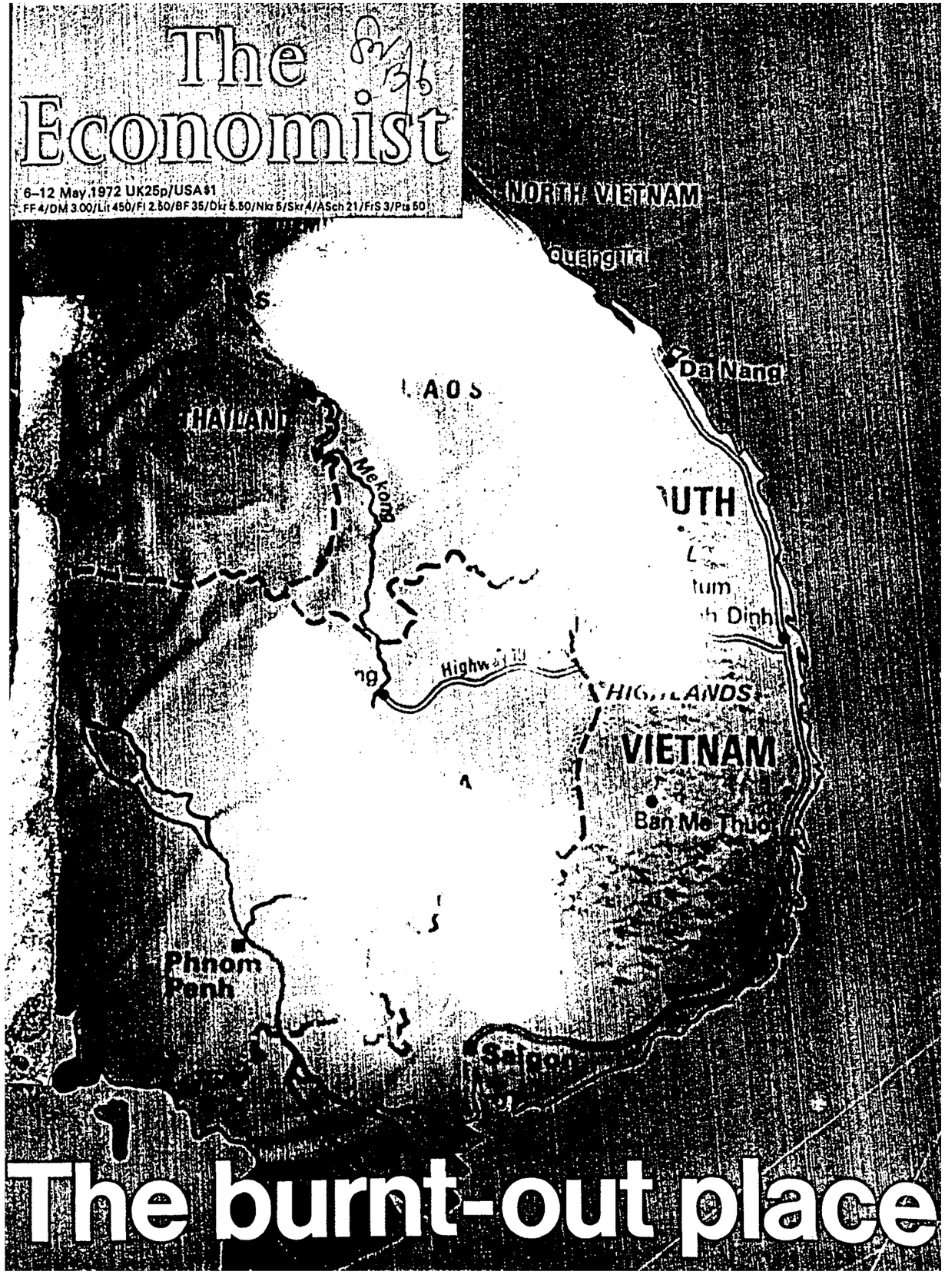
Money Market Indicators

The general upward trend in American short-term rates has been halted. The 3-month Treasury bill was at its lowest late-February.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4⅛%

Deposit rates		**Eurosterling deposits** *(in Paris)*	
7 days' notice:		2 days' notice	4⅛
Clearing banks	2⅛	3 months'	5¼
Local authorities	4⅛	**New York**	
3 months' fixed:		**Treasury bills**	3·46
Local authorities	4⅛	**Certs. of deposit**	4·50
Finance houses	4⅛	**Sterling:** Spot rate $2·6149	
Interbank rate		Forward discount	
7 days'	4⅛	*(3 months')*	0 12 cents
Treasury bills		**Forward cover** *(3 months')*:	
3 months'	4·25	Annual int. cost	0·18%
Eurodollar deposits		**Investment currency:**	
7 days' notice	4	Investment $	21⅛% prem
3 months'	5		

Covered arbitrage margins *(3 months')*	**In favour of** Last week %	This week %
Treasury bills	London ⅛	London ⅜
Eurodollar/UK local authority loans	N. York 1/16	N. York 1/16
Eurodollar/Eurosterling	London 3/16	London 3/32
Uncovered arbitrage margins *(7 days')*		
Eurodollar/UK local authority loans	London 1/16	London ⅛
Eurodollar/Interbank	London ⅛	London ⅜





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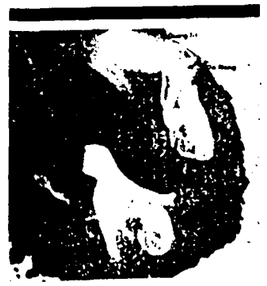
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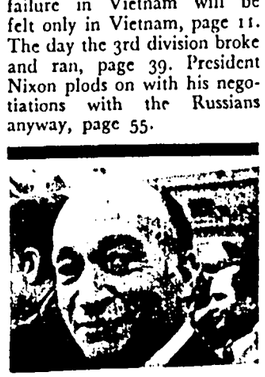
May 6, 1972

Volume 243 Number 6715



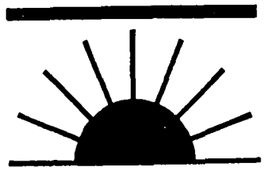
The burnt-out place

Air power failed at Quang Tri, and the superb North Vietnamese army may now be unstoppable. It is as wrong to believe that military efficiency means political superiority as it will be to think that the consequences of American failure in Vietnam will be felt only in Vietnam, page 11. The day the 3rd division broke and ran, page 39. President Nixon plods on with his negotiations with the Russians anyway, page 55.



Italian logic

The more Italians vote for change on Sunday by looking to Signor Almirante's far-right MSI, the likelier they are to get the same old sort of government, page 16.



Ever-rising yen

A six-page report from the spot on why there is talk in Tokyo about another yen revaluation, page 101.



Stand or deliver?

The Government is not winning its battle with the unions, but is retreating at a rate that threatens to bring us back to annual 10 per cent inflation. Everybody is politely ignoring the serious social implications of this, page 13.

The railwaymen haggled over another step towards their wage target, plus bankruptcy, page 77. The fight in court, page 84, and the dockers' threat to strike against redundancies when they are guaranteed against all but voluntary redundancies anyway, page 87.

Industry still won't invest because it's afraid of all that wage inflation coming along, page 83. But the London stock market stays perky, page 111.



Amazing grace

Whatever the anti-marketeers say, the parliamentary debate on joining Europe is already won. What MPs should really be doing now, page 15. Labour enjoyed the good news in the local elections, page 31.

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Letters

Capital investment

SIR—Mr E. M. Worley's two arguments for investing in plant and equipment now rather than next year are of course perfectly valid (Letters, April 29th). Delivery times tend to be shorter in slack periods than when demand is high. At the moment, too, money is relatively plentiful and interest rates seem unlikely to fall much further.

However, this does not mean that the benefit derived from capital allowances on equipment bought during the current fiscal year will not be any less than that derived from capital allowances on equipment bought after March 31, 1973. Because of the introduction of an imputation system in April next year, a piece of machinery bought now will make a tax loss from which its owner will derive benefit at the existing 40 per cent rate of tax. However, as soon as the machine begins to generate net taxable income in 1973, the owner will be taxed on that income at the new and higher imputation rate. As a result, the machine bought now will have to generate substantially more cash than its counterpart bought next year if its owner is to make the same return on capital employed.

The Chancellor's 100 per cent first-year allowance is a welcome investment incentive, in theory. So far as the fiscal year 1972-73 is concerned, it is not an incentive; if anything, it is the reverse. Mr Worley may feel that in spite of this he would rather invest now than next year. All in all he may or may not be right, but it would merely mean that in his view other considerations outweighed the way the Chancellor is discriminating against investment in plant and machinery before April 1, 1973.—Yours faithfully,

London, SW7 CRANBORNE

Labour's course

SIR—You said (April 22nd) that "the Labour party went through with the Commons farce of demanding a general election," and went on to talk of the defeatist mood of the party, implying that it does not want an election because it shares your view that Mr Heath would win.

I don't know to whom you talk at Westminster, but I am one Labour MP who believes that if Mr Heath were rash enough to go to the country, even at the present time, he would lose. The earliest date he could choose is the autumn—an election in the near future isn't on—because the housing bill and the EEC bill are not yet law. By the autumn council rents will have gone up in most areas, house prices will have climbed to new record levels, other prices will have risen still further, and unemployment will still be very high. Industrial relations will be even more of a shambles and the lower paid will be in a state of smouldering resentment.

The Prime Minister's broken promises on prices and unemployment, as well as his total breach of faith with electors on the common market, may have been forgotten or cynically suppressed by newspaper editors, but they will be remembered in the constituencies. Despite all the smooth doubletalk from people like you the majority of electors continue to believe that the Government is paying too high a price for entry into Europe and in betraying British democratic institutions into the bargain. Many electors will not overlook either the Government's broken pledges to the people of Rhodesia and the third world.

Visit the constituencies some time and you will find that Mr Wilson's determination to maintain the unity of the Labour party has been rewarded by success. Political journalists report his speeches but hardly ever report the enthusiasm with which his audiences receive him.

The party would indeed be split from top to bottom if we had listened to your advice on the common market or the Industrial Relations Bill or rents or on anything else, and the breach would be total and permanent. The Labour party would be ruined. Perhaps this is what you would like, but those of us who believe that after less than two years of Tory reaction the people of Britain have had more than enough of government by guile and guillotine have no other home than the Labour party.—Yours faithfully,

WILLIAM HAMLING

House of Commons, SW1

British Caledonian

SIR—On two counts it is too early to assess the impact that British Caledonian has had on British air traffic in 1971.

The first is that traffic data about British airlines' performance last year is not yet available. Secondly, "instant benefit" from the new airline was not suggested by the Edwards committee, the previous or the present governments, all of whom supported the formation of BCAL. Indeed, the route transfer package was completed only five months ago.

Mr R. M. Bale (Letters, April 22nd) may be unaware of the recommendation by the Edwards committee that British Caledonian should take over a very few former nationalised corporation routes in order to provide a sound platform from which a third British flag carrier could develop.

The need for such a new force in British aviation is undeniable since British airlines' share of world international scheduled services fell from 11.2 per cent to 9.3 per cent between 1967 and 1970 and the British share of scheduled traffic to and from the United Kingdom dropped from 50.3 per cent to 45.9 per cent over the same period.

The route transfers, including West Africa, have enabled British Caledonian to demonstrate to the air licensing authorities its fitness to operate on the highly competitive North Atlantic route. It is between London-New York and London-Los Angeles in particular where the decline in the British share of scheduled traffic has shown most markedly in recent years. The Air Transport Licensing Board said that they were granting British Caledonian a licence because they believed "that there would be a net gain for British civil aviation." The ability to contribute to British air transport in this way is the real significance of the transfer to BCAL of the West African and two other routes.

Clearly BCAL's impact on British civil aviation and the British share of world markets must be judged on a long-term basis. And in due course judged our performance will be.

In the meantime we have introduced new promotional fares, increased frequencies on many routes and, we believe, raised general standards of service.—Yours faithfully,

JOHN DE LA HAYE

Deputy managing director,
British Caledonian Airways

Gatwick airport

A Bangladesh sacking

SIR—My attention has been drawn to your report on Bangladesh, "Between cloud nine and revolution" (April 1st). It has reference to my name as the principal secretary to the prime minister.

I want to make it clear that I was not sacked by Yahya Khan for corruption. I (along with all the other accused officers) was compulsorily retired from service by Yahya Khan as chief martial law administrator without assigning any reason after the withdrawal of the so-called "Agartala conspiracy case" (State vs Sheikh Mujibur Rahman and others). This case was started in 1967 by Ayub Khan against our prime minister, Sheikh Mujibur Rahman, and others on charges of "conspiracy to raise war against Pakistan with a view to making east Pakistan an independent sovereign state." I was falsely and illegally implicated in this case while I was holding a senior executive job under the government of Pakistan.

Yahya Khan's order retiring me compulsorily from the civil service of Pakistan was not even covered by any existing martial law regulation.—Yours faithfully,

RUHUL QUDDUS

Dacca

Ireland

SIR—Mr Grant Finlay's extraordinary letter (April 22nd) is explicable only on the assumption that he is an Empire Loyalist, with all the concomitant attitudes which that term implies. His exposition, in terms of good Wasps v horrid minorities, is worthy of a Paisley.

To begin with let us dispose of the

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For further management appointments see page 7

Wasp notion. The term was, I take it, originally applied to North American Protestants of English descent. Mr Finlay extends it, apparently, to include Ulster and Scotch Protestants; and, perhaps, by way of honorary inclusion, north American Protestants of German and Scandinavian origin, with the Boers thrown in for good measure. Surely, many people of these groupings would resent being classified as Anglo-Saxon. In fact, Wasp is simply a superficial, emotive term, which dissolves on analysis. And Mr Finlay should know that, to the anthropologist, there is no "British race."

Negroes, French Canadians, and Ulster Catholics are not fighting against a mythical Wasp conspiracy, possessed of self-conscious rectitude, which these minorities are out to besmirch, if not destroy. No, they are simply complaining of discrimination on the irrelevant grounds of race, or nationality, or religion; and, with some historical justification, they think that what is denied to reason will be conceded to force.—Yours faithfully,
Omagh, Co. Tyrone EDWARD WINTERS

Textiles

SIR—In your comments on the British textile industry (April 29th) you make the bald statement that: "The objection to protection is that it leads to higher prices for the consumer." A far more serious objection is that it destroys the earning power of textile workers in poor countries. Textiles is one of the very few industries in which poor countries can already offer a serious challenge to their rich counterparts. As a result, textiles have often been excluded from such limited "generalised" systems of preferences as have yet been implemented.

The British Government's readiness to protect its textile industry has already been quoted as a precedent for extra trade barriers by the British Footwear Manufacturers' Federation, and no doubt there are other industries eager to profit from similar discrimination.

Textiles also provide a good indicator of how the British Government is likely to adjust our trading arrangements upon our admission to the EEC. We hear increasingly of the need for "harmonisation" and the necessity of "seeking parity" with the most protectionist members of the existing block.

If this trend continues, the poor countries of the world will have every justification for concluding that the rich countries intend to relegate them to the production of raw materials while reserving for themselves a monopoly of the manufacturing industries which produce a steadily increasing proportion of the world's wealth.—Yours faithfully,
London, W10 FRANCIS PRIDEAUX

Ceylon

An increase in crime has provoked fear of another rebellion and communist criticism of policies may lead to a government break-up. The serious foreign exchange situation accompanied by falling output, consumption and investment and rising prices and wages presents a bleak picture. An analysis of the current situation and outlook is given in our latest QER on Ceylon.

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Box-girder blues

SIR—King Box Girder is most certainly dead—of old age and a short terminal illness of public hysteria, so often fatal in such cases (April 29th).

We can no longer afford to build with minimum weight and minimum cost as the main criteria, nor can we afford to build without compassion for, or understanding of, the interests of the workers who erect these great designs.

Society must hasten the search for early-warning methods of appraising the non-standard structure, and create immunisation vaccines against the fatal overreaction. Engineers are not optimistic that this will be done quickly enough to save that grand old man Plate Girder, who has served so well since the 1890s.

But it is not only engineering that suffers. The United Kingdom pays for years to come when its expertise is made to look ridiculous; the box-girder fiasco of today is the steelworkers' lay-off of three years' time.

So do not grieve too long that this great revolutionary bridge form is dead. Long live the next revolutionary bridge form. But please get us a constitution that will enable him to grow old gracefully, and hand over peacefully to his successor.—Yours faithfully,
London, NW11 GORDON M. ROSE

Africa

SIR—Mr Frank Robinson states (Letters, March 25th): "There are to the north other countries that are independent. But what does this mean?" He goes on to say Mr Kapwepwe of Zambia was beaten up by President Kaunda's young supporters.

What does all this mean indeed? It means that in every country under the sun—whether developing or advanced—there are people of both sexes who would like to take the law into their own hands. And this has nothing so far to do with the country's civilisation or its democracy.

I was in England for nearly seven years. During this period, both Houses of Parliament passed the obnoxious act on homosexuality. In many parts of England now small schoolgirls are being raped, women are being sexually assaulted and killed. Even boys are assaulted mercilessly. Would Mr Robinson say England is a backward nation, simply because of these attacks? Would he also say that there is no democracy in England?

Mr Robinson is an Australian. No doubt he would report in favour of his kith and kin in Rhodesia.—Yours faithfully,
Accra, Ghana L. AGYEI-GYANE

A lost generation

SIR—I am 78, my wife is 74 and a semi-invalid. Here are our "facts of life." Total income, £15.50 per week. We live in a cold basement bed-sitter with no central heating, and basements can be like ice houses, particularly when one is no longer young. Heating, therefore, comes to between £2.50 and £3 per week. We have to carry hot water bottles about when it is very cold, or go to bed. Our rent is £5.25. We have therefore about £7.75 for food, laundry etc. With great care and with extreme frugality we get enough to eat, but we can never have a holiday or afford new clothes, neither can we afford any amusements.

We just exist, we do not live, and there are thousands like us, and it is for these helpless and inarticulate victims of modern society that I write. Am I indignant at the way we are treated? Of course I am. We are a not wanted, a lost generation. Does society think that because we are over three score years and ten we no longer have any pride of person or self-respect? We do not want charity, but at least a decent standard of living. Many of us served in two world wars. What for?

Since I am not making a personal appeal, I trust, sir, that my name may be kept confidential but every word I say may be proved if need be. I just hope that what I have written will help to awaken society's conscience to a social and human scandal, the plight of thousands who have no pressure group to fight for them.—Yours faithfully, S.M.
London, W8

Israel

SIR—The cost of living in Israel is rising, but not as much as 300 per cent since 1967, as stated in your report (March 18th). The correct figure would be about 30 per cent, similar to the rise of cost of living in Britain during the same period.—Yours faithfully,
Jerusalem F. DOTHAN

Trade unions

SIR—Heavens, how good it is to read an article as clear and courageous as your first article (April 29th). Bravo!—Yours faithfully,
London, SW3 JAMES R. H. HUTCHISON

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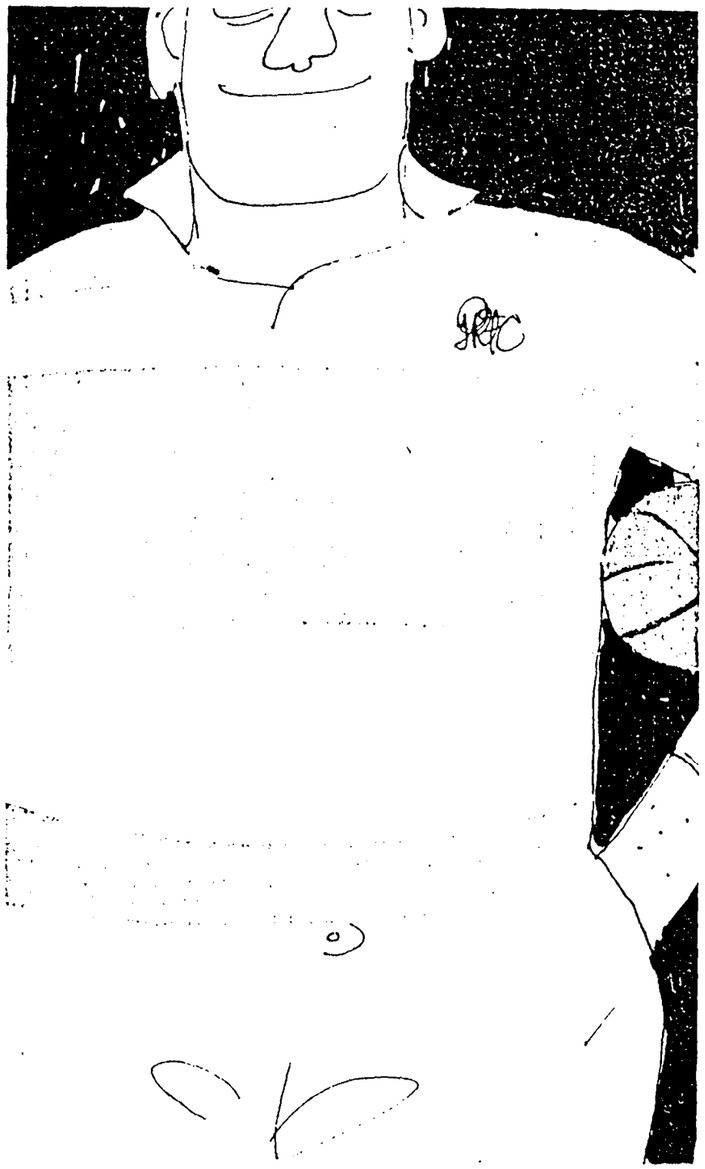
The candidate is likely to be aged between 40 and 50 and will possess a good command of foreign languages. Success in this position should lead to promotion to wider responsibility elsewhere in the Group.

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BVK

For further management appointments see page 5



Christopher Robin

Dear little chap he was; just like the original. But he grew, and suddenly the name was no longer apposite. The same thing happened to Flight Refuelling. That's all we did at first, but we got so good at it we looked for fresh fields to conquer. One thing led to another and now refuelling in flight is only a small part of our activities, though we are still far and away the biggest people in the business. We could change the name but the reputation of the company stands so high that it would be akin to erasing the hall mark from a piece of silver. On the whole we think we prefer to stick with the name and suffer the laughs, when people pick up one of our electronic devices and ask us when it was last refuelled in flight.

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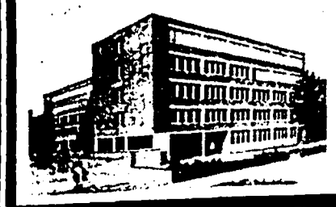
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The Economist

May 6, 1972



The burnt-out place

It fell to Pitt in 1805, after the best army of its time had beaten the numerically superior combined forces of Britain's two main continental allies at Austerlitz, to say that people might as well roll up the map of Europe for the next ten years. There comes a moment, as it did then in the war against Napoleon, when there is apparently no appeal against the facts of the battlefield. That moment has not yet come in Indochina: there are still things that might be done to catch the downward slide of events, if the South Vietnamese army resists the instinct to panic, if the Americans find a way to make air power tell after all, if the North Vietnamese army has exhausted itself in this offensive as much as the calculations had said any ordinary army ought to have exhausted itself. But it needs all of these relatively unlikely things to happen for the situation to be saved. If they do not, the collapse of the 3rd division at Quang Tri on Monday looks very like a turning point. It is a turning point because Quang Tri is the capital of a province, and President Thieu has made the holding of such capitals the test of success or defeat in this battle; because it may have opened the way to Hué, and beyond Hué to where the North Vietnamese and the Vietcong have been moving out of the central highlands towards the sea; and because the 3rd division's rout puts some of South Vietnam's better fighting units in danger. On all these counts, unless those unlikely things can be made to happen, General Giap's army is showing that it is thoroughly the master of Indochina.

The soldiers beat the planes

This time the failure is not a failure of American will. Of course, the North Vietnamese might never have got across the Cua Viet river if the Americans were still willing to keep any sort of fighting army in the country. But they are not: that battle of the American will was fought and lost in 1968. This time the failure is in Vietnam, and it is one that is going to affect very many people.

The North Vietnamese won at Quang Tri because they beat air power. It never seemed very likely, once the Americans had taken their ground troops out of the war, that the South Vietnamese army would be good enough by 1972 to fight both the Vietcong and the North Vietnamese at the same time on its own. It had to show that it could keep the Vietcong under control, and it has done that successfully enough for the past three years; but the necessary margin of assistance against an attack across the borders by North Vietnam's regulars was to be provided by American air power. That was the core of President Nixon's policy. On the evidence of what has happened in almost every war since 1940 when aircraft have met infantry and tanks in more or less open country, it should have worked. It did not work at Quang Tri. Either the North Vietnamese have found a way of moving an army across country that makes it less vulnerable to air attack—as after 1918 the infantry had to find a way of moving that made them less vulnerable to machine-guns—or they have been able to carry so many anti-aircraft guns with them, and use them so effectively, that the planes have been held at arm's length. Either way, it is not only the Americans' assumptions that have been upset; so have those of most other countries' military planners.

General Giap may now do either of two things, if in fact his army is not brought to a halt by its own losses. He may try to roll on to the total defeat of the South Vietnamese army so that his friends would be in power in Saigon by the end of the summer. He has said in his essay "People's War, People's Victory" that he believes the war will end in a climactic military victory, and the way the opposing armies are disposed around Kontum and An Loc may make him think that two more hammer-blows there would put that victory in his grasp. The only job left for the diplomats then would be to ratify the rubble. But an attempt to finish the war off now would mean prolonging his gamble on the ineffectiveness of air power, and it would also mean he was taking the extra risk of what Mr Nixon might do against North Vietnam itself if he were faced with the prospect of total

humiliation in election year. So it is at least as likely that General Giap will content himself with the alternative, which is to try to take Kontum, and perhaps Hué, and then stop while the politicians in Washington and Saigon digest the consequences of this May's fighting.

The aim of giving them this pause for reflection would not necessarily be to make Mr Nixon and Mr Thieu accept the "provisional coalition" government in Saigon that the communists want to put in place of the Thieu cabinet. That would amount to unconditional surrender, and it will probably need an unconditional military defeat to bring it about. It might be enough for North Vietnam's leaders if they could get Mr Nixon to agree to withdraw the last of his troops from the country in return for a ceasefire and handing over their few hundred American prisoners. It might even satisfy them if Mr Thieu changed his own peace terms—he has offered to resign a month before an election in which the National Liberation Front would take part, and which it would help to supervise—by resigning, say, six months before election day. And even if they got neither of those things they may very likely be prepared to wait until next year for the attempt at a final knock-out. They would know they have badly damaged the South Vietnamese army ; they would have got the Vietcong back into some towns and villages, for a few weeks at least ; above all, they would have got their army across the border. The border is important to the leaders in Hanoi because they want to deny that North Vietnam and South Vietnam are two separate countries ; one of the main purposes of this Easter's offensive was to apply an eraser to it.

The facts for the record

If this is really the prospect before Le Duan and Truong Chinh and General Giap, it is not easy to see how a non-communist republic is going to survive in South Vietnam, or how Mr Nixon is going to make good his promise last week that he would not let it be defeated. The only instrument left to the United States is air power and if that fails his policy fails with it. It is a bleak accounting, and there are only two things to be set on the other side of the ledger. Yet those two things are worth saying.

The first is that the fighting of April and May has been predominantly and unmistakably a battle between the organised armies of two states. The war has always been something more than a civil war between two groups of South Vietnamese, and it looks less like one now than it has ever done. Of course, the local guerrillas of the Vietcong who survived the defeat of 1968 have come out of their hidden camps to take part in this offensive, and they have captured a number of towns in the centre of the country and probably some in the Mekong delta too. But their part has been a subsidiary one, and it would not have been possible at all if the North Vietnamese regulars had not marched across the border. The argument for the original American intervention in 1965 was that over the previous five years North Vietnam had consistently been giving the Vietcong enough help, including towards the end the help of organised military units, to make the difference between winning and losing, and that if this northern-backed revolution had succeeded it would have set up the sort of government a majority of South Vietnamese did not want. That was the argument in 1965, and the events of the past month have done nothing to damage it. North Vietnam has had to send almost its whole army in to win, but by sending its army in it has destroyed its own propaganda about the nature of the war.

The defeated are not always wrong

It is even possible that this may have some effect on what happens next. It gives Mr Nixon a little more freedom of action : some of his critics in the Senate have said that an overt North Vietnamese invasion makes it a different sort of war, and the opinion polls show that so far a majority of Americans support the renewed bombing of North Vietnam. The trouble is that there is so little Mr Nixon can do, apart from hoping that the tactical bombing will start to work, unless he attacks North Vietnam on a scale that would probably turn opinion back against him and might not even change the course of the battle in the south. The open intervention of General Giap's army has also caused a problem for the National Liberation Front, by drawing attention to its dependence on North Vietnam. That will not help the Front to win any extra support. Perhaps that is why North Vietnam's chief negotiator at the Paris talks said on Sunday that he did not propose to set up a communist government in Saigon. All one can say about that is that if the sort of coalition he wants did not lead to a communist government within three or four years it would be the first time in the history of such communist-sponsored coalitions that the dog had failed to wag the tail.

But the odds are that none of this is going to make much difference, and that in the end the one sentence which sums up the war will be that the better army beat the worse one. It will then be said that the greater efficiency of the North Vietnamese army proves that it is the vehicle of a superior political idea. It does not. The British have seen too many of their friends in rout, at Caporetto in 1917, on the Meuse in 1940, even their own army in March, 1918, to confuse morale with politics. The efficiency of a country's armed services is no measure of the desirability of its political system ; if it were, Hitler would have had the most desirable political system of the mid-twentieth century. It is not even a measure of the popularity of the system among the men actually serving in the forces ; the press-ganged seamen of the superbly efficient British navy that stopped Napoleon were not admirers of Pitt. Of course, there are people who believe that the Vietnamese communists represent the forces of liberalism and enlightenment in south-east Asia today, just as there were people in Britain 170 years ago who believed that Napoleon represented the forces of liberalism and enlightenment in Europe. The comparison can be left to stand. The communists today, like Napoleon then, have their origins in a genuine belief in social justice ; but like Napoleon they have also created a system of power that inevitably slides into dictatorship and thereby corrupts the original idea.

The other thing that needs to be said is about the part the Russians are playing in this crisis. Pretty clearly the Americans had hoped that the Soviet Union would be willing to discourage North Vietnam from launching a major offensive this year, in the belief that this would make the Americans more accommodating in other matters—in the missile talks, in the next stage of the European negotiations, in providing credit for the technology Russia wants to buy from the west. After all, Mr Nixon's visit to China and the removal of Taiwan from the United Nations seem to have made the Chinese a bit more amenable. The Americans must have hoped that it would work the same way with Russia. It has not. The Russians have provided North Vietnam with the weapons that made this offensive possible, including the essential anti-aircraft guns, and let it use them.

No doubt they have measured the risk that Mr Nixon may now refuse to come across with his side of the assumed bargain. But they may reckon that with the election campaign already beginning, and with the expectations he has built up in American minds about his visit to Moscow, he will have no choice but to proceed with the agenda as if Vietnam did not exist : they can get Vietnam and still get the other things they want too. And they may be right, if the hint that Mr Nixon's spokesman dropped about the missile talks on Monday is anything to go by. The Russians do not often gamble, but they may be playing it the gambler's way this time, and if it works they may even try it somewhere else. If they are right, Mr Nixon may be faced with more than the failure of his Vietnam policy. He may also have to contemplate the failure of the United States as a power capable of operating a coherent worldwide policy towards the Soviet Union, a policy which balances events in Europe with those in Asia and Latin America and Africa, and insists on the principle of give and take, and requires an accounting at the end of the day. There is no other country in the non-communist world that can do that, if the United States cannot. It may not be only the map of Vietnam that is beginning to be rolled up.



Stand or deliver?

The constant surrenders to the trade unions are now driving Britain into a much graver social crisis than the Government will admit

There are at least four battles involved in the present struggle between the public interest of the British people and certain trade union leaders. In descending order of importance, they are a battle to uphold the rule of law ; a battle against protection rackets ; a battle against the sort of inflation that is bound greatly to increase unemployment and ruin many people in their old age ; and a much less vital, because possibly hopeless, battle to maintain some sense in the present Government's economic policy. Maybe the local election results confirm that a majority of Britons want to contract out of the last of these battles, but every citizen does now have to think where he stands in the first three.

The battle to uphold the rule of law is now at a serious stage. As long ago as March 23rd, a court ordered that certain lorries should be allowed to fulfil their contracts at Mersey docks ; but local officials of Britain's largest union (the transport union, TGWU) are still stopping them from coming through the gates. The court has also ordered that a section of Britain's second largest union (the engineers' union, the AUEW) should stop intimidating and threatening members of another union at a Tyneside engineering works ; but the relevant section of the AUEW has passed a formal motion saying that it will not take a blind bit of notice. Mr Jack Jones, the leader of the TGWU, has paid a fine with his members' money, but his counsel said on Wednesday that he thought it would be most tactless for him to take action against the lawbreakers in his union, and he is being given until next Tuesday to explain why. This is being called in the press a tough enforcement of the Industrial Relations Act.

There are occasions in British history when it is right for some Hampden or Pym to make sacrifices and to defy an unjust law. It is difficult to see how this can possibly be called such a case. So far, it is the victims of the offence who are making the sacrifices, with firms in danger of closing down; the perpetrators of the offence have not yet been in any way hit in their own pockets, persons or powers. There are contracts for certain container traffic to pass through Mersey docks, and local union stewards are discriminating about which small firms cannot operate in it. This power for local union bosses to discriminate arbitrarily between firms is hugely undesirable. It is the fertile breeding ground from which spring so many of the protection rackets that so disgrace British industry today.

Whose hand on the power to black ?

It should be a rooted principle of any reform of industrial relations in this country that powers to black particular firms should only be in responsible hands at the centre of the unions concerned, and even then they should be subjected to very close scrutiny. Mr Jones says that it is very unfair that the central office of his union should be fined for his local officials' contempt of court, because his executive has had no control over it. This is precisely the complaint that democrats should enter against Mr Jones.

The danger now is that the desirable reforms in union structures may not be forced through because the Government wants the union leaders to turn up to

Downing Street tea parties. When the order against the Mersey stewards of the TGWU was made in March, Sir John Donaldson said that this was because they were inducing Heaton's lorries to break their contracts, and that "the exception in section 96 in favour of a trade union or action on its behalf does not apply because the transport union is not a registered trade union." The original idea of the act was that unions would be driven by judgments like this into registering, and that when they registered they would be required to operate in a respectable way on pain of otherwise being de-registered again. The dangerous trend in Government opinion could be to welcome any unions that come on to the register (on the ground that this gives the Government a political victory), and then to leave the way that registered unions run some of their dirtiest affairs completely unreformed.

The most popular argument of the peacemakers now is that there are two separate issues in the docks disputes: respect for the law, and the problem of container traffic. It is said that this last problem needs to be met by some agreement which will still the legitimate worries of the docker about insecurity of employment, which will provide him with a guaranteed job and will ensure that he can be hit only by voluntary redundancies and then only with especially generous redundancy pay. There is only one trouble about these unimpeachable sentiments. They have already been fulfilled. Container traffic has been introduced into the ports only after long haggling and careful agreements on precisely these points. The TGWU's threat to call a national dock strike in order to wring a new agreement on container traffic is a device to try to raise the price of the sale of the right to operate a restrictive practice that they were supposed to have sold once already. The Secretary for Employment, Mr Maurice Macmillan, met Mr Jones on Wednesday in order to negotiate about buying this pup from him at a higher price all over again.

A penny for your retirement

Any such new agreement on container traffic should therefore be seen for what it is: another government surrender to inflation, like the one that British Rail could not quite get accepted by its own workers on Thursday afternoon. Where are we going?

At the beginning of this year, before the Wilberforce award to the miners, most wage claims were being settled in both private and public industry at around 7 or 8 per cent. Since Wilberforce, the going rate for wage surrenders has risen to over 10 per cent. On Thursday there were signs the railways might eventually raise the going figure to 13 or 14 per cent. If Britain is stuck in this sort of annual wage inflation, at a time when the long-term trend for annual increases in productivity cannot be over 3 or 4 per cent, the presumption is that we will be stuck with about 10 per cent price inflation a year.

Under that rate of price inflation, because of the rules of compound interest, prices will double every seven years. In an average working lifetime of just under 50 years, there would be seven such doublings. This means that, by the end of your working lifetime, prices would be about 128 times higher than at the beginning of it—ie, each pound in your pocket at the beginning of your working life would be worth less than 1p by the time you retired. Most people in this country are saving through some sort of occupational pension scheme, on the assumption that they will have a higher income during most of their retirement than the bare minimum provided by the state old age pension. With the sort of inflation into which we are sinking now, any such assumption becomes rubbish.

A lot of other economic and political assumptions become rubbish too. All practical experience—from southern Latin America to the Weimar republic—suggests that countries which sink for long into this sort of double-figure inflation also sink into huge unemployment, social upheaval and a disastrous realignment of traditional political battle lines.

The rot before the stop

This is why *The Economist* does not believe that Britain will sink into this sort of inflation for long. Some steps will eventually be taken to pull us out of the mire. The longer they are delayed, the more unpleasant they will eventually be: in terms of unemployment, political swings (which in Britain are now more likely to be to the rather nasty right than to the rather nasty left), genuinely illiberal laws against unions, the lot. This is where the country is being inexorably driven by the establishment forces for inflation: forces which range up from Lord Wilberforce, up through television news announcers (who were again this week prefacing intimations of a railway surrender with the usual fatuities about "hopeful signs in the railway dispute"), up to foolish trade union leaders and ministers themselves.

There had at one time been hope that a Labour government might stop this rot, but in 1969 Mr Wilson ran away. There had at one time been hope that this Government's initial distinctive approach might work, but that distinctive approach has been ditched. The crutches are out for all the lame ducks. The nationalised industries were at first asked to resist inflationary wage claims, but have now nearly all been subsidised to give way. The coal board is not being allowed to pay for Wilberforce by closing any more of the one-half of its pits that are making losses; the railways will not be allowed to pay for this week's probable surrender by closing any more of the disused lines to nowhere; the hugely-overmanned British Steel Corporation will follow the railways with an inflationary award, and will not be allowed to sack a single typist. Workers in Britain's uneconomic—and government-subsidised—shipbuilding yards were given a 30 per cent wage increase, over two years, on Wednesday. As one industrialist in Scotland privately put it this week: "While the row was going on at Upper Clyde, our workers said that the militants there were all layabouts; but the week after UCS was bought off our chaps naturally struck for more money too." This is not the sort of report that ministers are hearing at Westminster. But it is what is happening in the country.



Amazing grace

Now that the Commons is likely to pass the Europe bill in good order, something like divine intervention is needed to get the anti-marketeers to see the useful job they ought to do

The high water mark of parliamentary opposition to the European Communities Bill was reached on Tuesday evening when the Commons passed the Government's timetable motion with a majority of 11. Technically that vote did nothing to ensure that the bill will be passed, and the next day the Government's majority dropped to 6 and 4 on two amendments. But now that the Commons has voted both for the bill in principle and to limit its committee stage, it is inconceivable that it will not be passed—and in good time at that. The bill faces no great difficulty in the Lords, and in substance the European debate is all over bar the further damage it might yet inflict on British politics.

Of course, there will always be a group of anti-marketeers, with Mr Foot and Mr Powell in the van, who will never accept that Britain will join the EEC until the bill becomes an act; even then many anti-marketeers—Labour and Tory—will try to persuade the Labour party to commit itself to withdraw from Europe when it next forms a government. But the majority of Labour MPs, however sincere their opposition, have come to terms with the fact that they cannot overturn Parliament's decision on the principle of joining the market; the significance of Tuesday's vote is that they must now come to terms with the fact that they cannot obstruct that decision by procedural tactics either. It is too much to expect that they will now repudiate the hysterical anti-market leadership of Mr Foot and Mr Shore and the maverick activities of Mr Wedgwood Benn, but it is surely time for them to reflect on where acquiescence in that leadership is leading them.

The damage the Labour party has already inflicted on itself by its anti-market somersaults is immense. The Tory party, on the other hand, is coming through the debate relatively unscathed. The 15 or so diehard Tory anti-marketeers certainly have a following among Tory workers and voters in the country. But there are two aspects of that following which seem to have escaped Labour strategists, and particularly the masterminds who join forces with the Tory anti-marketeers in the Commons so readily. In so far as Tory rank and file anti-marketeers have a range it is from the right to the ultra-right of the party, and not only is that a minority of the party it is a minority which has nowhere else to go at a general election. And because it is the most militant section of the party it will not cussedly sit at home on polling day in order to watch a Labour victory being declared on the telly. Mr Heath is in no danger of losing a single vote from those people.

Almost the exact opposite is true of the Labour party. As a result of its common market antics it has lost a highly respected deputy leader and two of its best shadow cabinet members. Its leader's own authority and integrity are under continuous and injurious challenge to the point where, this week, even men like Mr Christopher Mayhew let it be known openly that they are considering standing against Mr Wilson in the autumn to allow opposition to him to be expressed in a secret ballot. But even more damaging is the cynicism which the party's official tactics have engendered, not simply among the electorate but within the parliamentary party itself. And the point about those party workers and Labour voters who have been offended by that cynicism is that they do have places to go at a general election: if they cannot bring themselves to cross straight to the Tories they can always express their respect for integrity in politics by voting for Mr Thorpe.

It is true that that is not how the left wing and the others who have brought the Labour party to its present plight see it. They believe, not only sincerely but as a matter of self-congratulation, that the anti-Europe line has helped to re-establish the party's fundamental power base with the trade unions. Up to a point they are right. As the most powerful unions are under left-wing leadership it is hardly surprising that those union leaders are happier when the political leadership of the Labour party adopts a left-wing stance as well. But where is that leading the party? Labour leaders are coming closer together with the left-wing union leaders at precisely the moment when the opinion polls show the public (which, of course, includes trade unionists) is becoming both increasingly anti-union and pro-market. For example, the Harris poll in the Daily Express on Monday confirmed that more people are now in favour of joining Europe than against it.

Acting the fool

If the viability and credibility of the alternative government were not matters of the utmost importance to the working of the British political system, the Labour party would simply be something for hilarity. It is certainly ridiculous even within its own ideological terms. Take the talks between the party and union leaders which are now being held to find some form of words which both sides can agree will pass as an industrial relations/incomes policy in the next election manifesto. The left wing is pushing Mr Wilson to accept Mr Jack Jones's scheme for wages to be settled by conciliation machinery totally independent of any government. In the great appeasement which is now going on it seems that as Mr Jones thinks he is on the left everything he says must be good left-wing philosophy. But if the Labour party commits itself to run no interference on wages when next in government, it will be abandoning not only Nye Bevan's target of capturing the commanding heights of the economy but also Mr Frank Cousins's

later concept of the planned growth of wages. In fact what has happened is that opportunism and left-wing pressure have combined to bring the relationship between the party and the unions to resemble nothing so much as two drowning men clutching at each other's throats.

On the common market issue, at least, the parliamentary Labour party now has the opportunity to do something better than tread water. It would be very foolish if it did not grasp that opportunity. The apparently easy way out—and therefore, unfortunately, the one most likely to be accepted—would be for Labour MPs to continue, in dwindling numbers and diminishing enthusiasm, to oppose the Europe bill in the Commons in the hope that when it is passed the left in the PLP and the unions will let the issue die and not face the parliamentary party with a conference commitment to withdraw from the EEC. It is a forlorn hope, indeed, that Mr Foot, Mr Shore and their friends will let the issue die, but at least it would put off the need to think about anything very fundamental for a couple of months. What Labour MPs should do is to take this opportunity of recognising that Britain is going to join the market on January 1, 1973, come what may, and instead of trying to obstruct, wreck or threaten to withdraw from that commitment do all in their power to make it work.

Parliament's real test

What that means is simply this : the Labour party should accept the Government's offer to consider the ways in which Parliament can monitor the activities of the EEC bureaucracy in Brussels and have its voice in the vital decisions which will be made there. That is the test of the sovereignty of Parliament from now on, and it is claptrap for the opponents of the European Communities Bill to argue, as they did on Tuesday, that that is what they have been trying to do. Certainly they have been trying to amend the bill in order to impose parliamentary procedures on all decisions taken in Brussels before such decisions can take effect in Britain ; but as they know that is impossible under the treaty all they have been doing, however eloquently constitutional their language, is trying to obstruct the passage of the bill. That objective is now an absurdity, but the need to devise parliamentary procedures whereby the British people, through Parliament, can influence the decisions in Brussels before they are taken—and thus become binding—remains as important as ever.

If there is one condemnation that can be made of Mr Foot, Mr Powell and their friends it is that they have succeeded in making the country indifferent to the very considerable changes in parliamentary practices which will be required when Britain is a full member of the EEC. When Mr Powell, for example, laments the passing from Parliament of the power to levy taxes the response of the country is more likely to be a guffaw than a worried frown : so far as the electorate is concerned the Chancellor of the Exchequer decides the taxes on budget day and that's that. The country has heard too many MPs deploring for too long that Parliament has no real control over the executive to believe that it has any to defend. What the country is not aware of is that MPs could, and the Government is eager that they should, devise procedures whereby Parliament has in fact more influence on the decisions taken in Brussels than it now has on many decisions taken in Whitehall. That machinery cannot be included in the present bill. Perhaps it should have been. And certainly whatever machinery is devised will make great demands on the time of many MPs of all parties. But if it is difficult it is also one of the most urgent tasks now facing Parliament, and any MP who turns his back on it has no claim to be regarded as a good parliamentarian.



Going round in circles

If Signor Almirante's right-wingers are the main gainers in Italy's election on Sunday the likeliest result is that the government will go back to where it started

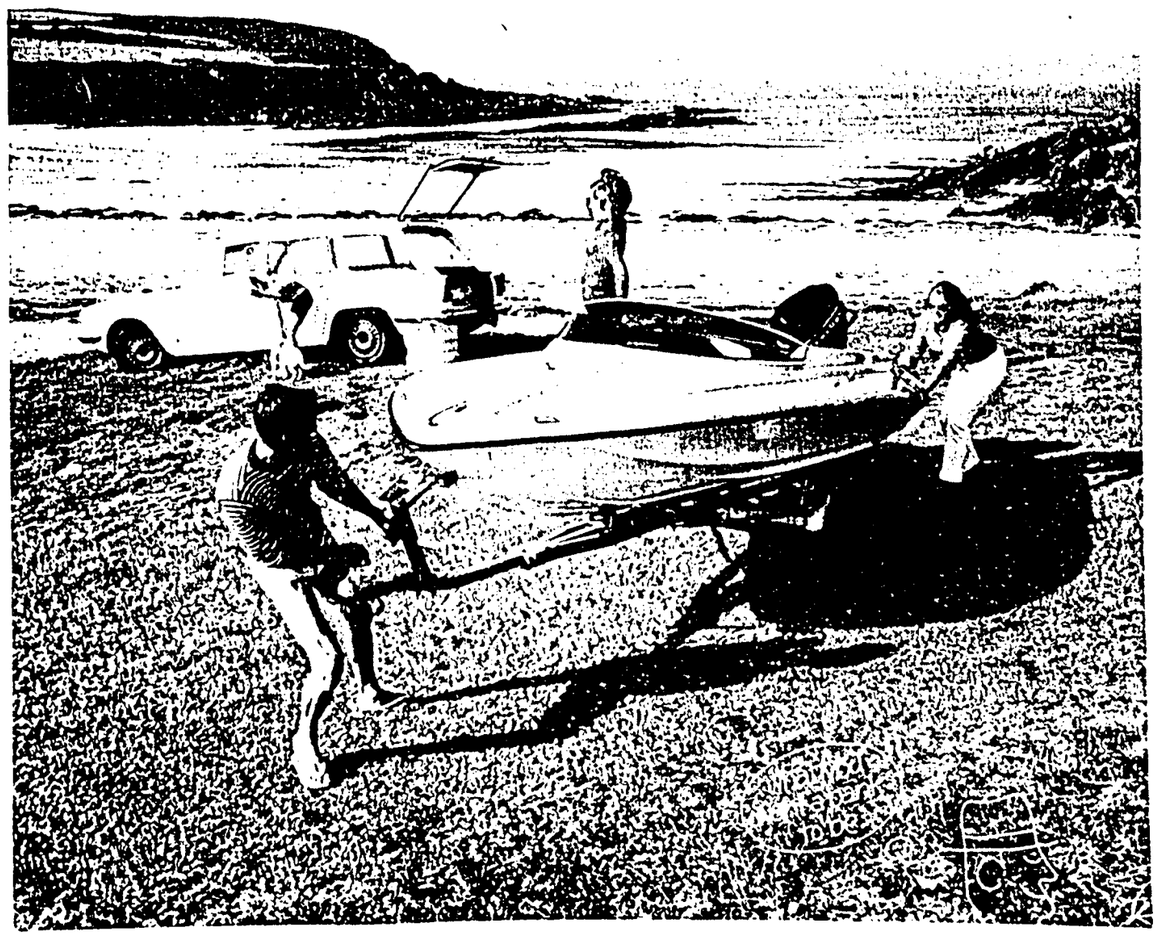
No one really expects that the general election in Italy on Sunday will produce a stable government or help to resolve the country's social and economic problems. All the brave words and fluttering banners over the past few weeks have not even done very much to define those problems. Most Italian parties have handled their electoral campaigns as exercises in negative propaganda. The Socialists got an Australian public relations man to show them how to daub a Hitler moustache on a photograph of Signor Almirante, the leader of the far-right Italian Social Movement (MSI). The MSI slogan-writers invented syllogisms to persuade the conservative voter that by switching his vote from the Christian Democrats to themselves he would "cast a vote against communism."

There was plenty of vague talk about more housing, more jobs, and regional development, and plenty of politicians, including the "men of order" in the Communist party, ready to rattle imaginary sabres at left-wing extremists. But one of the few party leaders who really came to grips with the duties of a future government was Signor La Malfa of the Republicans, who attacked the nepotism and sins of omission of Italy's overpadded bureaucracy and insisted on the need for a government that could contain labour unrest and restore confidence to private investors. Those are the two immediate problems for the next government of Italy : how to get the petty clerks and department chiefs to start spending the £6 billion or so that they are holding in the form of money voted by parliament for various

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projects but still unspent, and how to tackle the unions when 5m workers in 57 industries start putting in their claims for new collective wage agreements this autumn. If the elections on Sunday fail to produce a strong coalition, Italy is in for a long hot autumn of labour unrest that may rival 1969, against the background of last year's economic legacy—a growth rate of under 1 per cent, and a wave of bankruptcies among small businesses. These are the conditions in which political extremists flourish. It is also a situation in which appeals for strong government cease to sound hollow.

During the 1960s (the decade of centre-left government) it was possible, despite a serious economic recession after 1963, to argue that the Italians were capable of keeping up a high growth rate without having effective government. But more and more people became fed up with the inaction of a coalition in which the Socialists and the Christian Democrats often seemed to cancel each other out, and which appeared to lack the energy or the will to shake up the bureaucracy or drag the economy out of a process of gradual decline. The centre-left idea, of course, seemed hopeful—even noble—at the beginning. It was backed by the Americans as an alternative to communism that also held out the possibility of reform. Today, many of its founders (including Signor La Malfa and Signor Fanfani, the Christian Democrat who is one possible prime minister after Sunday) have rejected it on the basis of its record. The question is whether there is any viable alternative.

The centre-right idea shimmers

The possibility that leaps to the eye is that the Liberal party, in opposition for a decade, might join the Christian Democrats, the Republicans and the Social Democrats after the election in what its leaders now like to call a "centre" coalition. The Liberal party is composed of a small band of highly cultured, well travelled men who would find themselves very much at home on the liberal side of the Conservative party in Britain. They are anti-marxist, but not as reactionary as the left likes to make out, and their electoral programme contains a list of concrete social reforms. Arithmetically, such a coalition would have been practicable within the old parliament, although it might have been blocked by the left-wingers inside the Christian Democrat and Social Democrat parties. But it is doubtful whether the Liberals will keep their 16 seats in the senate and 31 seats in the chamber of deputies after the election. Of all the parties, they are the most vulnerable to the rival enticements of the MSI.

The MSI is the party to watch on Sunday, not just because the revival of its fortunes, more than a quarter of a century after Mussolini's fall, demonstrates the continuing appeal of the far right in Italy, but because, paradoxically, a large vote for it would probably sabotage the chances of a centre-right coalition. When Signor Malagodi of the Liberals says that his party stands at the "centre of the centre," and when the Christian Democrats bemoan the "rival extremisms," their motives are clear. They are frightened that the MSI will fulfil its hope of doubling its representation in parliament at their expense. It is generally agreed that the Christian Democrats have won back some of their restless conservative supporters by casting loose from the Socialists and by cracking down on criminals and political extremists. Signor Rumor, to most people's surprise, has figured over the past few weeks as a pretty tough minister of the interior.

But the MSI has been running a shrewd campaign, parading respected military men like Admiral Birindelli on the platform alongside flexible political showmen like Signor Tedeschi, the editor of Il Borghese, and Signor Almirante himself. Admiral Birindelli, whom both the Social Democrats and the Liberals might have liked as a candidate, can speak for the kind of MSI voter who is not burdened with nostalgia for Mussolini but wants strong government and a boost for private enterprise. Unlike some of his colleagues in the party, the admiral wants a presidential system modelled on that of France. Through the adhesion of such men the MSI may have started to look a bit more "respectable."

If the MSI really gets 40 or 50 seats in the election, the Christian Democrats will have three possibilities. They can try to form a minority centre-right government dependent on the backing of the MSI on major issues (it is inconceivable that the MSI could actually join a coalition). The objection to that is that when Signor Tambroni tried to operate a Christian Democratic government with MSI tolerance in 1960, he was forced to resign by a series of Communist-instigated strikes. Second, they can return to the centre-left formula—and despite all the Socialists' deathless prose about a "more advanced equilibrium" (which seems to mean coalition with the Communists) few people doubt that the support of the Socialists could be bought back at a price. Or they can hold new elections, which could be just as inconclusive as the first lot.

To sum up the electoral situation in this way is to leave several factors out of the equation. The obvious one is the Communist party, which issued a studiously moderate electoral programme in which it claimed, for example, that it is ready to work within the EEC and that it would not make withdrawal from Nato a precondition for joining a coalition. But although the Socialists are talking a great deal about joining up with the Communists, there is markedly less sympathy for the idea among Christian Democrats than there was before last June, when the MSI made its first show of strength in the municipal elections.

But the dawn never comes

If the MSI's successes this time thwart the chances of a centre-right coalition, and the Communists are kept out of the next government, Italy will probably find itself landed yet again with an unsteady centre-left cabinet. It is easy to see why many Italians are dissatisfied with a system that never seems to produce a government with a clear mandate. It is this restlessness that explains the rising protest vote on both the left and the right. The situation was summed up by the man who said that there are so many cocks in Italy that the country will never see the dawn. The Italians know how to elect a parliament, but not how to elect a government.



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Or if you are in the Midlands ring Ralph Sammell at 021-236 4936.

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Mr. John King reports

BABCOCK & WILCOX LIMITED

Pre-tax profits 28% higher

Earnings per share more than doubled

Scrip issue - shares to be split

A one for ten scrip issue and the sub-division of each £1 of Ordinary Stock into four shares of 25p each is proposed.

Group Management

Babcock & Wilcox Ltd. is now involved in a wide range of activities. A new management structure has accordingly been built around five distinct product divisions in the U.K. and each of these, together with the International Division, is in the charge of a Divisional Managing Director and controlled by Babcock & Wilcox Management Ltd. whose Board is vested with the responsibility for directing the trading operations of the Group. The object of this reorganisation is to ensure growth and to encourage the maximum degree of divisional profitability.

Babcock & Wilcox (Operations) Ltd.

The order book at the end of the year was satisfactory in total, but it covers a long forward period and the necessary intake of short-term work was not as good as we expected. This was a reflection of the general downturn in business activity for capital projects and, in company with many other firms in the engineering sector, substantial redundancies had to be declared during the year. As a result of these influences the trading position for the year was somewhat below expectations.

Other UK Subsidiaries

Although there was a loss for the year as a whole in Muir-Hill Ltd. it was at a reduced level and there should be a good future for their products. Babcock-Moxey Ltd. was brought to profit and should make an improving and favourable contribution to Group results.
Major companies in the Construction Equipment Division - Blaw Knox Ltd., Winget Ltd. and Slater & England Ltd. - have improved upon their previous performances and are expected to consolidate this advance in the current year. Bailey Meters & Controls Ltd. continued to progress and have a record order book.

Overseas Subsidiaries

Both Babcock & Wilcox Australia Ltd. and Babcock & Wilcox of Africa (Pty.) Ltd. have suffered from the depressed economy in their respective countries. The need to accommodate the Australian company's resources to reduced demand is clearly identified and positive measures are being taken to correct the present imbalance in the organisation. The diversification brought about in the past in the African company has enabled it to meet the varying demand and its performance in 1971 can be regarded as satisfactory. Following the management action taken, Babcock & Wilcox de Mexico S.A. de C.V. traded profitably in 1971 on the basis of a good order intake in 1970.

General Review

The Group occupies a major role in the industrial development of Great Britain and its products and services are sold to almost every territory in the world.

In our wide range of business there are many hazards. The record of the past year shows an improvement, nevertheless I am sure that Stockholders are well aware of the many problems which have arisen in recent months and which are common to other companies in heavy engineering - labour relations, power cuts, the uncertainty of the future load requirements of the Central Electricity Generating Board and a reluctance of the U.K. economy to react to the incentives provided by the Government. In such circumstances, forecasting cannot be precise, but we do have an advantage in the significant degree of diversification that has been brought about to even out the risks of business in the short-term. Looking ahead, we can see that as the increased profitability that we expect from the Divisions emerges, we will be able to make further investment appropriate to the overall development and concept of this Group.

The 73rd Annual General Meeting will be held on 19th May 1972 at Confederation of British Industry, 21, Tothill Street, London, S.W.1.

FINANCIAL RESULTS IN BRIEF

	1969	1970	1971
	£000	£000	£000
Turnover	103,553	110,586	128,094
Profit before taxation	2,071	3,144	4,013
Taxation	1,581	1,626	1,417
Profit after taxation	490	1,518	2,596
Ordinary dividend	10%	10%	10½%
Dividend cover	0.05	1.1	2.3
Return on funds employed	5.8%	8.4%	9.5%
Earnings per £1 Ordinary Stock	0.5p	11.6p	24.2p

A copy of the Chairman's full Statement and the Report and Accounts for 1971 can be obtained from the Secretary, Cleveland House, St. James's Square, London, SW1Y 4LN.

S. Pearson & Son, Limited



"We have continued our policy of improving the quality and profitability of our existing assets and seeking expansion both by acquisition and by internal development."

The following are extracts from Lord Cowdray's Statement circulated with the Report and Accounts:

Progress and Development In 1971 S. Pearson & Son made further progress in consolidating recent acquisitions and in developing the Group's businesses. The year saw two major purchases; first, we acquired all the shares in The Penguin Publishing Company not previously owned by Pearson Longman and we then exchanged these shares for additional shares in Pearson Longman, thereby increasing our holding in the latter company to 63·6%. Secondly, we offered to buy Doulton & Co., and although this purchase was not completed until after the end of the year under review, it was a development of considerable strategic importance for the company.
Our profit forecasts have been exceeded despite the many uncertainties which have affected the economic climate, particularly in Britain. While I believe we are well placed as a Group to take the opportunities which arise for our companies, one of our principal concerns at present is to ensure that our planning and organisation match the challenge of continually changing conditions.

Profits of the Year The total profits of the Group before taxation in 1971 were £17,243,000, against £14,666,000 in 1970 and the profits before taxation attributable to the Company, after excluding minority interests and pre-acquisition profits, were £11,898,000 against £9,331,000.

Banking and Financial Services Business in all departments of Lazard Brothers continued to increase during the year. Deposits increased by 17%; foreign business was more active and profitable in the fields both of Euro-currency loans and of foreign exchange dealing; and finance under E.C.G.D. guarantee rose during the year by £100 million.
While progress was made towards the integration of the companies that now form the Bain Dawes Group few of the benefits of integration were obtained during the year. However, the business continued to expand although profits were slightly lower owing to reorganisation expenses. Prospects for the current year look favourable.

Investment Trusts At 31st December, 1971 the portfolios of Whitehall Trust and Minden Investment Trust, both substantially United Kingdom securities, were together valued at approximately £22·2 million.

Newspapers and Publishing Pearson Longman have extended further into the educational field through the purchase of Wills & Hepworth, publishers of the well-known Ladybird series of children's books. Longman Penguin contributed pre-tax profits significantly above last year's results. *The Financial Times* showed a small decrease in profit, although good progress was made in the Business Enterprises division. Westminster Press produced a 19% increase in pre-tax profits. We consider the outlook for Pearson Longman as a whole to be good.

Industrial and Commercial Interests Spearshaft Industrial Group had a successful year, increasing their profits before tax from £1,646,000 to £2,081,000. Allied Glass Merchants achieved profits of £824,000 and Allied English Potteries £712,000 before tax. Peck Engineering Group made £589,000.
As I have already said, since the year end Pearsons completed an agreed offer for Doulton. In our view the combination of the tableware businesses of Doulton and A.E.P. will create a better balanced and more profitable enterprise. In addition, we foresee benefits to the respective industrial activities of both Doulton and S.I.G. by putting them under one management. Doulton will become the main holding company for Pearsons' industrial interests in this country.

North American Interests Midhurst Corporation's principal asset is its holding of Ashland Oil Inc. Convertible Preferred Stock.
It is our intention to widen the scope of our activities in the United States. As a start in this direction, in January 1972, Midhurst concluded an agreement with Wilsey Bennett Company, a California-based company engaged in pharmaceutical distribution, food manufacture and real estate development.

Conclusion We have continued our policy of improving the quality and profitability of our existing assets and seeking expansion both by acquisition and by internal development. Our progress in 1971 demonstrates the successful efforts of all in the Group.

Copies of the Report and Accounts may be obtained from Lloyds Bank Registrar's Department, The Causeway, Goring-by-Sea, Worthing, Sussex.

Pearson Longman

Dividend increase justified by current trading and future prospects

From the Statement of the Chairman, Mr. R. P. T. Gibson.

In the twelve months since I last reported to shareholders we have suffered the loss of two colleagues on the boards of companies associated with Pearson Longman. Mr. T. S. G. Hunter died last December and Lord Crowther in February of this year. Geoffrey Crowther was the chief architect of the success of *The Economist* during and after the war till he retired as editor in 1957. He became chairman in 1963. Of all that he achieved in his distinguished career nothing meant more to him than *The Economist*, and we mourn his tragically early death. Jim Hunter had spent nearly all his working life with the *Financial Times*, and his father was editor of the paper before the last war. He himself became deputy editor in 1950, general manager in 1957 and subsequently a director of the company. He retired from the board only a few weeks before his death. He played a most important part in the development of the paper and in bringing it to the pre-eminent position it holds today, and our debt to him is very great.

The Year's Trading

The audited accounts for the year ended on 31st December 1971 show group profits after tax of £3,623,000, after deducting minority interests of £36,000.

Turning to the consolidated balance sheet, the considerable increase in the book value of fixed assets stems mainly from a decision to revalue the leasehold property at Bracken House, London. This was professionally valued at £7,250,000 as against the book figure of £1,651,569. Of the surplus so arising, £1,500,000 has been taken to tax equalisation account as a provision against the potential gains tax liability, and the balance, £4,098,431, has been placed to capital reserve.

A further credit to capital reserve of £12,466,331 derives from a decision to revalue our investment in The Penguin Publishing Company at the market price of its shares immediately before the announcement of the Scheme of Arrangement which led to this company becoming our wholly-owned subsidiary on 28th October 1971.

Dividend

After maintaining ordinary share dividends at 20 per cent for each of the last three years we have thought it right to suggest an increase in the final dividend for 1971 to give 22 per cent for the year. We consider this justified by current trading and by future prospects.

The Financial Times

The trading profit of the *Financial Times* for 1971 was £1,064,000, a decrease of £64,000 on last year despite an increase in selling price to 6p from July, 1971 and further increases in advertisement rates. The principal causes were increasing costs and the lower volume of advertising resulting from the generally depressed level of the national economy.

For so difficult a year as 1971 the result is not unsatisfactory and is, in fact, higher than we budgeted. It is also encouraging to be able to report that the price increase did not affect sales, which continued to rise most satisfactorily, nor did the advertising rate increase appear to reduce our share of this market.

During the year, work was completed on a sixth unit for each of our three rotary newspaper presses and the first *Financial Times* with more than forty pages was published on 31st August 1971. We can now produce papers of up to forty-eight pages when necessary.

The business enterprises division, to which I referred last year, made very good progress in 1971 and returned a profit of £84,000.

Subsidiaries of the *Financial Times* returned varying results during the year. *The Banker* increased its profit mainly due to the successful trading of its new Research Unit. *History Today* also achieved better results than in 1970. The results of *Apollo*, however, were depressed by reduced activity in the art market, particularly in the U.S.A., and the *Antiques Yearbooks* were likewise adversely affected.

Of those companies in which the *Financial Times* has an interest, one of the most successful is Throgmorton Publications which publishes the *Investors Chronicle* and which we own jointly with the International Publishing Corporation. I would particularly like to draw attention to the distinguished contribution to the success of the *Investors Chronicle* made by the new editor, Mr. Andreas Whittam Smith. The company has recently acquired the monthly journal *Money Management and Unitholder*.

We have a 40 per cent interest in Industrial and Trade Fairs Holdings which had a below average year mainly due to the cyclical nature of this business. In March 1971, the company acquired the business and undertaking of Iliffe Exhibitions and in December the goodwill of the exhibitions owned by Industrial Exhibitions.

The Financial Times received The Queen's Award to Industry for Export Achievement in 1971, the first newspaper ever to receive the award.

As a result of these acquisitions we have increased our permanent investment in this company by some £332,000 to £397,000. The company is expecting improved results for 1972.

Management Today, in which we have a 25 per cent interest, also had a disappointing year partly due to the increase in postal charges which bear particularly heavily on publications of this kind.

The Economist had a good year but this was to some extent counterbalanced by a poor year for The Economist Intelligence Unit. We are most fortunate that Mr. Evelyn de Rothschild has accepted appointment as Lord Crowther's successor as chairman of *The Economist*. As mentioned last year, Mr. Ian Trafford became managing director of *The Economist* in July, 1971 and chairman of The Economist Intelligence Unit.

Westminster Press

Turning to Westminster Press, it is satisfactory to report that in a year in which there was a general lack of business confidence in the economy, a high level of unemployment, and a seven weeks' postal strike, the profits of our regional newspapers rose by 19 per cent to £2,114,000. This result reflects management's success in containing costs, since turnover increased by only 9 per cent.

The sales of our papers continued to recover from the effect of cover price increases imposed mainly in 1970 and to a lesser extent during the first half of 1971.

Perhaps the most gratifying development during the year has been the remarkable progress of our new evening paper covering Basildon and Southend – the *Evening Echo*. Profits for the business as a whole at £200,000 in 1971 compared with a loss of £50,000 in 1970 – an achievement which reflects great credit on all concerned.

Generally the year was a difficult one for all our papers with salaries and wages still rising.

The year has seen the government proposals to introduce local commercial radio starting in 1973. We envisage that stations set up for areas with a population of over a quarter of a million are likely to be viable, and if the areas covered correspond to the marketing areas served by local newspapers the stations could have an adverse effect on local advertisement revenues. In the light of this we plan to apply to participate in stations covering such areas.

I reported last year on the results of our associated company, the Birmingham Post & Mail Group in which we have a major investment. Their financial year to 30th June 1971 was a disappointing one with pre-tax profits at £1,041,970, showing a drop of approximately £240,000 on the previous year, but the maintained dividend was well covered. There is no doubt that business activity will revive in the Midlands area and when this occurs it will be reflected in the improved profitability of the Birmingham company.

Longman Penguin

We bought out the minority interest in The Penguin Publishing Company during 1971. We have also decided to integrate the service functions of Longman and Penguin and in February of this year we renamed the company, which now controls our main book publishing activities, Longman Penguin.

As an important step towards the greater integration of Longman and Penguin we decided to combine their warehouse, distribution and allied services. After detailed research, Bury St. Edmunds was chosen as the best available area for this operation. Planning has begun and work should start early in 1973 with a view to transferring the present warehouses to Bury St. Edmunds in 1975.

A further move towards integration was the amalgamation of Longman's general publishing division with Penguin's general hardcover publishing company, Allen Lane The Penguin Press.

I now refer separately to the two companies and to Wills & Hepworth which was brought into the group near the end of 1971.

Longman

Sales of £12,200,000 showed a very satisfactory increase of 17 per cent over last year.

In our general list, the publication of Basil Boothroyd's biography of the Duke of Edinburgh, *Philip, An Informal Biography*, was the outstanding success of the year.

The Longman Young Books imprint made an important contribution to the group and is achieving a steadily increasing share of the quality children's book market.

University publishing was futher rationalised during the year and promotional efforts in this field were increased. There was a satisfactory rise in sales to technical colleges both at home and abroad.

Home schools sales continued to grow steadily. While our share of this market has increased we have been able to keep our costs relatively stable.

World sales of our English language teaching division improved by 19 per cent.

Penguin

For Penguin too 1971 was a year of satisfactory progress. Sales increased by 16 per cent to £8,162,000 and profits before taxation rose from £966,000 in 1970 to £1,119,000 in 1971.

Once again a feature of the year's sales was an increase of nearly one million copies in the number of Puffins sold. The Annual Puffin promotion which takes place in March of each year resulted in 1971 in the sale of an additional half million books. The Puffin Club continued to attract many new members and there are now over seventy thousand.

Another feature of the year was the remarkable number of books on our list which formed the basis for films first shown in 1971. Titles which benefited substantially from co-operation with the film companies included, *The Railway Children*, *Death in Venice*, *The Devils of Loudun*, *The Go-Between* and *Bedknobs and Broomsticks*.

Co-operation with the television companies is also increasingly significant in terms of the sales it brings. We are already enjoying the sales resulting from the British Broadcasting Corporation's presentation of *Clochemerle* and in the Autumn the B.B.C. will launch a major production of *War and Peace*.

Wills & Hepworth

Sales for the nine months to 31st December 1971 amounted to £1,306,000 against £1,453,000 for the full year to 31st March 1971. Profits before tax were £389,500 for the nine months and £362,000 for the year respectively. The former compares with a merger forecast of £475,000 for the year to 31st March 1972.

The number of Ladybird titles now in print exceeds three hundred.

The *Key Words Reading Scheme*, first published in 1964, has now sold more than twenty-two million copies and sales continue to grow.

Conclusion

The outlook for our group as a whole is good. Our book companies forecast increases in sales and profits for 1972. Present indications are that these should be achieved but our ability to handle increasing costs without pricing ourselves out of the market will be vital.

So far as the newspapers are concerned, the all important factor is the state of the British economy on which advertising revenue so much depends. We cannot expect substantial increases in revenue until the economic health of the country improves and meanwhile we have to face heavy increases in salary and wage costs this year as a result of current wages negotiations and agreements. Nevertheless, when the economy does improve the effect on our newspaper profits should be immediate.

Highlights from the 1971 Report

Sales	£53,531,000
Profit before taxation	7,027,000
Taxation	2,999,000
Minorities	36,000
Pre-acquisition profits	220,000
Extraordinary items	149,000
Attributable	3,623,000
Preference dividends	32,000
Ordinary dividends	2,266,000
Retained	1,325,000

PEARSON LONGMAN LIMITED

Copies of the Report and Accounts may be obtained from the Registrars, Lloyds Bank Limited, Registrar's Department, The Causeway, Goring-By-Sea, Worthing, Sussex.



Our jets don't move any faster.

Our passengers do.

Our passengers are a step ahead of the rest. They're taking the lead in the development of a rich, expanding, wide-open continent: Africa.

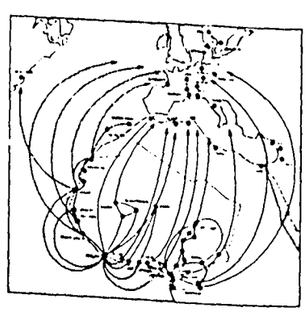
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Like 84 flights a week. To 34 African cities. And every flight has one thing in common. Efficient, courteous, unobtrusive service.

Which we mean to expand still further. For instance, we're just about to introduce the first three giant DC10's the continent has ever seen.

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Without Steel Tubes, BP, Esso, Gulf, ICI and Shell would have a little problem.

Through steel tubes the petro-chemical industries are able to make full use of crude oil. That black stuff that comes out of the ground is changed, thanks to our steel tubes, into fertilisers, textiles, petrol and a thousand other crucial contributions to modern life.

As the largest producers of precision steel tube in the world, we've got the resources to take on anything any customer can give us, and meet the kind of specialist order that other companies can't.

And because our division is cellular (i.e. composed of 26 beady-eyed, entrepreneurial companies) we reckon we're able to offer specialised workmanship and encyclopædic research resources as well as the stockholding facilities of a giant.

We offer all this to the petro-chemical industry in Europe and throughout the world.

If you think this kind of set-up could do extraordinary and wonderful things for your company, or simply a sound job rather more rapidly than anybody else, get in touch with Paul Standing our Commercial Director.

TI Steel Tube Division, TI House, Five Ways, Birmingham B16 8SQ Telephone: 021-454 4838.

Steel Tube Division

Closing a 12,000 mile gap.

There you are in the U.K.

And here we are, Australia's biggest company.

With 12,000 miles between us.

From that distance, can you really get a feeling about us?

We hope so.

For both our sakes, it's important that you do.

Because to deal confidently with any company, you have to know that they're big and stable enough to be effective.

Especially when they're 12,000 miles away.

For that reason, we've prepared some information that you will find reassuring and possibly surprising.

It will certainly let you sleep well at night when you deal with Australian industry.



Last year, BHP paid out £Stg. 117 million in wages.

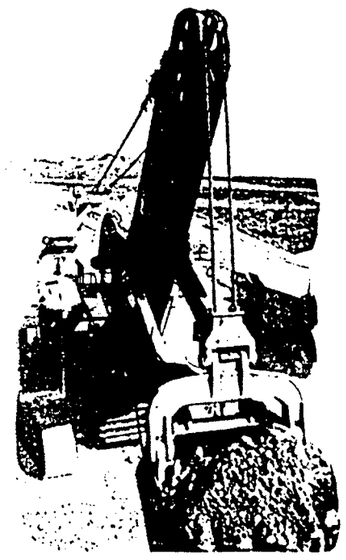
That isn't a boast.

It is simply an indication of the magnitude of our operation.

At this moment, BHP employs 56,000 people.

And thousands more work in industries allied with ours.

So much for our size. This is what we do with it.



Mining.

This is where the company really started in 1885.

Last year, we produced 27 million tons of ironstone, coal, limestone, manganese and dolomite.

And a constant programme of geological exploration is increasing already vast proven reserves.

All this, you will no doubt agree, is very healthy indeed. In fact, it makes BHP one of the world's great mining companies.

Steelmaking.

Naturally, with the access we have to enormous supplies of high grade ore, our steelmaking activities are equally well developed.

Since 1915, BHP has been Australia's steelmaker.

Today, BHP operates four iron and steel works.

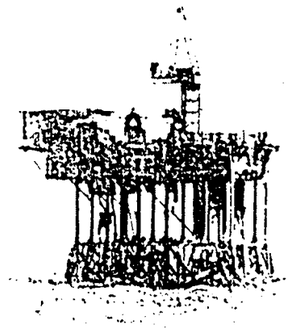
If you visited them you would be pleased to note how we utilize highly advanced technology and equipment.

Last year, in our four iron and steelworks, we produced just under 7 million tons of raw steel, which ranks BHP 13th among free world producers.

And in mid-1972, a £Stg.163 million expansion will come onstream at Port Kembla, Australia's largest steelworks, boosting total capacity to 9 million tons.

This output satisfies Australia's total steel needs with enough capacity to fulfil hefty export orders.

And each year, that capacity grows.



Oil and gas.

Until 1969, Australia imported 90% of its petroleum requirements.

Over the last 3 years, a dramatic change has taken place.

60% of this country's total petroleum requirements now comes from Australian fields.

BHP and Esso found oil and gas under the turbulent waters of Bass Strait.

1,600 million barrels of oil and 9.5 trillion cubic feet of natural gas.

It cost the partnership £Stg. 180 million to explore and develop, but the calculated risk paid off.

And the search continues.

Shipbuilding.

BHP's shipbuilding activities date back to only 1911.

Yet since that time, BHP has built 52 vessels — 12 for the company's own fleet, now totalling 18 ships.

This year we'll launch 53, 54 and 55, including a 78,000 dwt. ore carrier.

All built, naturally enough, with BHP steel.

Each year, the fleet transports some 12 million tons of raw materials to our works.

Our fleet may not worry Mr. Onassis.

But then, we make more steel than he does.

Research and exploration.

A company like BHP leans heavily on it.

Some 600 people, including 150 scientific staff, are engaged in research and development at our two major research laboratories and at the Works laboratories in each of the steelmaking plants.

BHP's mineral exploration team numbers over 70.

It is, in fact, one of Australia's largest group of geologists and geophysicists.

Investment.

Over the past ten years, BHP has ploughed back over £Stg.604 million in new plant and equipment.

Over that same period, the company has paid out £Stg.109 million to its 183,000 shareholders.

And perhaps most important of all, is our investment in brainpower.

At this moment, we have just under 6,000 of our people receiving specialised training and higher education.

We intend to be here for a long time.



Australia's BHP

The Broken Hill Proprietary Company Limited,
Hanover House,
14 Hanover Square,
London, W1R 0ND.
Telephone: 01-499 0621

BHP6789

Record New Business Increased Bonuses

The 148th Annual General Meeting of the **Clerical, Medical & General Life Assurance Society** was held on the 3rd May, 1972. The following are extracts from the statement which was made by the Chairman, The Rt. Hon. Lord Geddes, K.B.E., in moving the adoption of the report and accounts.

"New sums assured amounted to £116 millions, compared with £91 millions for 1970, and new Deferred Annuities, under both personal and pension contracts, to more than £7·4 millions (1970—£5·4 millions). New annual premiums were 29% higher than for the previous year.

Rising prices on the U.K. and other Stock Exchanges have led to the market value of stock exchange securities at the end of 1971 standing £37 millions above the value shown in the balance sheet, against £16 millions a year earlier. This increase is after increasing the balance sheet value by £7·5 millions transferred from investment reserve in connection with the current bonus, and taking more than £3·5 millions realised profits to revenue. Had it not been for these adjustments the margin would have stood at £48 millions.

After setting aside valuation reserves, the surplus available enables us to declare compound reversionary bonuses at the rate of £4·50% per annum on full profit policies in the New Series in respect of the three-year period 1969-1971. In the case of Old Series policies, the calculation of the new bonus is based on the amount of the premium and the class of policy, and no direct comparison with the New Series can be made. It can be stated, however, that the new bonuses declared this year, whether Old Series or New Series, show a substantial increase over those declared three years ago.

It has been the Society's practice at recent declarations of bonus to write up the balance sheet values of investments in recognition of market appreciation. The purpose of this is to ensure that policy-holders receive bonus additions to their policies which reflect the success of the Society's investment performance. Furthermore, it is our practice to pay terminal bonuses on policies becoming claims, thereby recognising additional appreciation over and above the writing-up in the accounts at the time of the claim. As from the beginning of this year these terminal bonuses are being paid at the rate of £0·75% of the sum assured for each completed year the policy has been in force subject to a maximum of £30% of the sum assured.

Once again, as at the last Bonus declaration three years ago, there has been added to pension funds deposited with the Society 6% of the sum standing to the credit of the fund at the end of 1968, or at the end of 1971 if smaller. This is in addition to the normal deposit interest paid year by year, which itself is at a rate reflecting the return from the Society's invested funds."

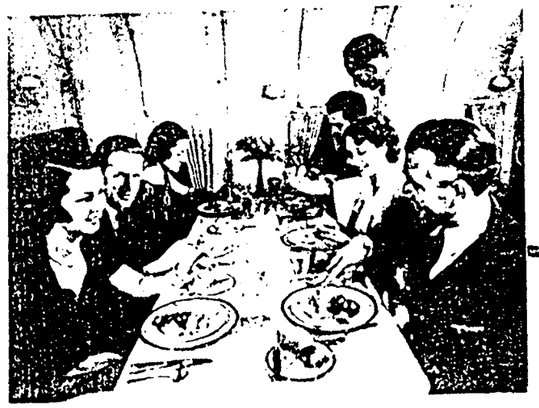


CM&G

Clerical Medical & General Life Assurance Society

15 St James's Square,
London SW1Y 4LQ
Telephone: 01-930 5474
A Mutual Office: Assets exceed £180,000,000 Established 1824

Pan Am introduce the first-ever First Class dining room





The China Clipper was a Martin M130 with a cruising speed of 130 mph; she was one of three owned by Pan Am. She could seat 32 passengers—only 15 to 20 on long journeys. With a range of 2,400 miles, she was Pan Am's first long-distance aircraft.

In 1936, when 'Gone with the Wind' first hit the bookstalls like a hurricane and William Powell starred in the glassy, glittering 'Great Ziegfeld,' the Pan Am China Clipper flew with the first-ever flying dining room.

Pan Am first served food on board in 1929. In 1935, galleys were installed and the first hot meals served. A dining room came next.

It was small but well appointed, like a lift in the Waldorf Astoria, and it seated fifteen diners very comfortably while still leaving the lone steward room to manoeuvre.

...again.



After 35 years Pan Am have another aircraft big enough to carry a dining room again.

The 747 travels at 625 mph with a range of 6,700 miles. Unfortunately there cannot be a dining room on board to accommodate all the thirty-eight First Class passengers. Just ten can use the dining room, so far.

Perhaps it should all be one big dining room, but till that day, should you decide that you want to be a pioneer too, please remember to book your table early.

Suddenly, you're (dining) somewhere else.

Pan Am

Pan Am, 193 Piccadilly, London W1V 0AD. Telephone: London 01-734 7292.
Birmingham 021-236 8731. Manchester 061-832 3981. Glasgow 041-248 5744.

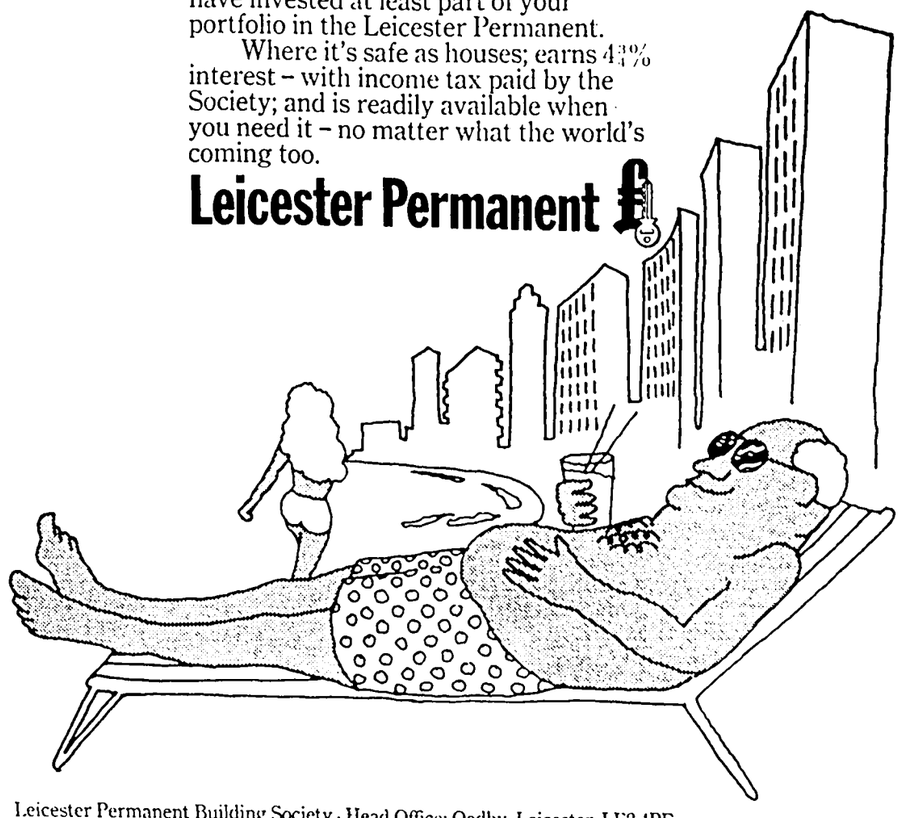
He runs off to Rio with the profits and where does that leave you?

It doesn't happen often, but a lot of silly things can affect shares just when you want to sell.

That's why, if you're wise, you will have invested at least part of your portfolio in the Leicester Permanent.

Where it's safe as houses; earns 4¾% interest – with income tax paid by the Society; and is readily available when you need it – no matter what the world's coming too.

Leicester Permanent £



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London Office: 49 Park Lane, W.1. · City Office: 66 Gresham Street, E.C.2.

BRITAIN

Local elections: the Labour bandwagon starts rolling

Polling for the major cities of England and Wales outside London took place on Thursday, and the votes were being counted after *The Economist* went to press. Labour had gone into the polls in a jubilant mood following the Scottish burgh elections on Tuesday. In Scotland, Labour made massive gains in terms of seats for the third consecutive year, which was only to be expected, and the swing in votes from last May's elections was of the order of only 1 per cent to the Tories —which was well short of the pro-Tory swing of 7 per cent which the opinion polls had been showing for Britain as a whole. The Tories were hoping that this year might see a repetition of 1963 and 1966, when the Scottish burghs were no pointer to the way England voted. Nevertheless, Labour now controls something like three-quarters of all burgh councils in Scotland where party politics count.

Labour missed capturing control of Edinburgh for the first time, which would have required a 7.6 per cent swing to it from last May. Labour, in fact, gained five seats to make it the largest party on the council, but with the right (Conservatives and Progressives) retaining 30, plus one, non-socialist independent, the Liberals now have the balance of power in Scotland's capital. They gained one seat to bring their total to five. The Tories must be relieved that Labour did not win control, but there is a difficult year ahead for Edinburgh's politicians. Only the Liberals are likely to enjoy it. But Labour gained consolation by winning Greenock (from the Liberals), Dunfermline, Johnstone, Falkirk and Stirling.

In Glasgow, where Labour re-established control last year, another 13 seats were won to provide the party with an unprecedented majority of 79-32. But the battle for the right-wing vote between the Conservatives and the Progressives moved decisively in the Tories' favour. In Glasgow, the Progressives are now virtually extinguished, and in Edinburgh their position is very shaky indeed. This will work to the Tories' advantage when the first elections for the new regional and district councils take place in 1974.

Tuesday's results confirmed that the Scottish Nationalist party is no great rival to the two major parties. The SNP lost a further 15 seats, bringing its total losses in three years to around 120. Labour gained Stirling, which was a Nationalist stronghold, and the SNP had only slight revenge in taking one seat from Labour in Cumbernauld new town, where the SNP's majority is now 16-5. The SNP is no longer a force in the cities, and it lost its last remaining seat in Glasgow.

There were no local elections in London this year, but some indication of the trends in the capital may be deduced from two parliamentary by-elections which also polled on Thursday. At Kingston-upon-Thames, the Tories were defending a 25 per cent majority, while at Southwark Labour had a majority of 39.2 per cent at the general election. Ignoring Labour's most recent by-election victory at Merthyr Tydfil, whose peculiar circumstances make any calculation of swing invalid, last year saw the only Tory loss, at Bromsgrove in May, where the swing to Labour was 10.1 per cent; two further large swings to Labour were recorded in Hayes and Harlington—16.5 per cent—and Widnes—11.4 per cent. They were both safe Labour seats. In the last by-election of 1971, at Macclesfield in October, the Tories just managed to hang on to the seat in face of a swing to Labour of 8.4 per cent.



Ramsey: let down

Churches

Let no man put together

The Church of England's vote on union with the Methodists was a test of its new system of synodal government as well as of its goodwill. Goodwill was needed from the minority: when the Anglicans first voted on the scheme, in 1969, there was a clear majority in favour of unity. But while the Methodists (voting at the same time) came out 77 per cent in favour, the Anglican vote fell short of the required 75 per cent. On Wednesday, it fell even farther short. This second rebuff to the Methodists was a retreat from ecumenism, a denial of a harmony that is already achieved in many parishes and a blow to the Archbishop of Canterbury, Dr Michael Ramsey. The Anglican church has led the Methodists up the garden path.

In 1969, the voting was restricted to the clergy, the members of the two convocations of Canterbury and York. Since then, the authority of these two bodies has been vested in the new General Synod, consisting of the diocesan bishops, a house of clergy and a house of laity. An overall vote of 75 per cent was still required: but only two-thirds of the members of any

individual house had to be in favour. The bishops' vote was never in doubt ; more than three-quarters of them voted for union in 1969, and the majority was even higher this time. But in 1969 barely two-thirds of the clergy were in favour, and a similar vote taken at about the same time among the laity showed only 52 per cent in favour of the scheme.

Dr Ramsey had been told it would be a miracle if the motion gained a sufficient majority. It was not forthcoming. This time, just under two-thirds of the clergy voted in favour ; among the laity the proportion was slightly lower still. The overall synodal vote in favour was 66 per cent. The minority prevailed again. There will not be another chance for this scheme. The Methodists will no doubt turn more to the other Free Churches, though local co-operation will, or should, continue. As so often in church affairs, the structure and the theory will lag behind reality.

The General Synod was still being asked to approve only stage one of the reunion scheme, which involved inter-communion and mutual recognition of ministries. The sticking-point has always been the service of reconciliation: did it entail the reordination of the Methodists, or not ? A decently obscure compromise had been worked out and accepted by the Methodists with commendable generosity ; they were to have been "commissioned," a vague term to which the Archbishop of Canterbury had had the good sense not to attach any theological definition. Much of the credit for the Church of England's slow trundle towards church unity must go to the Archbishop, who deserved better from his church than he received on Wednesday. As he said afterwards, the hard core of the opposition was simply opposed to change. Of course, as Lord Fisher (who is generally credited with making the first move towards the Free Churches in 1946) has pointed out this week, a programme of organic unification of Christian churches must be a more forced resolution of diversity than gradual intercommunion—the only hope at present of ecumenism between Roman Catholic and Protestant churches. But there is already more doctrinal diversity among Anglicans than between them and the Methodists. As the Bishop of Kingston, the Rt Rev. Hugh Montefiore, pointed out with customary crispness on Monday, if the Church of England can't merge with the Methodists, it can't merge with anyone.

Ulster

Willie's worries

Mr Willie Whitelaw, Northern Ireland's secretary of state, has no immediate intention of being diverted from his policy of conciliation towards the Roman Catholic community by the persistent Unionist calls for tougher army action, particularly against the "no go" areas of Londonderry which are under the control of the IRA gunmen. No let-up has come in the gradual phasing out of internment without trial, despite the continuing violence on the streets. So far 204 men have been released from custody, 152 of them internees. And Magilligan camp was closed down this week. The remaining 727 men held under the Special Powers Act (575 internees and 152 detainees) are all at Long Kesh camp.

Mr Whitelaw has issued no new internment orders since he took office six weeks ago and only 19 men have been detained under the Special Powers Act. Unionist critics claim that many of the released internees come from category A of the hard core suspects and are not merely small fry. It is even suggested that two of them have been re-arrested for street rioting. But the hope now is that the gunmen and bombers (if they do not just fade away, as Mr John Hume believes they will) might actually be brought to trial through due process of law in open court before witnesses and juries. Since January, the police have arrested and brought charges against 39 people for serious offences ranging from murder and armed robbery to tarring and feathering.

Ulster's economy is also a worry. Lord Kearton, chairman of Courtaulds, put on a brave face this week and expressed confidence in Ulster after a bomb attack on his company's £13m polyester plant at Carrickfergus which killed one man and injured another eight. It seems that "only" £1m worth of damage was done to the factory and none of the 1,400 workers is going to lose his job. Such an explosion in one of Ulster's new growth industries can scarcely help, however, to restore lost business confidence about the province's future.

Since last July, 130 firms have suffered some bomb damage, and eight of them have closed down, throwing 609 people on the long dole queues, while a further 15, employing 450 people, have not yet resumed production. In 1971, a record 7,200 jobs were created in Ulster, mainly in established firms. This year, the outlook is bleak. Only 782 jobs have been created in the past four months, and 615 of those were in existing factories. On Thursday, Mr Whitelaw told the Commons that £35m would be poured into the Harland and Wolff shipyard to provide an extra 4,000 jobs. High insurance costs and the expense of providing security are serious handicaps to Ulster business. Over the past two years, £16m has been paid out in compensation for malicious damage to property. In Londonderry alone, the total claim for bomb damage for the past eight months has now reached £6m and claims are averaging 85 a week. Mr Whitelaw has also done something this week to aid Ulster's traders, who are faced with slumping sales and high rate demands. They are to get 75 per cent grants to help them pay their rate bills in Belfast, Newry and Londonderry, if they can prove that their financial plight is due to the IRA bomb campaign.

Mr Whitelaw must be concerned, too, with the recent outbreak of Protestant hooliganism in east Belfast near the shipyards. Tartans—sectarian skinheads—have attacked the police and shops in frustration at what they see as the Government's support for the Catholic minority. These blue-denimed thugs in bovver boots have not been encouraged to show much self-restraint by the bellicose antics of some of their elders in the Vanguard movement. Mr Bill Craig's London rally turned into a complete washout, but it did draw the support of the extremist National Front. The trouble is that the Unionists are in great disarray. A political vacuum is being created among Ulster's Protestants who are divided between the Faulkner forces, Vanguard and Mr Paisley's Democratic Unionists.



Craig: saying it with flowers



PLA Port of London Authority

Highlights from the Annual Report and the Statement by the Chairman, Lord Aldington

- **Profit of £169,000 achieved - the first year in which the PLA has made a profit since 1966.**
- **Total reserves increased from £51,000,000 to £57,000,000.**
- **Capital liabilities reduced by over £4,000,000.**
- **Unit load traffic of the whole port rose by 53% and container traffic of the PLA docks by 52%.**
- "There is nowhere with better land communications to large centres of population and industry than the Port of London. The purpose of the proposals for a deep sea oil terminal and a deep sea and short sea container port at Maplin is to ensure that the Port of London is able to bring these excellent land communications to the most modern type of ship. Riverside berths and wharves, the upper enclosed docks as well as Tilbury, will continue to meet the needs of ships and craft that want them.

The strong marketing effort by the P.L.A. management quickly made good the loss of the United States Lines to Tilbury container berths, which handled in all 2 million tons of cargo in 1971 compared with 1·3 million tons in 1970. In recent months, we have attracted to Tilbury the Comar Line (that carry Ford's traffic) and new services of Hapag-Lloyd and Combi Line. The threats to London's competitiveness do not come from any geographic disadvantage or from management or equipment inefficiency. They come from the fear that the Port of London might price itself out of the port market; or might as a result of bad industrial relations prove unreliable. It is true that charges have been increased, and for good reasons. But these new charges are not uncompetitive with ports generally, and some of the competing ports on the Continent have the advantages of dredging and other subsidies. Charges will continue to be kept under careful review, so that the costs, the real costs of efficient operation, are fully recovered. These charges are not the only item by which shippers and shipowners judge a port: speed and efficiency of operation are others, and reliability probably the most important. We need to foster the reputation for continuous round-the-clock working at the container berths at Tilbury and of uninterrupted two-shift working elsewhere. Such a reputation will do more to safeguard the careers of those working in the P.L.A. than anything else."

Summary of Accounts

for the year ended 31st December 1971

REVENUE ACCOUNT for the year ended 31st December 1971	£000	£000	1970 £000
TOTAL OPERATING REVENUE		36,132	31,327
OPERATING PROFIT BEFORE DEPRECIATION		6,732	4,316
Provision for depreciation	2,298		2,346
Less Proportion of port modernisation and investment grants	230		201
		2,068	2,145
OPERATING PROFIT		4,664	2,171
Investment income		758	936
PROFIT BEFORE INTEREST		5,422	3,107
Interest charges (see note)		5,253	3,848
PROFIT (1970 LOSS) for year		169	Dr.741
EXCEPTIONAL ITEMS			
Add			
Profit on sale of Head Office, Trinity Square, E.C.3	7,186		—
Profits less losses on withdrawal, disposal and reinstatement of other fixed assets	81		Dr.879
Profits less losses on sale of investments and discount on port stock purchased for extinction	56		49
	7,323		Dr.830
Deduct			
Severance and terminal leave payments less amounts recoverable under the Redundancy Payments Act 1965	1,799		1,252
		5,524	Dr.2,082
NET ADDITION TO RESERVES (1970 REDUCTION)		5,693	Dr.2,823

BALANCE SHEET at 31st December 1971	£000	£000	1970 £000
CAPITAL EMPLOYED			
FIXED ASSETS less depreciation		120,266	124,124
INVESTMENTS		10,222	9,953
CURRENT ASSETS	17,406		11,918
Less CURRENT LIABILITIES	14,378		14,585
NET CURRENT ASSETS (1970 LIABILITIES)		3,028	Cr.2,667
		133,516	131,410
REPRESENTED BY			
CAPITAL LIABILITIES		76,053	80,206
RESERVES		49,219	43,380
PORT MODERNISATION AND INVESTMENT GRANTS not yet credited to revenue		7,319	7,011
INSURANCE FUND		1,200	1,160
		133,791	131,757
Less DISCOUNT AND EXPENSES ON ISSUE OF PORT STOCK at cost, less amounts written off		275	347
		133,516	131,410

ALDINGTON, *Chairman*
J. D. PRESLAND, *Financial Controller*

NOTE: Interest charges for 1971 include transfer to restore reserves of £146,000 (1970 transfer from reserves £1,323,000).

The report of the auditors on the published accounts of the Authority is shown below:—

REPORT OF THE AUDITORS

As auditors appointed under Section 59 of the Port of London Act 1968 we report that, in our opinion, the accounts set out on pages 23 to 32 give a true and fair view of the state of the Authority's affairs at 31st December 1971, and of the result for the year ended on that date and with the additional information on pages 3, 9 and 13 on which we express no opinion comply with the Statutory Harbour Undertakings (Form of Accounts, etc.) (General) Regulations 1969.

Deloitte & Co. Chartered Accountants, London.
28th April 1972.

Published by the Port of London Authority under Section 8(3) of the Port of London Act 1968. R. F. GINGELL, Secretary. 3rd May 1972

Copies of the Annual Report and Accounts can be obtained, free of charge, from the Secretary, Port of London Authority, Trinity Square, London, EC3P 3BX.

Crowd safety

Move along there

The accident at Ibrox Park, Glasgow, last year, when 66 football fans died added tragic emphasis to what was already evident to many people: that the arrangements for the safety of crowds at such big—and not so big—sporting events should be subject to more systematic and professional scrutiny. Now Lord Wheatley, after a most thorough inquiry, has published a report (*HMSO*, 24p), which the Government has immediately endorsed, in which he reaches the only acceptable conclusion that sports grounds ought to be licensed annually by local authorities. The licensing system Lord Wheatley recommends would cover all soccer, rugby league and rugby union grounds where people pay to go in, with the exception of those which can hold fewer than 10,000 spectators and have no "structural accommodation such as stands" for them.

In making that recommendation, Lord Wheatley's report is following similar ones of 1924 and 1946 after the disasters at Wembley and Bolton. Yet until now the law has been quite inadequate and systems of control have been voluntary and far from satisfactory, with the national football associations of England, Scotland and Wales asking clubs to provide certificates each year saying their grounds have been inspected and found in order. But there has been no assurance that the person carrying out the inspection was specially qualified to do so, and no defined criteria of what is or is not safe.

If Lord Wheatley's proposals were followed, licensing powers would be given, under the reformed local government structure, to the new top tier authorities, because they would have a wider range of experts and there would be a better chance of achieving uniform standards. He accepts the insistence of the football authorities on a right of appeal, but prefers a special appeal tribunal to a court of law or a minister. All that makes good sense, as does his suggestion that, if a particular part of a ground were considered unsafe, there would be no necessity to close the whole ground.

The tone of the report throughout is a reasonable one, stressing the paramount interest of protecting spectators while acknowledging sympathetically the difficulties some clubs may find themselves in if licensing is introduced. To help such clubs he has proposed that licensing be brought in by phases, starting with all international grounds and those of the bigger English and Scottish football league clubs and working through to the tiddlers. A technical group has produced a useful report setting out specifications for staircases, terracing, crush barriers, turnstiles, exits and so on, as guidelines to help clubs put their grounds in order before applying for licences.

What Lord Wheatley has not done is yield to the argument that because some of the more lowly football league clubs may be too poor to bring their grounds up to standard he ought to recommend Government aid to them as part of his package. That, he rightly says, is no business of his. The football authorities make the plea that, because football is a national sport, the death of some of those impoverished clubs "would be a tragedy." Tragedy or not—and that is questionable—it is probably inevitable, anyway. Given the way the professional game is organised and now evolving, there will not be room for all of them. But if the leagues and the FAs feel genuine concern for their survival, it is up to them to be a bit more generous in spreading their own money around.

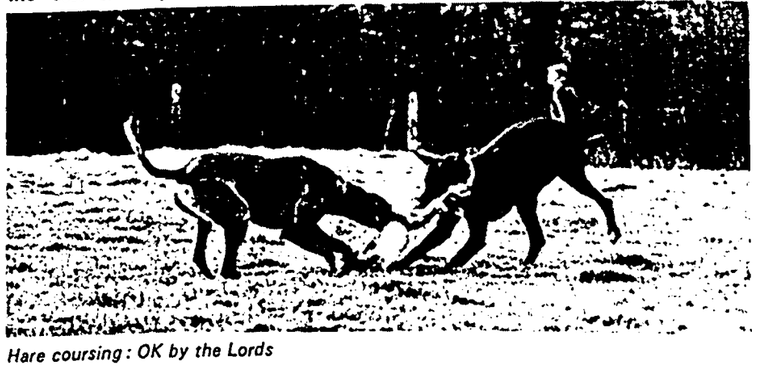
Blood sports

Hunted hares

Hares make a dreadful noise when wounded : a persistent, uncomfortably human scream. *It is not surprising* that a bill to abolish live hare coursing has been a hardy annual since 1925 (when it actually got right through to a third reading). But, curiously, it has seldom received much attention in the Lords: perhaps because their lordships are well aware that it would be illogical to ban coursing—which kills a mere 600 or so hares a year—while all but the best shots probably cause hares as much suffering as greyhounds, and many more hares are killed on shoots than in coursing. (And what about foxes?) But on Tuesday it was brought to their attention by Lady Bacon, who was doing her best to make up for the passage of elections and governments by reintroducing a bill to which she gave her support at the Home Office. The Labour government did, in fact, introduce a bill banning coursing itself in 1970: its passage was frustrated by the general election.

Oddly enough, it looks as if the abolitionist cause has now passed its peak. The Scott Henderson inquiry on cruelty to animals, which reported in 1951, was ambiguous on the subject of hare coursing: it could hardly bring itself to commend the sport, but neither did it condemn it. Less attractive pests are allowed to suffer much worse fates (what about rat poison?); no one could prevent private coursing (and why should they, when no one tries to prevent cats catching mice?). And a sport which enjoys rural working-class support (not forgetting the miners, whose sport it is traditionally supposed to be) is a target that neither party aims at with particular pleasure.

It was remarkable, therefore, that the abolitionists succeeded in getting a 133 Commons majority in favour of the second reading of the bill in 1970. The success has not been repeated. In February, the latest private member's bill ground dismally to a halt in the House of Commons. And Lady Bacon got precious little joy out of the House of Lords, despite the moderately helpful support of Lords Soper, Hoy and Blyton, the backing of the Royal Society for the Prevention of Cruelty to Animals and the various leagues against blood sports, and stern quotes from a resolution of the Anglican Church Assembly. Coursing is, their lordships accurately pointed out, a healthy, outdoor sport. Well, the hare gets some exercise.



Hare coursing: OK by the Lords

Housing land

Aid to translation

Nothing that Mr Peter Walker said in the House of Commons on Thursday last week will have any immediate effect on land or house prices. Compulsive property buying as a symptom of inflation will continue, and house prices will zoom on until they bump at last against building society barriers, or meet an increased supply. There is some hope on both counts: funds are no longer flowing quite so fast into the building societies, and private house starts in March were 79 per cent higher than a year earlier.

But Mr Walker had to say something in face of Labour attacks in a very sensitive area, and to his credit he was not panicked into a hasty dismantling of planning controls. (Mr Graham Page's kite on this subject proves to have been a decoy duck.) What he produced was £80m of loan sanction for local authorities to buy land in the next two years so that they can put in the services (for which more credit will be given in advance of housing need) and sell within three years of purchase for immediate private development. They will be encouraged to use compulsory purchase against sticky owners. The public burden will be reduced by capitalisation of interest in the first five years.

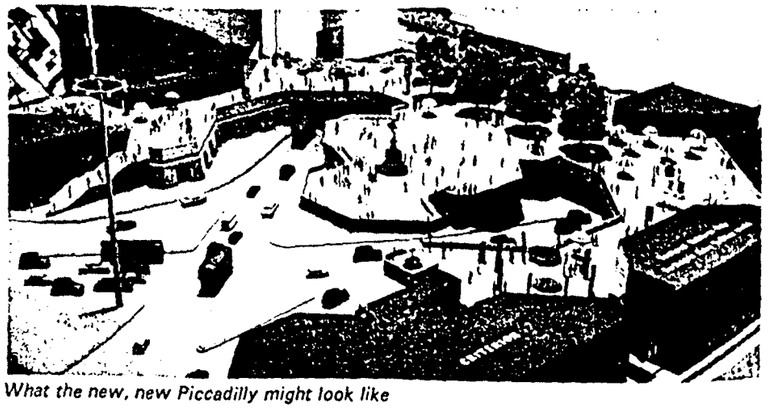
At present prices, £80m would buy only about four months' supply of land in south-east England, and it has to be spread round other pressure points, too. But the principle matters, and local authorities have wanted something like this for some time. In Buckinghamshire, a similar system already exists on a small scale. Land needed for the expansion of Buckingham is being bought by a company, formed jointly by town and county, at a low fixed price. It will then be serviced, sold to developers, and 75 per cent of the profit returned to the original owners.

The sensible aim of Mr Walker's strategy is to smooth and speed the translation of building land on a planner's map into houses for sale, and to do so in the context of regional priorities—so presumably the £80m will be allocated very selectively. The so-called Domesday book of planning permissions to be kept in future by local councils will help, too. So will the Government's other card, the new towns which, in the south east, are to be asked to plan another 5,000 acres of building land by 1975—enough for about 150,000 people. That must mean extending their boundaries, in some instances into unwilling counties.

Piccadilly

Eros's new pad

Scarcely a good word has been said for Piccadilly Mark 4, the £105m scheme unveiled by Westminster City Council this week, though in fact it is a great improvement, in design terms, on the bulky 1968 version. But, of course, it bears no resemblance to the scruffy, sleazy eastern sector of the Circus which now has so many defenders. That may not matter, but what is fatal is the flaw built into all Piccadilly plans since 1963—the government ruling that there must be space for a 50 per cent traffic increase. The extra road space has to be compensated for by a cluster of relatively tall blocks (highest 246 feet) which are to include 544,420 square feet of offices (88 per cent more than at present) as well as two hotels, one with 500 bedrooms, the other with 400. This is far too much in terms of congestion and of declared policies on office and hotel location, though Mr Peter Walker has already given interim office development permission to enable the three developers concerned to go ahead with planning applications. Westminster council has been criticised for reaching a compromise with one of the developers, Land Securities, by trading the planning option of office building on a site in Victoria Street in return for an hotel rather than offices in Piccadilly. But more such deals may be due if the whole scheme is to be reduced to a scale which makes sense of the site in all its aspects. So many issues are raised that a public inquiry is surely unavoidable.



What the new, new Piccadilly might look like

Conveyancing

Price for the job

The much-criticised scale fees for conveyancing are to be abolished. After months of argument with the solicitors, the Lord Chancellor has abandoned his original idea of modified scale charges for houses costing under £10,000, and now intends to do away with the scale entirely. This alternative is preferred by the Law Society, perhaps because of the possible embarrassment of cost-based conveyancing on expensive houses proving cheaper than the scale for less expensive ones. The new system will, of course, expose the buyers of some cheap houses to higher fees than at present, because the basis of the charge will be for actual work done, which, in awkward deals, can be heavy. But solicitors will still have to take into account "the amount at stake and the importance of the matter to the client."

What was most under attack, from the prices and incomes board, the Monopolies Commission and others, was not so much the scale itself, as the rule forbidding solicitors to undercut it. The PIB survey showed conveyancing to be immensely profitable, far more so than was required to subsidise unprofitable work. A year's more galloping house inflation has underlined that, and pushed the Government into action. How soon lower charges will emerge is another matter. Solicitors will still be forbidden to advertise a cheaper service. Consumers are unused to shopping around, and it may take a few appeals to the Law Society, or even to the courts, to establish what is a reasonable charge. The next logical step is to tackle the solicitors' monopoly in conveyancing—to let others compete with them.

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The turning points.

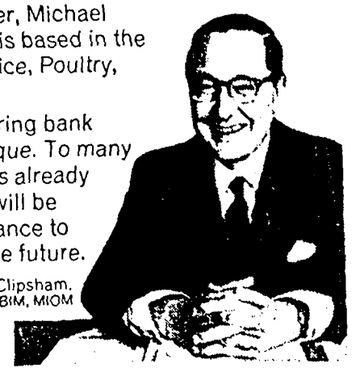
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THE WORLD *International Report*

The day the 3rd division broke and ran

FROM OUR SAIGON CORRESPONDENT

The gloom that descended over South Vietnam this week was almost as palpable as the gathering monsoon thunderclouds. The main reason was the loss of Quang Tri, the first province capital to fall to the North Vietnamese in the five-week-old offensive. But the malaise had set in before that. It was evident not only among Saigon officials but also in the provinces and in the armed forces. The earlier feeling of hope, even confidence, that the offensive would soon be over was fading fast, as the North Vietnamese kept hammering away at South Vietnam's defences. The decline in morale is considered to be an even more serious problem than the loss of Quang Tri.

The fall of Quang Tri was not unexpected. In a way, the mysterious thing is why it was not overrun in the first days of the North Vietnamese offensive when the south's defences were momentarily in complete disarray. Since then creditable attempts had been made to consolidate the defence line through Dong Ha, but when the Dong Ha garrison was forced to withdraw last weekend under a new attack it was only a matter of time before Quang Tri fell.

Even so, the speed with which the communists encircled Quang Tri with tanks and infantry took commanders by surprise, and when the decision was taken to withdraw rather than defend the city the troops and civilian refugees found themselves running a gauntlet of communist ambushes along the road to Hué, 35 miles farther south. Some units, notably the South Vietnamese marines, held together but many soldiers of the 3rd division discarded their uniforms and tried to join the refugee column.

There was chaos in Hué, where the population was swollen to twice its normal size by the refugee influx, and North Vietnamese units were reported grouping only a dozen miles away for an attack that could come at any time. The population of Hué, which showed signs of rallying to the government in the early days of the offensive, was packing its bags. Most government officials had disappeared by the middle of this week, mindful of the massacre of civilians by the communists in Hué during the Tet offensive in 1968. Reports had already streamed in from areas captured by the North Vietnamese of how local officials had been executed. In Bong Son, in the coastal province of Binh Dinh, about 70 officials were said to have been shot and strung up by the heels.

The businesslike and ruthless way in which communist administrations have taken over the areas "liberated" by the North Vietnamese indicates clearly that they firmly intend to hold on to these regions. In addition to liquidating former officials, policemen and other so-called "tyrants," they have drafted almost all available manpower for either military service or forced labour. Tape-recordings have been made, for propaganda purposes, of captured village chiefs and military officers supposedly urging the people to support the communists. At the same time an intensive propaganda drive is being carried out, based on a recently announced 10-point plan to win over members of the armed forces, police and civil service by offering them a complete "amnesty."

There is little evidence as yet, however, of significant voluntary defections to the communists. Probably several thousand armed men of one kind or another ranging from main-force soldiers to hamlet militiamen have been captured so far by the North Vietnamese, and some may have subsequently offered their services to the communists. But there are no confirmed reports of military units switching sides, although communist radio broadcasts claim that this has happened. In some parts of the country, such as the old revolutionary stronghold of Binh Dinh, hamlets have made their own "uprisings" against government control. Usually these have occurred where clandestine communist cells have long been in real control.

Even if the morale of South Vietnam's army cracks, it is doubtful whether large-scale defections would take place. Desertions, however, are already a problem and will become



You take your bags, and if you can your guns, when the line breaks

a bigger one. Perhaps the trouble with the South Vietnamese soldier is not that he lacks motivation, as the critics usually say, but that he lacks confidence in his superiors. But President Thieu's preference for politically reliable generals rather than militarily competent ones is now showing the expected results, and many soldiers on the northern front have joined the refugees. The object is not to fight against the government, but to avoid getting killed.

President Thieu's personal conduct of the war is coming under increasing fire in military and political circles. His bypassing of the joint general staff is a particular cause of friction. On Tuesday he sacked the two generals mainly responsible for the failure in the north and sent General Truong, an officer with a high military reputation, north from the delta. But it may be too late to save Hué, and Kontum in the central highlands looks virtually indefensible now that the communists have placed their artillery on the surrounding hills.

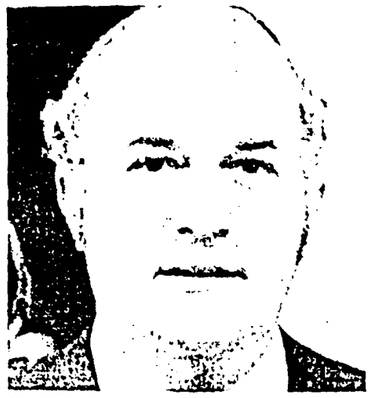
Everyone has obviously been shaken, not just by the seemingly total commitment of North Vietnam's army to the current drive but by the extraordinary range and quantity of equipment used by the communists. There were the tanks (a few of which were American ones captured from the South Vietnamese in earlier engagements), the artillery and the rockets. This week's nasty surprise was the appearance of Russian-made Strella heat-seeking missiles for use against helicopters and low-level bombers. The Strella is light and can be operated easily in the field by an individual soldier. It has long been a subject of speculation why the Russians never supplied the missile to the Vietnamese communists earlier on. The fact that they have done so at this stage seems to suggest that the Russians have decided to throw more of their weight behind North Vietnam's drive for military victory.

West Germany

Finding a way around it

FROM OUR SPECIAL CORRESPONDENT IN BONN

The search for a way out of the political deadlock that has brought parliament to a standstill in Bonn and threatens the ratification of the Moscow and Warsaw treaties has kept west Germans on tenterhooks for a week. The crisis reached its height on Wednesday, when the party leaders spent



Barzel wants his footnotes

the day beginning another attempt to find a formula which would allow parliament to ratify the treaties. On Thursday morning, over a glass of beer together in parliament's self-service cafeteria, Herr Brandt and the opposition leader, Herr Barzel, decided that the ratification debate should begin on Tuesday.

Three committees, each of 10 members of parliament, were set up on Wednesday evening to examine the opposition's major reservations about the treaties. The difficult problem of what sort of response the Russians should be asked to make to a declaration by the west German parliament, however, was left to Herr Brandt and Herr Barzel themselves. Although the chances for inter-party agreement seemed brighter on Wednesday evening, the sticking point could still be Herr Barzel's insistence on a positive Russian response. The Soviet ambassador to Bonn, Mr Valentin Falin, met Herr Ehmke, the head of the chancellor's office, on Tuesday.

Agreement between the parties remains a necessity. If Baron von Kühlmann-Stumm, the Free Democrat who has expressed deep reservations about the treaties, votes with the opposition the result—barring other defections—will be a tie with both sides getting 248 votes. Both Herr Brandt and his foreign minister, Herr Scheel, have said they are confident that the treaties will get through, but they must be relying on the support of at least one member of the opposition. It could happen: the attempt by Herr Barzel to overthrow the chancellor last Thursday seems to have been frustrated by a Christian Democrat voting with the government. That vote was secret, but the vote on the treaties is open, and it will be a brave man who crosses to the other side to rescue Herr Brandt's Ostpolitik.

Negotiations between the party leaders, which began with a long meeting last Friday and continued on Wednesday, centred on the proposition that parliament should approve an all-party declaration on the treaties. The points that the opposition insisted should be included were a firm statement that west Germany is committed to the west; that it looks forward to political unity with its fellow members of the European community; and that the treaties do not prejudice the rights of Germans to self-determination and unity. The Christian Democrats also want it made clear that the treaties should lead to more freedom of movement between east and west Germany (see the next article), and are not a substitute for a real peace treaty. Herr Barzel has said that his party insists that such a declaration should be accepted in Moscow and Warsaw as legally binding on both sides.

Herr Brandt has not been objecting to some such declaration, but he is believed to have told Herr Barzel that his government rules out any direct approach to the Russians and that he is not prepared to allow the treaties to be kept from parliament beyond Tuesday. The international timetable, he has said, does not allow further delay. The first date in his mind is Mr Nixon's Moscow visit, scheduled for May 22nd. The opposition sees no need for hurry but Herr Brandt feels there is political advantage to be gained from pressing on with the issue now, and if necessary facing a showdown in parliament.

The latest public opinion poll, published on Wednesday, showed 52 per cent of the voters to be in favour of immediate ratification, and 50 per cent as wanting to see Herr Brandt as the next chancellor if elections take place. The threat of an election on the issue of the government's whole policy towards its eastern neighbours is Herr Brandt's strongest card in his confrontation with Herr Barzel. The Christian Democrats know that an election fought on this issue would spell defeat for them. It was for this reason that Herr Barzel challenged Herr Brandt last Thursday before the vote on the treaties: he wants neither the national nor the international odium of having blocked the treaties.

The government feels that Herr Barzel has got himself into an impossible position. He wants the treaties ratified yet he is under strong pressure from the right wing of his own party and from his deputy, Herr Strauss, who

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April 1972

BANCA NAZIONALE DEL LAVORO

Condensed Statement of Condition of the Bank and its Special Sections as of 31st December, 1971

	(In Pounds Sterling)* 31-12-1971	31-12-1970
LIABILITIES		
Capital and Surplus	132,321,936	121,775,153
Deposits, Bonds in circulation, etc.	5,115,887,038	4,460,825,056
Guarantees, Acceptances, Confirmed Letters of Credit, etc.	430,834,628	407,282,319
Other Liabilities	523,821,325	456,401,640
Net Profit	7,198,184	6,892,775
	6,210,063,111	5,453,176,943
Depositors of Securities	1,953,103,476	2,008,620,130
	8,163,166,587	7,461,797,073
ASSETS		
Cash and due from banks	631,390,369**	572,565,839
Government and other Securities	753,661,452	560,041,343
Loans, Discounts and Correspondents	4,157,097,978	3,708,399,167
Customers' Liabilities for guarantees, acceptances, etc.	430,834,628	407,282,319
Other Assets	217,608,117	187,108,929
Investment in Subsidiaries and Affiliates	18,783,801	17,450,869
Bank Premises and other Real Estate Properties	686,766	328,477
	6,210,063,111	5,453,176,943
Securities deposited	1,953,103,476	2,008,620,130
	8,163,166,587	7,461,797,073

*Equivalent of the Italian Lire amounts converted at the year end official rate of exchange.
**Of which 13,292,089 due by capital subscribers.

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leads the Bavarian Christian Social Union, to oppose them. For this reason there were high hopes that this week's meeting would bring some agreement, even if Herr Strauss took an independent line to keep his own party happy.

But in fact no party wants a general election to be held now. The Social Democrats have been unnerved by the results of last month's Baden-Württemberg election ; the Free Democrats know they will suffer ; and the Christian Democrats know they have small chance of winning if the treaties have not been ratified. The earliest date for elections would be the end of June and by that time the summer holidays will have started. No party likes the idea of a low poll. There is the further complication of the parliamentary pension system. If parliament is dissolved before next spring a large number of members will not reach a higher category of pension. So they are all for battling on, deadlock or not.

East Germany

The price of being separate

FROM OUR SPECIAL CORRESPONDENT

East German leaders may be addressing soft words to the west these days, but at home there is no softening of their hard policy of *Abgrenzung*, strict demarcation from the west. When Herr Erich Honecker, the east German party leader, gave an interview to the party paper Neues Deutschland last week he floated the idea that the two German states could not merely coexist *(Nebeneinander)* but live together *(Miteinander)*. But even if the transport treaty between east and west Germany which was announced on April 26th, the very eve of the Bundestag vote on Herr Brandt's future, is eventually implemented, the living together will remain rather one-sided.

The treaty, which will be initialled and then published in a few weeks' time provided Herr Brandt manages to get the treaties with Russia and Poland ratified in the Bundestag, is said provide for easier travel by west Germans into east Germany. But east Germans will apparently travel the other way only "on urgent family business." Asked at a press conference last week when tourists and other private individuals would be allowed to go to the west, Herr Kohl, the east German negotiator, replied that conditions in west Germany did not permit this yet. The east Germans claim that there still exists a danger of "job-enticement," of east Germans being lured to west Germany by the prospect of higher living standards there. All this means that one of the quiet hopes pinned to the present process of rapprochement with the east—a genuine two-way flow of people—is not a serious proposition yet.

But what of the two-way flow of ideas ? Only a few days after Herr Honecker's Neues Deutschland interview one of his politburo colleagues, Herr Grünberg, said that a policy of coexistence must on no account lead to an abatement of the ideological struggle against imperialism : indeed, it must be accompanied by a sharpening of the ideological confrontation.

It looks very much as if the east German leaders are trying to reimpose striot ideological discipline on their party and the country. For months the official magazine for party propagandists, Neuer Weg, has been warning its readers against such heresies as pluralism, social democracy and convergence—the theory that capitalism and communism will eventually come together as industrial societies advance. Cultural and other exchanges will also probably be kept within striotly controlled bounds. And western papers are not likely to be on sale in east Germany for some time to come—although east Germans can and do watch west German television and listen to western radio stations.

There are other signs that, far from wanting to loosen the reins, the east German leaders are pulling them tighter. One of the groups that has felt this lately has been the Lutheran church, which has found itself under increasing pressure. Last week its synod, acting under strong government pressure, voted to sever its last formal links with the Lutheran church in west Germany. The other people to feel the reins drawing tight are east Germany's private businessmen, quite a few of whom have been allowed to survive until now under strictly controlled conditions. There are hundreds of private building, textile and service firms and in Leipzig there is even a private bank. These are now to be nationalised.



Honecker has ideas about living together

The policy of *Abgrenzung* is not all negative. Higher pensions and better general welfare provisions, especially for working mothers and people with young families, were announced last week. Nearly £730m is to be spent between now and 1975 on these improved social services. In addition the authorities proudly announced last week that over 7 per cent more consumer goods and foodstuffs were available to the public in the first three months of this year than in the corresponding period last year. Herr Honecker is clearly trying to keep his people from causing trouble by giving them material concessions. He is doing so more flexibly and intelligently than did his predecessor, Herr Ulbricht. But the price he is still asking his country to pay is *Abgrenzung*.

Italy

The voices above the cacophony

FROM OUR ROME CORRESPONDENT

On Sunday some 32m Italians will elect the sixth parliament of the republic. For the first time since 1953 there is a chance of more than a marginal shift of votes. At the last general election the Christian Democrats polled 12.4m votes, the Communists 8.5m, the Socialists and Social Democrats together (they are now apart) 4.6m. In the local elections last June the Christian Democrats lost appreciably to the far-right Italian Social Movement (MSI) in several parts of the country.

This shift and its political consequences have dominated the present election campaign. The Christian Democrat leaders reacted by deciding at all costs to stop the haemorrhage on their right. The first step had been taken in December when a new president was elected with the votes of the centre, the right and the Republican party, which has recently developed an anti-socialist bias through its campaign for an incomes policy. After that the centre-left coalition, which had governed Italy with increasing



Berlinguer's one of the big three

difficulty for 10 years, ground to a halt. The Republicans pulled out of the majority for the declared purpose of forcing a general election a year ahead of schedule. The present election therefore hinges on the issue of whether another centre-left government with the Socialists is possible or not.

Of the eight political parties and two smaller groups—the Manifesto and the Catholic Labour Movement, both of which are standing for the first time—only three declare unequivocally that the Socialists must stay out. The MSI on the right, the Liberals in the centre and the trotskyist Socialist Party of Proletarian Unity on the left all maintain that the centre-left formula has failed and must be put aside. The other parties continue to perch uncomfortably on the centre-left fence. The Christian Democrats and the Republicans are ready to get off on the right; the Socialists, reluctantly, on the left. The Communists would prefer the Socialists to stay in government to keep the door open for their own entry. The Social Democrats are so torn between the alternatives that the party, much weakened by its internal division, looks near to a split.

In this situation none of the old centre-left parties has been able to put over a straightforward, intelligible campaign. With so much to be tackled in Italy none of the parties has sought to associate itself with any simple concrete programme. Most of them talk vaguely about housing, schools and hospitals and industry for the south but none of them is asking for votes in order to do things. They just want to prevent other terrible things from happening.

Thus the Christian Democrats, who have chosen the hardly inspiring slogan, "Forward to the Centre," ask for more votes to help them keep both the MSI and the Communists at bay, the MSI is asking for votes to confound the Communists, and the Socialists want votes to confound the MSI. The Catholic Labour Movement wants votes to restrain the Christian Democrats, and the Manifesto wants votes to confuse the Communists. The Communists ask for votes to confound the forces of reaction and prevent the right in general from passing anti-strike laws and imposing order at the expense of the workers.

The desire for order—which is prompted by the violence of left-wing and right-wing terrorists, as well as by common criminals, hippies, students, drug addicts and rebellious workers—features largely in the campaigning of the Christian Democrats, Liberals, Republicans and Social Democrats, and naturally has pride of place in the programme of the MSI. Against this the left-wing parties from the Socialists to the Manifesto cry out against the abuses of the police and the magistracy, the harassment of the anarchists—Signor Valpreda, in his third year of prison awaiting trial, is a candidate for the Manifesto—and the many cases of more or less arbitrary detention.

Christian Democrats, Social Democrats and Republicans make common cause in accusing the Socialists of destroying the centre-left coalition by their propaganda in favour of a "more advanced political balance." This unhappy slogan of the Socialists, whose imprecise language makes translation almost impossible, has been the main theme of the election propaganda of all four parties of the old centre-left.

The Socialists themselves defend their slogan with various and sometimes contradictory interpretations. On the party's left Signor Riccardo Lombardi says it means an alignment which must include the Communists in the majority, if not in government. Signor Nenni, on the right, says it simply means that Communist votes must be used if necessary to pass the reforms. Signor Giolitti, even farther to the right, says that even if the Socialists and Communists together had a clear majority the Socialists would not form a popular front alliance and go into government without the Christian Democrats and the other democratic parties. The Communist party itself is not asking for votes to turn the Christian Democrats out of government. Its leader, Signor Berlinguer, has chosen the difficult long-term strategy of asking to share responsibility with the Christian Democrats.

Signor Forlani, the Christian Democrat secretary, is making a belated and valiant attempt to cultivate a milder, more popular image of his party. But the leading figures of this election campaign are Signor Fanfani on the Catholic side, Signor Berlinguer for the Communists and Signor Almirante—who is riding the crest of his wave—for the "national right." It is these three men's voices, over and above the cacophony of the propaganda, which will attract votes to their respective parties. With Signor Nenni now a disputed father figure, the Socialists have no one to set up against them.

EEC

How not to make a parliament

The latest study on Europe by the Federal Trust* concerns the so-called European Parliament, currently situated in Strasbourg. The study includes a sensible restatement by the former Foreign Secretary, Mr Michael Stewart, of the "Stewart plan" for direct elections of British Members of Parliament to Strasbourg after Britain joins the European communities next January. This comes as a preamble to a less convincing theory expounded by Mr Christopher Irwin of how the Strasbourg assembly might finally come to be elected on a pan-European basis.

The 142 members of the present Strasbourg assembly are nominated along national party lines from among existing parliamentarians sitting in the national capitals. The present system is much the best one for putting national and European interests together in one place—or it would be if only the European assembly itself had been given from the outset a real job to do in the life of the European community. Unfortunately it has not. The result of Strasbourg's powerlessness is a running campaign to implement Article 138 of the Treaty of Rome, which calls for direct elections to the assembly "in accordance with a uniform procedure" among all member states. This campaign has little to do with reality, for it confuses the cosmetic change of electing men to Strasbourg with the much more important precondition of giving them something to do when they get there.

Mr Irwin's suggestions compound

*Electing the European Parliament. *Federal Trust*. 25p.

Action Indonesia



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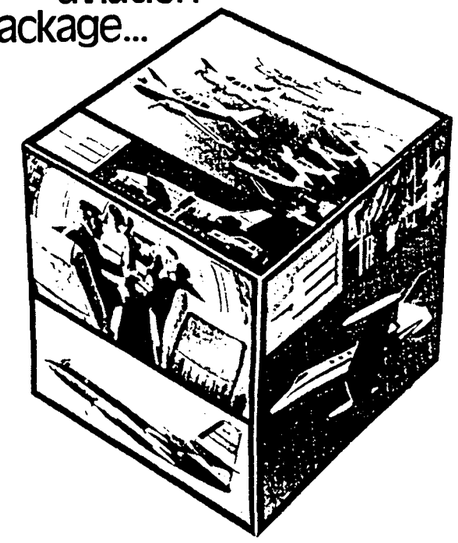
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this error. It is rightly assumed that Britain's democratic tradition has something to offer parliamentary life in Strasbourg. But Mr Irwin suggests that Strasbourg members be elected by a transferable vote system from candidates on regional lists, topped up by proportional allocation of 100 extra seats to those parties which fail to secure as many seats as their proportion of the total vote entitles them to. This would help to persuade Europe's political parties to group together, for Strasbourg purposes, into European parties across national lines. Were Britain to push for such a scheme it would be advocating the precise opposite of the system based on working parliamentary majorities which tends to make Westminster a better unit than the Bundestag in Bonn.

Fortunately both Mr Heath and Herr Brandt oppose this way of doing it. Even the recent Vedel report on institutions, made for the Brussels commission, recognised the importance of giving Strasbourg the sort of negative powers over community policies which might start to make it mean something. The important thing here would be to concentrate Strasbourg's vetting power on the decisions of the council of ministers, rather than on the powers of the Brussels commission, which matter less. Once this were done, a scheme such as Mr Stewart's would be very valuable.

Mr Stewart points out, as Sir Tufton Beamish has, that Westminster MPs are going to have precious little time to give to Strasbourg unless they mean to be nonentities in both places. He therefore suggests that most of Britain's 36 representatives for Strasbourg should be elected regionally alongside ordinary Westminster MPs at normal general elections. Most important of all, they should vote in both places. There are practical snags to such a plan, but in principle it is the best one yet for marrying national party politics with what needs to be done at a European level.

France

Behind the screens

French television programmes may be dull, but what goes into their making proves fascinating. The Office de Radiodiffusion et Télévision Française (ORTF), which is a government monopoly, has just come under a double broadside for corruption. Last week a 239-page report from a senate commission of inquiry revealed that its employees have been accepting bribes from public relations firms for plugging products. This week the national assembly's commission on the ORTF confirmed the accusations.

Since 1969 there have been official advertising spots on ORTF's two channels. These amounted to two minutes a day to begin with, but the figure is now 19 minutes. This is enormously less than the 50-60 minutes a day that the British Independent Television Authority allots for advertising. However, the French have discovered that there is more than one way to advertise. According to the two reports producers have been plugging products, cameramen have been letting their cameras linger over brand names on studio sets, and executives have been representing paid publicity as documentary films—in return for direct or indirect rewards.

No heads have rolled yet. Nor are they likely to. The general assumption is that ORTF must put its own house in order. But its chief is stoutly defending his subordinates and complaining of a witch hunt. The parliamentary commissions themselves are more concerned with institutional reforms. But the whole affair reopens the question of the monopoly. Would not the temptation for advertisers to use underhand methods disappear with commercial competition ?

Ireland

Two steps

FROM OUR DUBLIN CORRESPONDENT

The pace of political developments in the Republic of Ireland, almost stationary since direct rule for Northern Ireland was introduced at the end of March, is beginning to speed up. Last week's visit to London by Mr Hillery, the Irish foreign minister, was followed this week by clear indications that the prime minister, Mr Lynch, is thinking of what he can do to help to get things moving again.

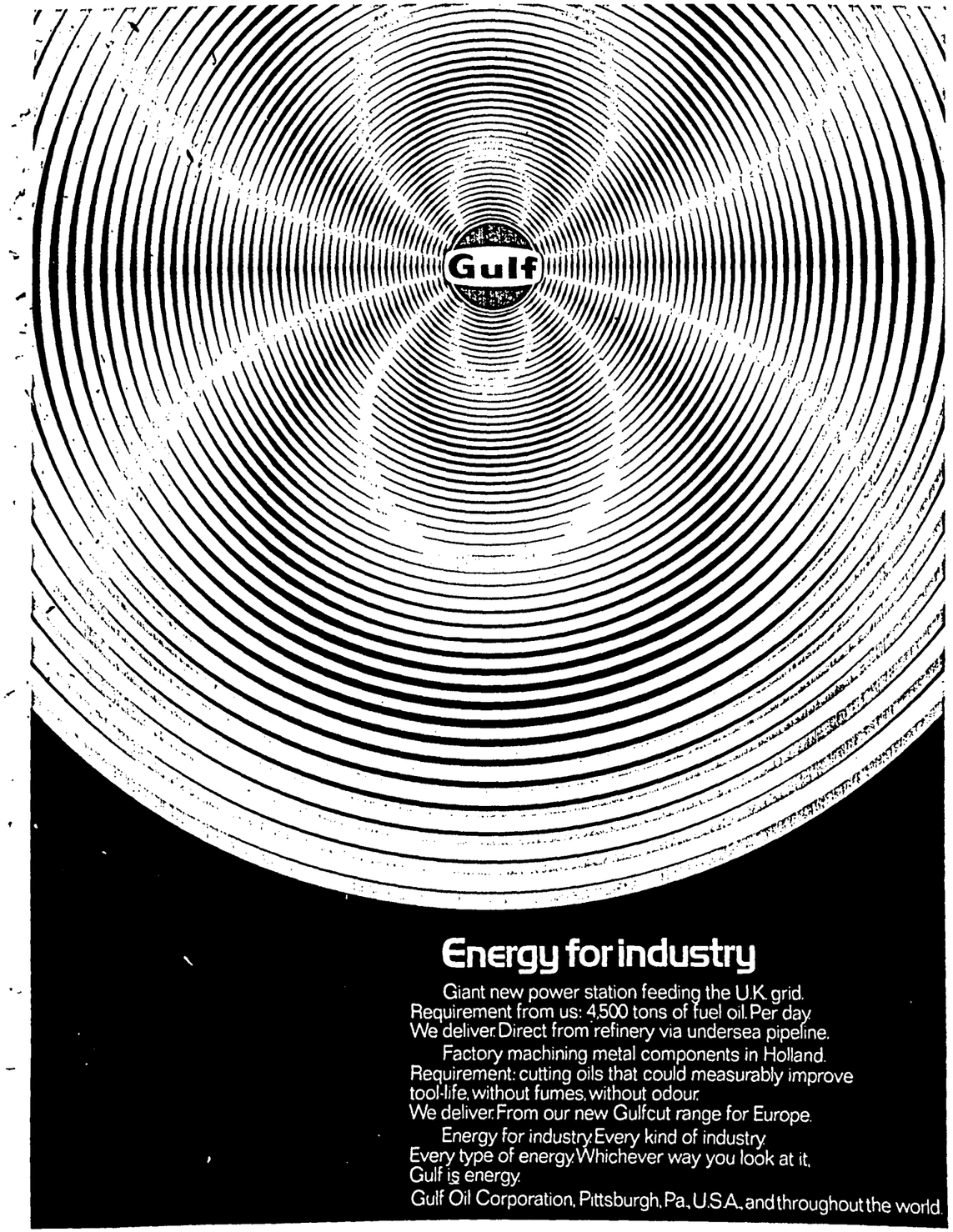
The first step is the setting up of an all-party committee to consider all aspects of Irish reunification. The committee's terms of reference and composition were announced on Thursday. The second step is towards a tougher line against the IRA. The government has made no secret of its disappointment at the failure of the ordinary processes of law to secure conviction of the many people recently charged with membership of the proscribed IRA, unauthorised possession of arms and similar offences. Internment of suspects seems impossible in present circumstances and Mr Lynch will probably opt for special courts.

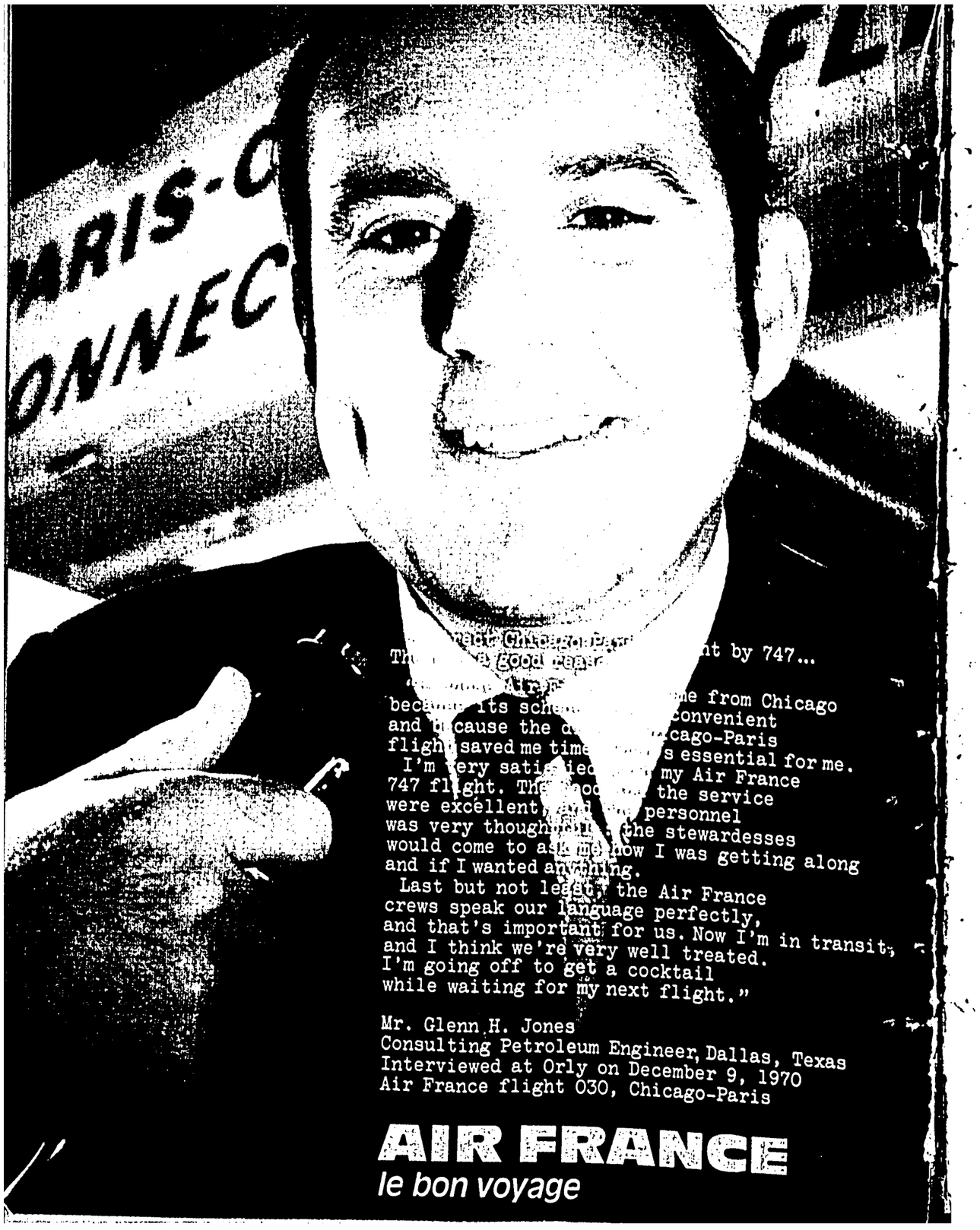


Lynch is paying out rope

Such courts are provided for by the Offences against the State Act passed in 1939. They operated in Ireland throughout the second world war, when nearly 900 people came before them. They were revived, though far less actively, in 1956 and again in 1961-62. During the war army officers often took part in the proceedings, but when the courts were brought back afterwards only qualified legal representatives were chosen. The government is permitted to set up the special courts if it declares by proclamation that the ordinary courts are inadequate for the effective administration of justice and the preservation of peace and order. Mr Lynch and his minister for justice, Mr O'Malley, may be tempted to take this step. But they would probably prefer to act in the wake of some overt IRA action which would be regarded generally as endangering the present slow progress to peace in Northern Ireland.

In giving a go-ahead to the constitutional committee at this stage, Mr Lynch is acting against his own better judgment. He believes that majority opinion in the republic is against any changes in the constitution which would permit divorce or be interpreted as making Ireland into a secular state. But he also knows that public opinion in the republic demands evidence of progress towards Irish reunification. A constitutional committee answers this demand in its suggestion that unity is on the way. However, a liberal minority in the republic wants a revised or new constitution regardless of relations with the north. Mr Lynch's dilemma is to provide just enough rope to suggest progress but not enough to let the committee go too far too fast.





Iceland

First call for Rogers

The squeaky wheel duly gets its grease. Iceland, on Wednesday, got a visit by the American Secretary of State. Mr Rogers was starting out on a brisk week's travelling around seven capitals, and facing encounters with Mr Heath, Herr Brandt, M. Pompidou, the Pope, the Grand Duke of Luxemburg, Mr Luns of Nato and Mr Mansholt of the EEC, to name but a few ; but he made Reykjavik his first port of call, and his talks with Iceland's president, prime minister and foreign minister involved something more than mere civilities. Nor was fish the sole dish.

The 200,000 Icelanders are now —and not for the first time—in the odd position of being America's allies in Nato while being ruled by a government that includes their communist party. As they have no armed forces, their main contribution to the Atlantic alliance consists of their permitting the Americans to maintain the Keflavik air base, which is a very handy place from which to watch Russian naval movements in northern waters. But the government formed after last June's elections in Iceland has asked the Americans to go.

In those elections, the coalition of conservatives and socialists that had held office for 12 years was cut down from 32 to only 28 seats in the 60-member Althing. A swing to the left brought back to power a coalition similar to that of 1956-58, with the Progressives (primarily a farmers' party) partnered by the communist People's Alliance and, this time, by the Liberal Left, a group that broke away from the orthodox communists in 1970. The Liberal Left leader, Mr Hannibal Valdimarsson, the 69-year-old enfant terrible of Icelandic politics who heads the trade union federation as well as being minister of communications and social affairs, has pursued his usual rather wayward course since taking office; but he remains committed—so far as Mr Valdimarsson can ever be said to be committed—to the goal of getting the Americans out of Keflavik.

Last month, after a good deal of wrangling, the government accepted an American offer to finance the lengthening of Keflavik's second runway. It seems to recognise the unwisdom of forcing the air base issue with the Americans just when Iceland is coming to grips over fishing limits



Agustsson's deadline is 1975

with both the Germans and the British. (On April 14th Britain lodged an application with the International Court to contest the proposed 50-mile line.) Both the prime minister, Mr Olafur Johannesson, and the foreign minister, Mr Einar Agustsson, are moderate men. They have not even started to hold serious negotiations about an American withdrawal from Keflavik, and their only stated aim is that of arranging a withdrawal before Iceland's next general elections, which are due in 1975. But one can see why Mr Rogers thought this would be a good moment to dab a little lubricant on Nato's fifteenth and smallest wheel. Just a dab.

East-west

Looking both ways

Last year the Russians concentrated their military effort on the north-west and south-east corners of their empire. The northern fleet based on Murmansk has become the largest of the four Russian fleets, and Russia now has over a quarter of its army on the Chinese border: so says the International Institute for Strategic Studies, which published its "Strategic Survey for 1971" this week.

Russia's steady naval expansion in the north has been overshadowed by its more recent, but much smaller, forays into the Mediterranean and the Indian Ocean. It took Iceland's threat to kick the Americans out of Keflavik to recall Nato's attention to the north. But the IISS survey claims that the way that Russian exercises have spread far into the Norwegian Sea shows that Russia may now look on the Greenland-Iceland-Scotland line as its forward naval zone. The northern fleet has 165 submarines, including 20 of the 35 Y-class nuclear missile submarines, which are being built at the rate of 10 a year.

Last year was the first time that Russia deployed more troops on its 5,800-mile border with China than the 31 divisions it maintains in eastern Europe. Three years ago it had 15 divisions on the border; now it has 44. Presumably some of these extra troops are new units, but most of them are probably drawn from the 96 divisions based in Russia. They are reported to be armed with nuclear weapons and to have more firepower and mobility than their Chinese counterparts.

The Chinese themselves are clearly moving beyond the stage of the early 1960s of just imitating Russian technology. Since April, 1971, they have been producing Chinese-designed Mach 2 fighter planes at the rate of 10 a month. On the nuclear side, a small number of intermediate-range missiles have apparently become operational. With a possible range of 2,500 miles, these could reach the Urals, India or south-east Asia. It is also possible that an intercontinental missile has been tested in the Sinkiang desert. But the long awaited oceanic testing of that missile has not occurred, although a ship with the necessary tracking equipment has been prepared.

Egypt

Bombast for the unfaithful

What is this "reasonable time" within which President Sadat said in Alexandria on May Day the Russians would supply Egypt with the necessary strength to liberate its occupied land? The likely answer is that Mr Sadat, no less than the Russians, is looking well into the future. Indeed, in the same speech, the Egyptian president spoke of a joint Egyptian-Libyan-Syrian strategy that would be applied "generation after generation" until the Arabs were ready to confront the Israelis. But if Mr Sadat has within himself such steadiness of purpose, he does not credit his people with similar quality.

This leads him to fight what he calls a campaign of despair with the sort of bombast that must surely nourish the despair of the intelligent. On May Day he repeated earlier oratory by announcing Egypt's willingness to sacrifice a million dead—though this time he said that Israel too would be

forced to make an equal sacrifice. A week before, in a speech celebrating the birth of Mohammed, he almost unbelievably trapped himself yet again within the confines of a deadline: God willing, he said, Egypt would have its land back in a year's time and the Israelis would be returned to the "abasement and submissiveness" decreed for them. Egyptian officials are now trying to explain that their president did not intend this to be taken literally: on a feast day, they say, people like to hear something nice.

President Sadat brought back from his two-day visit to Moscow Russia's formal recognition that the frustrations blocking a political settlement give the Arabs "every reason to make use of other means" to recover their land. The question is whether, and when, the Russians are prepared to help Egypt make these other means effective. Seeing the ungrateful Egyptians becoming daily more hostile towards them, the Russians may be attempting to stop the drift by promising the superior type of equipment, in particular better tanks and better guns, that would gradually lessen, or check, the growing qualitative military imbalance between Egypt and Israel. But it is a mighty long step from this to arriving at a situation in which Egypt would match, let alone have the edge over, Israel's military potential.

Anti-Russian sentiment in Egypt has become loosely marshalled in the form of opposition to the prime minister, Mr Aziz Sidki. After President Sadat's pre-emptive coup against Mr Ali Sabri and other left-wingers in May a year ago the Egyptian right was making most of the running. Now, having obtained an important new lease of political life,



adat can't put a cloak on his words

the right, or rather a disparate grouping of liberal, right-wing and religious factions, is demanding more and expressing its dissatisfaction at not getting it in attacks on the prime minister. Opposition to Mr Sidki is strong in parliament, in the party and, more important, among senior officers.

It is safer to attack the prime minister than the president. But Mr Sadat, recognising that the opposition is basically aimed at himself, has been going out of his way to defend his prime minister's policies, insist on Egypt's continuing socialism and reprove the rebellious right. Mr Sidki is disliked both on personal grounds and because he is thought to threaten the interests of private business. Efforts by private employers to foil government instructions to pay more money to their workers led to large-scale street demonstrations last month; these were dealt with roughly by the security forces, but Mr Sidki then intervened personally and forced the employers to comply. Yet the true motives of the anti-Sidki campaign go deeper. The prime minister is a convenient scapegoat for those who want to escape from ever-growing dependence on Russia, for those who would try for a deal with Israel even if it means concessions on territory—and for those who hold that it is time for Sadat to go.

The subcontinent

It wasn't as good as it seemed

Clouds of euphoria surrounded the mountain-top meetings between India and Pakistan last week. India's emissary, Mr D. P. Dhar, emerged from an unscheduled session with Pakistan's president, Mr Bhutto, to exclaim, "I have never had a more constructive and frank discussion." Sunday's joint statement described the four-day talks as "cordial" and announced agreement on a summit conference to be held in New Delhi next month. Western reporters came away convinced that the major barriers to a subcontinental settlement had been negotiated away. But in the clear light of New Delhi this week scepticism reasserted itself.

One prop for last weekend's optimism already seems to have collapsed. This was the Rawalpindi report that Mr Dhar had persuaded Sheikh Mujib to join Mrs Gandhi and Mr Bhutto at the conference table. The presence of the Bangladeshi leader would be essential if the meeting were to result in the release of the 93,000 Pakistani prisoners of war, since India insists that the prisoners are held jointly by India and Bangladesh. It would also be a dramatic concession by Sheikh Mujib since he has maintained all along that he would not sit down with Mr Bhutto before his new state was formally recognised by Pakistan. Last week the Pakistanis said that prior recognition was out of the question. And this week both Indians and Bengalis were saying that a Mujib stand-down was simply not on.

Sheikh Mujib is said to be equally adamant about his controversial plan to stage war crimes trials in Dacca. While the Indians and Pakistanis were working out their agreement, the Bangladeshi government published a list of 99 Pakistani officers and 1,400 soldiers who will be charged with genocide and lesser crimes. Some of the more prominent accused, including the former president, Yahya Khan, and the present chief of staff, Tikka Khan, are now in Pakistan and will be tried in absentia. The great majority, however, are in Indian custody. Last March Mrs Gandhi promised Sheikh Mujib to hand the prisoners over for trial and she has not publicly withdrawn that promise. But Mr Dhar apparently assured the Pakistanis that India will spend the next month trying to change Sheikh Mujib's mind.

The Bangladeshi leader clearly retains the power to throw a spanner into the delicate works of the Gandhi-Bhutto meeting. But even where the issues are strictly bilateral, last week's agreement rests on shaky ground. Although Kashmir is believed to have made it on to the agenda, the positions of the two sides on this 25-year-old dispute have not narrowed at all. Indians suspect that Mr Bhutto's strategy now is to stall for time on the assumption that, with increasing international pressure for the release of prisoners and withdrawal from occupied territories, India's leverage is diminishing daily.

China

The good earth

FROM OUR HONGKONG CORRESPONDENT

Echoes of the "back to the farm" sequel to the disastrous great leap forward of the late 1950s are now being heard on the winds of all monitored provincial radio broadcasts from China. The old 1962 priorities are being restated: agriculture first, light industry second, heavy industry third.

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There has been no politburo pronouncement as there was after the great leap became the great retreat. But the current words bring a haunting memory.

"Only when agriculture is developed can more raw materials for light industry and a wider market for heavy industry be provided," says a typical broadcast from Anhwei province. The local radio condemned "some persons" for drawing too much labour from the rural areas and arbitrarily diverting capital, equipment and materials allocated for agriculture. "This practice is wrong," it explained, "because it puts too much emphasis on heavy industry."

This return to agricultural consolidation was foreshadowed by price adjustments at the end of last year which allowed China's farmers to buy more cheaply and sell more rewardingly—cuts in the cost of chemical fertiliser, kerosene, diesel oil and harvesting machinery, and increased state purchasing prices for sugar cane, peanuts and oil-bearing crops. Incentives have been redirected to the good earth, and not just for rice and grain. After 10 years of concentrating almost exclusively on grain production and attacking peasants for shifting to more profitable crops, the Chinese government is finally acknowledging that these crops too are valuable to the state. And it has recently given its seal of approval by an article in the party paper Red Flag to another controversial source of peasant profit—that hardy perennial, the private plot.

Chile

Campus politics

No one takes elections more seriously than the Chileans, and the results of last week's polling at the university of Chile came as a body-blow to President Salvador Allende. The 82,000 academics, students and employees who turned out on April 27th were voting on three things: the rector, the governing council, and differing concepts of what a university is supposed to be about. The University Front, representing the Christian Democrats, the Nationalists and other opposition groups, claimed that it was defending the idea of a "critical, pluralistic and democratic campus," and the ruling Popular Unity alliance insisted on the need for a "militant" university working closely with the government. The extremist Movement of the Revolutionary Left (Mir) went further



Allende's not counting chickens

and denounced the pursuit of academic objectivity as "a wild-goose chase that appeals to petty bourgeois parvenues." But what was at stake was rather more than academic freedom, since the university runs television and radio stations, and disposes of about 3.5 per cent of the national budget.

The pluralists appear to have won out. Sr Edgardo Boeninger, who used to be head of the budget under the Frei government and had served as rector for a year in the teeth of opposition from a left-wing majority on the university council, pulled in about 52 per cent of the votes. His supporters also won 54 of the seats on the 100-member council. Sr Felipe Herrera, the Popular Unity candidate, got less than 44 per cent of the votes—a double disappointment for his backers, since Sr Herrera, who had served as minister of finance in the conservative government of Ibáñez, was picked in order to attract the centre vote.

No one was very surprised that Sr Andres Pascal Allende, the Mir's candidate, trailed behind with 3.4 per cent of the votes—even though he is the president's nephew—or that the maoist, Sr Luis Vitale, only got a few hundred votes. But both of them have now insisted that they are going to have their way despite the election results, and the Mir has sworn to bring about the overthrow *(derrota)* of Sr Boeninger by creating "chaos" on campus. For his part, Sr Allende studiously ignored the university election in his May Day speech. The results will not make him any more confident about his chances in the referendum that he has once again hinted he is ready to hold.

Spain

May Day was a mouse

FROM OUR SPAIN CORRESPONDENT

May Day is a public holiday in Spain as in most other European countries—but with one of those Spanish differences. The Franco regime has dedicated it not to labour in general but to Saint Joseph the Worker, and when demonstrations occur it is the authorities who do much of the demonstrating.

This year, as usual, illegal left-wing movements urged their supporters to gather at key points in Madrid, Barcelona and other major cities. And this time it was thought there would be a major confrontation. But there were probably as many armed policemen as demonstrating workers and students in sight, and the secret police gave its customary May Day patronage to bars in working-class quarters. In Madrid left-wing students were clubbed by the police when they unfurled red flags. Yet a smaller but equally illegal demonstration organised by the right-wing Warriors of Christ the King, which applauded the army and police, was, unsurprisingly, allowed to take place. A peaceful gathering in El Ferrol, General Franco's birthplace, recalling the shooting of two local workers by the police in March, urged "no more bloodshed." It was rapidly dispersed.

Police control of the streets was never seriously challenged. Even communist workers seemed less combative than they were a year or two ago. This is partly because just over 2 per cent of the labour force, a relatively high rate for Spain, is unemployed, which means that more people are worried about holding down jobs. But it is also a result of last autumn's strikes in Madrid and Barcelona, when three workers were shot, and other more recent industrial conflicts.

The police are following a tough line, confident of the total backing of their officers. One of the major political events of the winter was the appointment of the ultra-right-wing General Carlos Iniesta as director-general of the Guardia Civil, the armed gendarmerie, with its own intelligence network, which is represented in even the smallest village. No fewer than 11 ministers braved a cold February breeze to attend General Iniesta's taking-over ceremony. No one was left in doubt that the general is now a power in the land.

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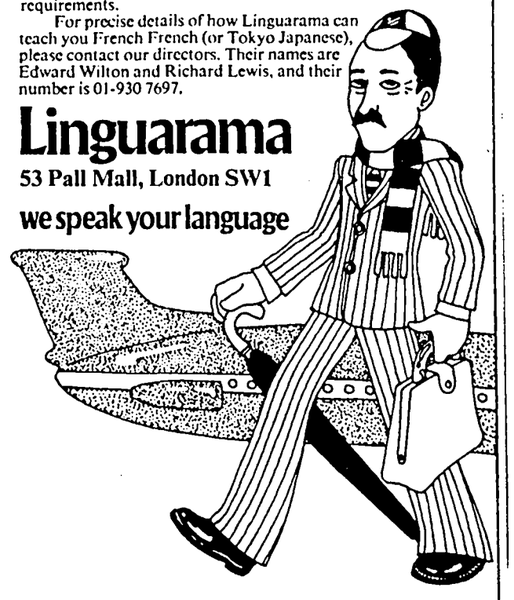
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THE WORLD — *American Survey*

Moscow with a pinch of Salt

Washington, DC

Both in Washington and in Moscow the governments have declared that any agreements that may come out of President Nixon's planned visit to the Soviet Union will in no way be at the expense of their respective allies. The fact that North Vietnam and South Vietnam, an ally of the Soviet Union and an ally of the United States, are engaged in a fight which may be to the death, and that each of the two great powers has been blaming the other for officiously meddling in the struggle, seems not only to limit the area of harmony which President Nixon and Mr Brezhnev can expect to open up when they meet on May 22nd, but also to expose their meeting to a hazard. Both of them, however, have been showing themselves determined not to let the flare-up of the Vietnam war wreck their summit meeting if they can prevent it.

Since they both earnestly want the meeting, it has to be presumed that they both want it to be a success and their best prospect of success lies in an agreement on strategic arms limitation (Salt). This week the White House announced "a major advance" in the Salt talks, on the basis of which President Nixon's negotiator, Mr Gerard Smith, was returning to Helsinki with new instructions ; the President, it was said, was confident that the Soviet negotiator would get new instructions, too. The hope is that an agreement can be put into final form in Helsinki in time for a signing ceremony when the President is in Moscow.

What it seems to amount to is that the Russians have agreed to extend the limitation on offensive nuclear armaments to include missile-firing submarines as well as the other systems of delivering nuclear warheads. On the basis of a rule-of-thumb freeze of offensive weapons systems at their present quantities, the Americans have been able to agree to a freeze of defensive (anti-ballistic missile) nuclear systems which would give each side probably two sites each (a relative gain for the Russians).

The substantial meaning of an agreement on these lines, if this is how it turns out, is limited by the omission of any qualitative limitations. Both sides would be able to go on installing multiple warheads ; the Americans would not be precluded from replacing their existing missile-firing submarines with the improved Ulms submarine system, so long as the numbers in the fleet were kept the same ; the old B-52 bomber could be replaced with the projected advanced bomber, and so on. The strategic arms race would not, in fact, have been stopped. The expectation is that this year's agreement will contain some kind of a pledge to go on seeking qualitative limitations, so that the Salt talks will continue as the well-established international institution which they have become.

While it is the most substantial thing Mr Nixon can hope to bring home from his trip to Moscow, the Salt agreement does therefore look like being more of a joint political gesture, a pledge of better relations to come, than anything else. Apparently the two sides can still contemplate such a joint gesture at a time when the Soviet Union is acting as armourer for the North Vietnamese attack and when American air power is being used with increasing weight to stop the Soviet supplies reaching the battle in South Vietnam. But if, as most people suppose, there is a taoit understanding to keep Vietnam aside from the main area of American-Soviet relations, it can presumably only be sustained within limits.

Mr Nixon could hardly have been more absolute or more personal in his refusal to permit a communist conquest of South Vietnam than he was last Sunday : " We are prepared to use our military and naval strength against military targets throughout North Vietnam." In short, the better the communists do on the ground, the heavier and wider-ranging will be the American retaliation from the air and from



Arms and the men : Kissinger faces Rogers, Nixon, Laird

the sea and the greater the strain on Mr Nixon's understanding with Mr Brezhnev. Thus, while the preparations of Mr Nixon and his staff for the visit to Moscow go forward diligently, the conditions in which it is to take place appear to be in other hands.

As part of the preparations the Secretary of State, Mr Rogers, set off on a tour of consultations in the European capitals. Mr Rogers's itinerary was drawn up to get him to Bonn on Sunday night, in the expectation that the Bundestag would by then have voted to ratify the west German treaties with the Soviet Union and Poland and that the future of the west German government would by then be reasonably clear. Neither expectation was quite assured by the time he set out.

In the early days of Herr Brandt's Ostpolitik, President Nixon and Dr Kissinger used to express misgivings at the thought of individual allies negotiating separately with the Soviet Union on matters of, to some extent, common concern. But by now the ratification of the German-Soviet and German-Polish treaties would be welcomed ; only a desire to avoid annoying Herr Brand's opponent, Herr Barzel, and becoming involved in German politics has prevented the Administration saying so out loud.

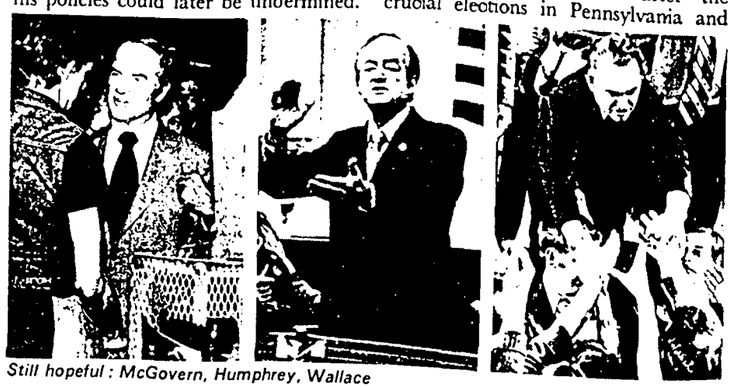
The Administration does, however, want the protocol signed and completed which will put into force last year's four-power agreement on Berlin. It accepts that, as the Russians have made plain, there will be no Berlin protocol until the German-Soviet and German-Polish treaties have been ratified. A further period of delay and uncertainty about the German treaties would hold a lot of things up. As Mr Nixon's last foreign policy report to Congress said in February, "when the Berlin accord comes into force with the signing of the four-power protocol, this will unlock a diplomatic process."

About the sequence of this process Mr Nixon and Mr Brezhnev will not automatically agree, since the Russians will want to start with a European security conference while the United States and a consensus of the North Atlantic powers would rather put first talks on mutual and balanced reductions in forces. But that is not necessarily a sticking-point. The sticking-points are that the United States will not contemplate a European security conference until the Berlin protocol has been signed, while the Russians will not sign the protocol until the parliament in Bonn has ratified the German treaties.

As usual, the Administration is in need of ammunition to fight off the next onslaught of those forces in the Senate, led by Senator Mansfield, that press for a unilateral reduction of the American troops in Germany. A definite prospect of talks on mutual and balanced force reductions between the Atlantic alliance and the Warsaw pact would provide that ammunition. President Nixon did his best to conjure up such a prospect in December, when he told the Senate of his expectation that the Russians would be receiving Signor Brosio as the emissary of the North Atlantic Treaty Organisation to discuss mutual reductions in forces.

But he never got to Moscow, the Russians never having given him any encouragement. This month in Moscow might see President Nixon offering an alternative method of starting the preparation of the talks on force reduction. Mr Nixon's dilemma on this front is that naturally he wants his visit to the Soviet Union to be a demonstrable success ; nobody wants a failure, especially in an election year. But he is aware of the danger that a conspicuous, if superficial, success might generate what in the Administration is called euphoria (the fashionable word for fatuous optimism) and that, in such a mood, the arguments of the Senators for sweeping unilateral cuts in the American forces in Europe might be more difficult than ever to resist.

One great thing about conspicuous negotiations with foreign powers is that opposition politicians cannot compete with the man in charge in this regard. Without doubt Mr Nixon needs this advantage and is prepared to use it in Moscow as he did in Peking, but he is also concerned that his efforts should produce a result of some serious value. Unavoidably, he is concerned also not to use a foreign journey merely to create such illusions of triumph that his policies could later be undermined.



Still hopeful : McGovern, Humphrey, Wallace

ELECTION '72

Little help to Humphrey

FROM A CORRESPONDENT IN CLEVELAND

It was only a month ago, just after his victory in Wisconsin, that Senator George McGovern of South Dakota decided to enter in earnest last Tuesday's election in Ohio. There Democrats chose among delegates to their party's presidential convention next July, according to the candidates whom they promised to support. There was already a cadre of seasoned political workers in Ohio, professionals who had been active in statewide and national campaigns. But the national McGovern headquarters, plagued by a shortage of money and staff, had put no workers into Ohio, even though Senator Hubert Humphrey of Minnesota, the former Vice President, had 23 people in the state known as the " mother of presidents."

Before Wisconsin, Ohio, even though it was the sixth largest state in the union, had been considered a risky business for the South Dakotan, who at that time had shown little ability to attract working-class white voters and Negroes. Such voters, and also trade unionists and elderly people, had been targets of Humphrey campaigning for 25 years and were in large measure the beneficiaries of the far-reaching social legislation which Mr Humphrey had backed in the Senate. So Ohio, an industrial state where such groups dominate the Democratic electorate, looked a bleak prospect for Mr McGovern's neo-populist brand of campaigning.

The decision to make a major effort in the state was made after the crucial elections in Pennsylvania and

All of these securities having been sold, this announcement appears as a matter of record only.

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April 27, 1972

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BANCO DI ROMA

Capital and Reserves: Lit. 56,300,000,000
International Partners: Commerzbank and Credit Lyonnais

Ordinary and Extraordinary Meeting held on 21st April, 1972.

The Meeting of the Shareholders of Banco di Roma, held under the Chairmanship of Avv. Vittorino Veronese, approved the Balance Sheet as at December 31, 1971, the relative Profit and Loss Account and the distribution of the Profits.

The Report points out the wise policy carried out by the Bank as to the rates of interest paid to depositors and charged to borrowers, aiming at maintaining the necessary proportion between costs and earnings.

The document, after hinting at the efforts of the Bank in studying and carrying into effect more advanced techniques in its banking organisation, points out the expansion of the Bank's operational network in Italy through the acquisition of majority participations in a few local banks. In fact, in 1971 the Bank acquired participations that, although indirectly, have increased by twenty the number of its branches.

Besides such expansion in Italy, the Bank has enlarged its organisation abroad through the opening of Representative Offices in Tokyo, Singapore, Mexico City, Sydney and, recently, Johannesburg, and the transformation into an "Agency" of the Representative Office in San Francisco, thus becoming the first Italian Bank to operate in the State of California.

Emphasis must be put on the ever increasing expansion of the affiliated Banks abroad, and on the satisfactory results achieved by the Bank's various participations. Of particular importance are the success of the "Rominvest" Fund and the increase of the activity as tax collectors, an organisation that as at December 31, 1971 consisted of 13 District Offices and 3 consortium Agencies with a total yearly inflow of tax dues of about 23 billion lire.

After the customary allocations for depreciations and provisions, the Net Profit amounted to Lit. 4,604,402,153 (against Lit. 4,503,586,077 in 1970). The Meeting decided therefore to allocate Lit. 1,200 million to Reserves, thus increased to Lit. 16,300,000,000, to distribute a dividend of 8½ per cent and to carry forward the balance of over Lit. 38 million.

The dividend is payable from April 24, 1972 at all branches of the Bank in Italy.

The Meeting appointed a new Director, Prof. Pasquale Saraceno, whose office will last as long as the term of the whole Board of Directors, and the Auditors' Committee for the three-year period 1972-74, composed of Prof. Tancredi Bianchi (President), Dott. Gastone Brusadelli, Prof. Vittorio Marrama, Dott. Fausto Persegani, Rag. Andrea Stella (auditors), Dott. Giuseppe Cricenia, Dott. Costantino Zubbani (deputy auditors).

The Extraordinary Meeting approved the amendments to Articles 1, 2, 4, 5, 7, 8, 14, 24, 27, 28, 29, 30, 31, 32, 33 and 36 of the Memorandum and Articles of Association.

The Board of Directors in a subsequent Meeting reappointed Avv. Vittorino Veronese as Chairman, Dott. Massimo Spada as Deputy Chairman and Avv. Giovanni Guidi as Secretary to the Board.

Managing Directors are Dott. Danilo Ciulli and Prof. Ferdinando Ventriglia.

Massachusetts, on the theory that in Ohio Mr Humphrey and Senator Edmund Muskie of Maine would divide the votes of Democrats from the centre and the right. When Mr Muskie withdrew from further primary campaigning, this seemed to leave the field open to Mr Humphrey.

But after his startling successes on April 25th in the two eastern states, both of which are more liberal than is Middle-American Ohio, Mr McGovern switched his strategy. He began to move closer to the political centre and warned those of his followers who burned with a hard liberal flame that he was ready to "deal" with the Democratic party's "power-brokers" and with middle-road and even conservative political and labour leaders. At the same time he increased his campaign in areas of Ohio which Mr Humphrey believed were safely his.

Mr McGovern was well received among blacks, elderly citizens and union members, especially those known as "Cosmos," second-generation American citizens of east, south and central European stock. Mr McGovern was also making inroads into the young working-class men and women who had not gone to college to become alienated and frustrated but had instead gone to work on the dehumanised assembly lines and in smoke-polluted factories. There they had equally become alienated and frustrated, angry at an establishment, from unions to company management to policemen to politicians, in which they felt they had no voice.

Also on the Ohio ballot and campaigning actively was Senator Henry Jackson of Washington State, a conservative trying to pick up some of those voters who might have supported Governor George Wallace of Alabama had he chosen to run in Ohio. Mr Jackson withdrew from active campaigning after receiving under 10 per cent of the votes. Former Senator Eugene McCarthy, a Democratic presidential contender in 1968, was on the ballot but did not campaign visibly. Mr Muskie remained as well and did about the same as Mr Jackson. This was due largely to his major ally in Ohio, Governor John Gilligan, a tall redheaded liberal who knows how to use both the English language and a strong political organisation.

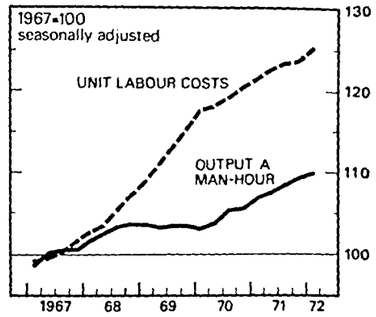
Voting irregularities in the Cleveland metropolitan area, the state's largest centre of population, snarled the counting Tuesday night and sent Mr Humphrey and Mr McGovern into fits. But by Thursday morning, when 89 per cent of the votes were tallied, Mr Humphrey had 41 per cent of the statewide vote for "at large" delegates and Mr McGovern 39 per cent. These figures are not likely to change much. Thus Mr Humphrey gets the 38 "at large" delegates and is the winner, but it is not a famous victory. In the election of the remaining delegates, district by district, Mr McGovern did much better.

Mr Humphrey comes out of the election with a probable total of 76 delegates to Mr McGovern's 64. Mr Humphrey was hurt by two "favourite sons," particularly by Mr Carl Stokes, Cleveland's black mayor, who carried off the nine delegates of a big black district. Even so, it is Mr Humphrey who has the more reason to be disappointed, since he achieved only the minimum that he needed to maintain his national momentum as a candidate.

The Senator from South Dakota had more reason to crow. Mr McGovern showed that he could win in a relatively conservative state and could make inroads into Mr Humphrey's traditional areas of support. In addition, in the primary on the same day in neighbouring Indiana, which is largely conservative, Mr Humphrey won 47 per cent of the votes but Governor Wallace, the only other contender, came close with 42 per cent. This meant that the former Vice President had been whipsawed from the left and right by Mr McGovern and Mr Wallace.

One man, one hour

The sharp rise in the cost of labour during the first quarter of 1972 came as a fresh reminder that inflation is by no means under control. Labour costs rose by 6.3 per cent at an annual rate, according to the Department of Labour's statistics, based on the hourly compensation and the hourly output of the country's work force. Although some rise had been expected as wages went up with the ending of the wage-price freeze of late last year, the news was worrying all the same. The higher the costs of production go, the harder the Price Commission will find it to compel business and industry to hold their prices down. Moreover, the quarterly increase in hourly output, or productivity, was only 2.1 per cent at an annual rate in the private sector. There are suspicions that this is a general trend, influenced less by fluctuations of the business cycle than by a new, deep-seated rejection by the young of the traditional American faith in hard work.



The trend which disturbs the Nixon Administration showed up in the period from 1965 to 1970. Before then, productivity had grown annually since the second world war by an average of around 3 per cent, helped by the increasing automation of farm work. But in the late 1960s productivity grew more sluggishly at around 2 per cent; the years 1969 and 1970 were particularly poor. Although last year productivity grew at the promising rate of 3.6 per cent and this year could be even better, these gains may be temporary reflections of the current business recovery and in any event are small help if workers' wages rise even faster. American goods will still be too costly to meet foreign competition.

Some economists, dismissing the current anxiety about the changing national character, say that there are identifiable economic factors to explain the apparent decline in American efficiency. There has been a cut-back in spending on research and development. The peak of gains from new agricultural methods has been passed. Many younger (and therefore less experienced and productive workers) have entered the labour force; so too have married women who often take part-time jobs. There has also been the shift of workers from jobs in industry to jobs in services or government where hourly output is harder to measure.

But the Secretary of Commerce, Mr Peterson, and President Nixon himself believe that a new "anti-work ethic" may have taken hold. They want a national crusade to be launched, both by labour and management, to lessen the boredom and to increase the morale and job security of workers. Mr Peterson told the Joint Economic Committee of Congress that American manufacturers in recent years had "the worst record of any major power in the world in productivity" and that, unless it is improved, the United States

will not only lose its position in world trade but be unable to satisfy the basic hopes of its citizens for a decent life.

One thing businessmen can do unilaterally to increase productivity is to invest in new equipment and they are doing that wholeheartedly. The latest survey by the McGraw-Hill department of economics shows that this year's capital spending is reaching boom proportions sooner than was expected a few months ago. The amount of investment now planned for new plant and machinery in 1972 is $92.9 billion, an increase of 14 per cent over last year and the biggest rise since 1966.

Pale protest

Vietcong flags have flown at rallies and have been carried by marchers in American cities but the protest against the renewed bombing of North Vietnam has been only a ripple compared with the great waves of 1969 and 1970. Much of the steam has gone out of the anti-war movement. Fewer Americans are being conscripted and few are being killed ; Mr Nixon has decided to return to the negotiating table ; it looks as though North Vietnam may be winning. But in addition there is a new mood at the colleges.

Hardly had the bombing been resumed before the heads of nine big private institutions in the east made it plain that they abominated the war as much as the students did. But the presidents drew the line at demonstrations which disrupted the universities or coerced other people. In both respects their stand has been popular with students and staff. Many students are now showing a distaste for violent confrontations and a determination to be allowed to get on with their studies ; they are also more sceptical than they used to be about how much demonstrations accomplish.

At Columbia University, where there was such bitter warfare between the students and the police in 1968 and 1970, violence has not been avoided completely, but this was because of an error of judgment by the president, Dr William McGill. When a tiny, leaderless minority of the students seized several university buildings, he called in the police to clear them out—against the advice of the mayor, Mr Lindsay, and of the police authorities. There was a scuffle which left 12 people injured and Dr McGill in a state of shock : he asked the police to leave.

For the next few days, classes were held in the open air, in cafeterias and dormitories, even in a nearby bar. But by the end of the week an outraged "majority coalition" of students had been formed and had reclaimed two of the buildings. It also threatened to sue the administrators for dereliction of duty if action were not taken immediately to clear the rest. Action duly followed ; the sitters-in, who had decided that resistance was not productive, went out the nearest windows as the university's own security men broke in. There had been no vandalism.

No doubt student feeling could flare up if President Nixon were to carry out his unspecified threats to bring the war home to North Vietnam. But at present most students, if they are not actively supporting Senator McGovern, seem content to let Congress provide the opposition to the war. Last week it took a big step. In the House of Representatives, where hawkish views could once be counted upon to prevail, the Democratic majority voted by over two to one to denounce Mr Nixon's "dangerous escalation" of the war and to bring forward a bill setting a date for complete withdrawal.



McGill could have saved his breath

ELECTION '72

District's choice

The District of Columbia's vote for a Democratic candidate for President will go to a "favourite son," the man who represents it as a non-voting delegate to the House of Representatives. Not that Mr Walter Fauntroy, a black politician, expects to win the presidential nomination. But he will be in control of Washington, DC's 15-vote delegation to the national convention at Miami Beach in July and will remain uncommitted until he and his followers determine which candidate best represents the interests of blacks and of the federal capital, which still lacks self-government and remains under the thumb of Congress.

For refusing to ally himself with any of the major candidates, Mr Fauntroy was accused of building a personal political machine of the very kind that the Democrats are trying to eliminate through national reform of their party. None the less, the District's Democrats, who outnumber Republicans by about six to one, chose to support the Fauntroy slate of delegates. They could have elected, if they had wished, a delegation put together by the DC Democratic Reform Committee which was unofficially pledged to give votes both to Senator George McGovern and to Representative Shirley Chisholm. None of the front-running Democratic contenders campaigned within the national capital. Apparently they respected Mr Fauntroy's charges that doing so would alienate black voters.

There are Republican voters in Washington, DC, also—34,000 of them, about half of whom live in the affluent white section west of Rock Creek Park. They did not express a presidential choice either, for a delegation pledged to President Nixon was declared ineligible by the elections board when a large number of signatures on nominating petitions appeared to have been forged. Delegates to the national convention will be picked by the local Rupublican committee.

But the Republicans voted out their incumbent national committeeman, Mr Carl Shipley, putting in his place Mr Robert Carter, an experienced

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NEW ISSUE May 4, 1972

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CASSA DI RISPARMIO V.E. PER LE PROVINCE SICILIANE

Established 1861. Head Office and General Management in Palermo.

219 Branches.

BALANCE SHEET AT 31st DECEMBER, 1971

(in million Italian lire)

ASSETS

Cash and Funds on Demand	Lit.	91,251
Securities and Investments	Lit.	391,680
Ordinary Credits	Lit.	157,445
Special Credits	Lit.	175,943
Agricultural Loans	Lit.	96,385
Ordinary Mortgage Loans	Lit.	93,005
Premises	Lit.	4,797
Miscellaneous	Lit.	129,784
SUB TOTAL	Lit.	1,140,290
Contra Accounts	Lit.	510,043
TOTAL	Lit.	1,650,333

LIABILITIES

Deposits and Current Accounts	Lit.	644,074
Special Accounts of Public Bodies	Lit.	291,093
Other Liabilities	Lit.	16,600
Miscellaneous	Lit.	177,409
Capital and Reserve Funds	Lit.	1,129,176
Net Profit	Lit.	10,465
	Lit.	649
SUB TOTAL	Lit.	1,140,290
Contra Accounts	Lit.	510,043
TOTAL	Lit.	1,650,333

LAND CREDIT ADMINISTRATION

ASSETS

Mortgage Loans	Lit.	96,088
Advances against Loans for Building Business	Lit.	37,293
Borrowers for Discount Instalments	Lit.	7,923
Miscellaneous	Lit.	6,684
SUB TOTAL	Lit.	147,988
Contra Accounts	Lit.	412
TOTAL	Lit.	148,400

LIABILITIES

Issued Bonds	Lit.	93,129
Due to Cassa di Risparmio	Lit.	40,539
Miscellaneous	Lit.	3,757
	Lit.	137,425
Capital and Reserve	Lit.	9,527
Net Profit	Lit.	1,036
	Lit.	147,988
Contra Account	Lit.	412
TOTAL	Lit.	148,400

The Board of Directors of the Cassa di Risparmio V.E., under the Chairmanship of Prof. Ferdinando Stagno d'Alcontres, in the meeting of the 27th March 1972, has approved the Balance Sheet for 1971.

The activities carried on by the Cassa di Risparmio V.E. and by the joined Land Credit Administration have been illustrated by the Chairman and by the General Manager Avv. Giuseppe Trapani with exhaustive analysis which testified fairly satisfactory business results.

The Balance Sheet showed a total net profit of Lit. 1685 million, with an increase of 14.30% in comparison with 1970, to be ascribed for an amount of Lit. 649 million to the general banking activities and for an amount of Lit. 1036 million to the Land Credit Administration.

The deposits increased by 22.69% and reached the level of over 644 billion lire; the obligations, with a remarkable increase of 39.06% reached 93 billion lire, 523 billion lire with an increase of 408 billion lire in comparison with the previous business year.

The administration of Land Credit achieved during the year the considerable increase of about 36% rising from 104.2 billion lire to 141.3 billion lire.

The network of the Cassa di Risparmio branches developed by the opening of five new branches and, at the end of 1971, consisted of 219 branches.

SOCIETE GENERALE DE BANQUE

Activities and Results in 1971

Société Générale de Banque, Belgium's largest bank, have just published their annual report which was submitted to the General Assembly of Shareholders on 25th April, 1972.

Balance-sheet as of 31st December, 1971, shows further expansion of the bank's resources. Total assets and total liabilities amount to BF 259,278,069,952 against BF 231,723,708,776 in 1970.

Deposits and current accounts total BF 156,850,712,282, a BF 20,000 million increase over the 1970 figures. Cash certificates amount to BF 10,289,878,000 against BF 8,385,796,000 in 1970. Due to banks and subsidiaries are up from BF 51,000 million to BF 54,000 million.

Credit restrictions imposed by Banque Nationale de Belgique were curbed early in 1971 and finally lifted in September, as a result of which, the bank was able to make a larger contribution to the financing of private undertakings. Loans of all types extended by the bank were availed of as of December, 1971, to the extent of BF 113,300 million against BF 98,500 million in 1970.

Government and government organization bonds exceed BF 79,000 million, or 10,000 million more than in 1970.

Net profit for the year amounts to BF 1,134,368,868, incorporating BF 143,760,916 resulting from adjustments of value of part of the shares of the bank's New York affiliates Adding BF 160,878,598 brought forward distributable profit amounts to BF 1,295,247,466. Net profit per share amounts to BF 276 against BF 265 in 1970.

It was proposed to the General Assembly to pay, after providing for a 20% withholding tax, a net dividend of BF 147 to the holders of the 4,109,156 shares representing the stock capital of the bank. For the preceding year, the dividend per share amounted to BF 140 nett, or a rise by 5% from one year to the other.

In 1971, Société Générale de Bank expanded recently introduced services and took further moves to offer customers new services likely to meet their requirements either of a private or a professional nature.

In addition to facilities placed at the disposal of companies in credit and finance of imports or exports, the bank also devised a scheme aimed at assisting companies to cope with management problems, known as the "Sigma" model which provides financial engineering services to help corporate customers in determining the best plans for financing their expansion.

In 1971, the Government and government organisations raised funds in the capital market to the extent of BF 147,000 million through 11 bond issues, in the management of which the bank participated actively. On the other hand, the bank participated in several issues on behalf of corporate customers or international organizations.

The bank's operations in the international market expanded further, in spite of widespread monetary uncertainty and the slackening of business conditions. This expansion was based on a larger number of multinational customers, on the increasingly dense network of correspondents abroad and new ventures which ensure now a 117 unit coverage of the overseas market in 23 countries.

As in previous years, the bank provided full support for the finance of Belgium's external trade. In the short-term financing of imports and exports, the outstanding acceptances on December 31, 1971, were BF 17,600 million, which compares with BF 13,500 million a year earlier. The increase on the year was thus 30% and the figure represents 38% of the total acceptances of Belgian banks.

In the medium term financing of the Belgian export trade, the bank entered into new framework agreements to finance the supply of capital goods to Algeria, Mexico and Rumania. These arrangements are additional to those with twenty-one other countries into which the bank had entered in earlier years. It also provided finance for several important Belgian works contracts and equipment supplies, providing credit directly to the foreign buyers. Projects financed in this way included an electrolytic zinc plant and the manufacture of electrical material in Mexico, an oil tanker in Great Britain and the fitting out of a bauxite mine in Guinea, to a total value of BF 1,700 million. The bank again gave considerable support to the Creditexport finance pool, in which its participation has been raised to BF 6,500 million representing half the funds made available to this organization by the commercial banks and a quarter of the entire pool.

There was a material growth in the activities of Bondtrade as a market place for dealings in international bonds.

The salient fact of the year was the decision by Bondtrade to make no further transactions in convertible bonds for their own account. They continue nevertheless with the execution of orders passed to them and publish the prices at which transactions took place.

Co-operation with the member banks of European Banks International Company (EBIC) was further evidenced by the opening of a joint representative office in Toronto. On the other hand the genuine European character of EBIC was reinforced by the admittance of two new partners, namely Société Générale (France) and Creditanstalt Bankverein, Vienna, who number among the largest banking organizations in their respective countries.

Republican politician who had secured the local committee's endorsement. Although the District's voters were generally lethargic about this primary election, both parties went through internal struggles because much more was at stake. The District of Columbia seems at last to be on the way to being granted home rule as well as full voting representation in Congress. Then those in control of the local political organisations will be well placed to propose candidates for municipal and national office.

ITT forever?

After one of the longest hearings ever held into the fitness of a presidential appointee, the Senate Judiciary Committee voted last week, for the second time, to recommend the confirmation of Mr Richard Kleindienst to succeed Mr John Mitchell as Attorney General. But this time the vote was not unanimous as it was two months ago, before Mr Jack Anderson, the columnist, charged that Mr Kleindienst, when he was Deputy Attorney General, had lied when he denied that he had had any connection with an anti-trust settlement favourable to the International Telephone and Telegraph Corporation; allegedly this was a payoff for ITT's help in financing the Republican presidential convention, then due to be held at San Diego. Last week four liberal Democrats voted against Mr Kleindienst and promised to raise on the Senate floor the points on which they felt that the evidence given the committee had been evasive or contradictory.

They were bitterly disappointed by the testimony of Mr Peter Flanigan, the White House's liaison with the business community, which they had hoped would show that the judgment of the Justice Department's anti-trust specialists had been overruled. The White House had backed down and allowed Mr Flanigan to testify in spite of its earlier insistence that this would be an invasion of "executive privilege." Had he not appeared, Senator Ervin was threatening to block the nomination; "executive privilege" is an old and continuing bone of contention. But all that emerged from Mr Flanigan's testimony, which was restricted severely by the White House, was that he had indeed spoken briefly to Mr Kleindienst about the ITT case on three occasions. Mr Kleindienst, recalled to the stand, could not remember any of these "insignificant" exchanges.



Kleindienst faces more flak

Four Democrats on the committee voted with the Republican minority but two of them, Senator Hart, a leading liberal, and Senator Byrd, the deputy leader in the Senate, let it be known that they might change their minds after the Senate debate. This is certain to be prolonged. In the end, the nomination seems likely to be approved, if only on the unflattering ground that the President is entitled to his own choice for the Justice Department. But even if the liberals cannot stop the nomination, they will keep alive the issue of the Administration's cosy relations with big business.

This anyone could have predicted. What must have come as an unexpected blow to the Administration and to ITT was the insistence of Senator Mathias that the committee's interest in ITT was not exhausted. Mr Mathias is a liberal Republican who has been a thorn in the Administration's side before now. He toed the party line on the nomination but he feels that the question of improper pressure by ITT cannot be shelved—even by moving the Republican convention from San Diego, now a city of unhappy associations, to Miami Beach.

FBI comes home

Washington, DC

Most indestructible of bureaucrats, J. Edgar Hoover made himself into a folk-hero and the Federal Bureau of Investigation into an independent fiefdom which its nominal master, the Attorney General, found it wise not to meddle with. No President ever had the nerve to ask him to retire, so he died on Monday night still in office at 77. Eulogies and marks of respect do not alter the fact that any President would feel bound to use the occasion to get the FBI back within the normal chain of administrative authority.

President Nixon lost no time at all: the decision to put Mr L. Patrick Gray in charge was announced on Wednesday. He had been chosen to succeed Mr Kleindienst as Deputy Attorney General but, with Mr Kleindienst's appointment to head the Department of Justice still hanging fire in the Senate, the President decided to make Mr Gray, instead, acting director of the FBI until the end of November. An acting appointment needs no confirmation by the Senate, though a permanent appointment would. By November 8th Mr Nixon will know whether he is to have a second presidential term: if he wins, he will be able to choose his own men once more in a reasonable confidence that the Democratic majority, chastened, will confirm his choices without undue questioning. Questioning, not so much of the nominee as of the whole field of habits and activities of the FBI, would almost certainly have followed if Mr Nixon had made a permanent appointment just now.

Mr Gray is a calm, quiet, thorough, hardworking man in his middle fifties who spent 20 years as a naval officer, some time in private law practice and some time again in political service to Mr Nixon, whose staff he joined in 1960. As Assistant Attorney General in charge of the civil division of the Justice Department he has spoken and worked in several causes close to the President's heart.

He was entrusted with the court aspects of the attempt to control the May Day demonstration in Washington last year. He has spoken in defence of Mr Nixon's economic policy against Mr George Meany and the trade unions and he celebrated Law Day in Los Angeles with a speech not about the law but about the bias and inaccuracies of the television news networks, the New York Times and the Washington Post. First and foremost Mr Gray is a loyal political servant of Mr Nixon. He is, however, free of the rhetorical habits that make other members of the Justice Department team obnoxious to Democrats and liberals. He can also be relied on, if anyone can, not to continue the Hoover tradition of maintaining the FBI as a separate branch of the government.

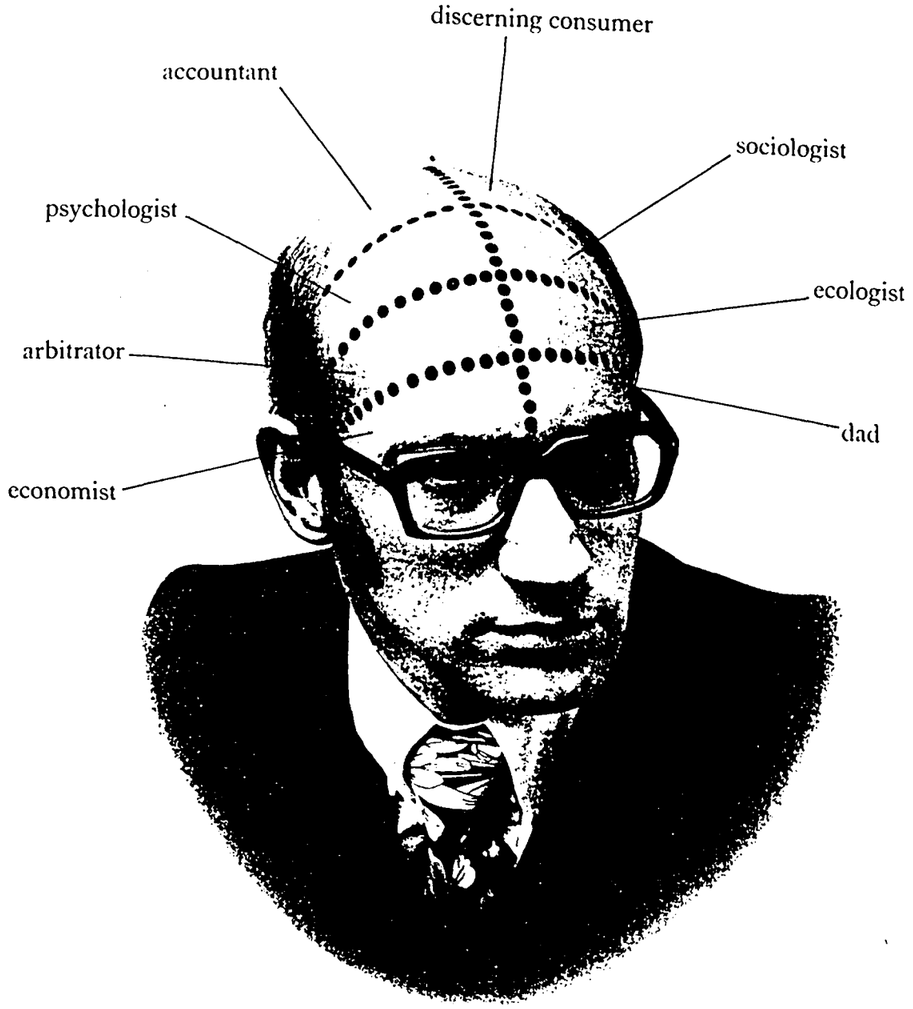
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The Departmental Head

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Books

Profits made easy

THE NAKED MANAGER
Unveiled by Robert Heller.
Barrie and Jenkins. 246 pages. £2.50.

Many readers of his fortnightly column in the Observer, and all connoisseurs of his editorship of Management Today, will know Mr Bob Heller as the wittiest and most realistic of British commentators on business management, an activity which he thinks probably does not exist. These qualities of wit and realism sometimes clash in a volume that consists quite largely of about a thousand examples of how awful both British and American business decision-makers are. Unsurprisingly, some of his examples are unfair. But this is still a darling book which can (and should) be read with deep pain and profit by all those in the profession it lampoons, with interest by many investors, and for fun by everybody without a thin skin.

Mr Heller's basic rule of thumb—a digit on which he is very keen—is that nearly all good management is merely an expression of one great idea. Whenever a company boasts of its own managerial excellence, sell the shares ; or, if you own the firm, fire the boss. The worst sort of merger fanatic is the one who says that "in buying a company we are buying management as a primary asset." This means that he is spending good money on the entirely evanescent. Of course, you can't buy managers—because the better managers can, and often do, walk out.

In most markets only two producers plus one specialist will usually make money. Generally, therefore, a big company will do best if it sticks to one basic area where it is lord of the market. If it should discover bright aggressive entrepreneurs in its midst, it will make more money by encouraging these rarities to go into business for themselves—while keeping a slice of the equity for the good old firm. It takes a very bright manager to make a merger into a success, and a very bright manager should usually be too bright to try.

If you do have to take a decision for expansion, go for "fail-safe" projects where even if there is disaster you will break even ; there are a surprising lot of these around. But, generally, the best way to make money for your company in both Britain and America just now is to stop losing it. In almost any company you will find that 20 per cent of customers account for 80 per cent of turnover, 20 per cent of components account for 80 per cent of cost, 20 per cent of executives do 80 per cent of the really profitable work. Remembering this, you should have one clear policy towards unprofitable operations : close them—starting with those where, according to the anguished cries of the incumbents, prosperity is just around the corner (because these will be the most plausible liars). Don't pray to the good god Mammon for a new product, but for one that will become very old. Possibly, half the products on world markets in a decade's time will be "new," but, equally, half of them will be antique, and within that half the great fortunes and returns on capital will be made.

It follows that the sound stock market investor should go only for conglomerates that are hatchet men : the sorts which tyrannise their managers into raising return on capital from 10 to 15 per cent, but point out that, while the hardest way of doing this is to raise profits by half, the easier way will usually be by reducing capital employed by one-third. Unfortunately, conglomerates and diversifiers of the other—or expansionary—sort were bid up in bull markets because if Wonder Company A buys Wonder Company B with money borrowed at fixed interest, any margin between B's profits and the interest paid comes through as a straight, juicy increment in company A's earnings per share. If you are a clever speculator, you can sometimes ride along profitably on this money illusion, provided you remember to get out before it is struck down by nemesis : in the form of a realisation that firms with the biggest debts do not make the most profits in the long term. You will often get a breathing space for departure because many tycoons go on fooling quite a lot of the investment establishment (such as the insurance companies) almost as long as they do go on fooling themselves. The American bull markets have been even more brilliant than British ones in developing that strange animal "the perpetually loss-making potential growth star"—like one hot Wall Street tip, an electronic tape firm, which had lost money for 14 successive years.


Heller : do it to the other chap

Within your own company, listen to what your competitors say about you and your products. Eight times out of 10 it is more accurate, as well as much cheaper, than the findings of a management consultant. Never believe your own advertising (after all, nobody else does) or your own PR (even if everybody else does). Discontent is the divine aid of good management, and all knowledge is the result of inquisitiveness. Unfortunately, experience is another name for ceasing to be inquisitive—for ceasing to ask, because the answer has been prejudged. Therefore, a firm should always get rid of experienced managers. The chief executive ought to be preparing to hand over to a nominated successor by the age of 60, and on or before his 65th birthday make quite sure that you clear out the old buzzard for good. While he is in office, however, let him be a buzzard. The most profitable firms are often run by neo-Nazis, even although their malevolent dictatorship usually has to be balanced by high pay to those they hire and so frequently fire. One big company, which has multiplied its investors' fortunes tenfold over the past decade, has been run by an inhuman demon who has :

> surrounded himself with well-paid weaklings who periodically had to be fired for their weakness. Over a long-drawn-out dismissal, the boss would sadistically strip the victim of his last vestiges of self-respect. Rebuking a man violently and cruelly in front of others never fails to demolish the current target and soften up later victims.

This is a most efficient way to run one's business, but would be most inefficient if applied to oneself.

Goodbye, Norman Rockwell

DECLINE AND FALL
By Otto Friedrich.
Michael Joseph. 511 pages. £5.

THE FAMILY
By Ed Sanders.
Hart-Davis. 412 pages. £2.50.

Once upon a time, and it seemed real at the time, Americans believed that they were a friendly, small-town folk whose lack of sophistication was balanced by a faith in human goodness and the social justice of the free enterprise system. For proof, they pinned on their walls the paintings Mr Norman Rockwell did for the covers of the Saturday Evening Post, a cheerful weekly magazine which, every American schoolchild learned, was founded by Benjamin Franklin. Those days have gone. So has the Post. It died in 1969. In that year, too, Miss Sharon Tate and some friends were brutally murdered in California and today there are undoubtedly more Americans who have heard of the murderer, Mr Charles Manson, than of Mr Rockwell. The American self-image now recognises strains of horror.

What went wrong? These two books by American investigative journalists address the same question. Mr Friedrich, who was the Post's managing editor in its last years, recounts the boardroom wranglings of the 1960s. It was clear in 1961 that the Post was out-of-tune with urban America. But various attempts to liven it up failed and lost the Curtis Publishing Company of Philadelphia millions of dollars. The final blow was the decision, by the Post's fourth new president in eight years, to drop about half the Post's subscribers against their will, in order to pare down the list to a definable and affluent group attractive to advertisers. Mr Friedrich believes that with better financial management the Post could have survived ; he believes that, because of its age, the magazine deserved to live. Watching the spectacle, Mr Friedrich became disillusioned with the American competitive economic system which let a national institution disappear because of one man's fear of losing his investment.

But Mr Friedrich dismisses too lightly the possibility that the Post died of blandness. In spite of its high circulation (more than 6.5m before paring) the Post never got in step with postwar America. And to read Mr Sanders's chronicle of the Manson family and how it grew, one realises that the world of Saturday Evening Post and Norman Rockwell was always unreal. America was never the baked-beans-supper, town-meeting land that the Post suggested : it had not abolished senseless cruelty or violence.



Manson : the American nightmare

There needed to be a book about the Tate murders ; they have lodged themselves in everyone's consciousness, no matter what care has been taken to avoid reading the details. They took place in southern California, and they happened—by gross coincidence—in the home of Mr Roman Polanski, the film producer who has served up mixtures of witchcraft, infant deformity, sex and sadism on the cinema screen.

Mr Sanders helps to satisfy the curiosity that the crime and the subsequent trial stimulated. He follows Manson from an early stint in prison in 1955 to the period in the autumn of 1969 when he and his miserable crew were hiding out in the desert. He does shed some light on the relation between murderer and victims ; Manson was a show-business hanger-on, among other things, and for a time cultivated the sons and daughters of the film industry's famous. But Mr Sanders does not find the causal link. There are plenty of deviant communes, full of drugs and occult nastiness. There are few bands of marauding assassins.

This is a well researched book, badly written. It is a pity that Mr Sanders chooses such strange vocabulary and syntax (when he discovers something that may have influenced Manson towards his murder-kick, he identifies it as a "sleazo-input"). At times the book is almost incoherent. But it is also compulsive, repulsive reading, and careful to the point of reticence about the actual descriptions of sex or murder. It is not in any sense pornography.

Justice as fairness

A THEORY OF JUSTICE
By John Rawls.
Clarendon Press: Oxford University Press. 622 pages. £5.

The currently dominant view of justice is mainly utilitarian, with intuitionist qualifications. As an alternative to this, Professor Rawls develops a theory which belongs to the social contract tradition of Locke, Rousseau and Kant. His primary concern is with principles which determine the basic structure of a society. His central idea is that these will be just if they are ones which rational men would have contractually accepted if they had been choosing principles behind a "veil of ignorance," that is, with each not knowing anything about his own abilities or assets or about the position in society which he will actually occupy.

This leads first to the general conception that "All social values . . . are to be distributed equally unless an unequal distribution . . . is to everyone's advantage," and then to two special principles, the first that "Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all," the second that "Social and economic inequalities are to be arranged so that they are both . . . to the greatest benefit of the least advantaged . . . and attached to positions open to all [with] fair equality of opportunity."

Professor Rawls starts with abstract principles and hypothetical situations, but gradually feeds in complicating realities. He examines first the principles that would regulate a society in which everyone acted justly, and only later considers what to do about injustice. And although his starting point is an admittedly imaginary contract subject to highly artificial constraints, he eventually reaches the questions of the limits to majority rule, the toleration of intolerance, and the justification of civil disobedience.

This notion of "justice as fairness" has been propounded by Professor Rawls in articles that have been much discussed by philosophers, who will welcome this full-scale exposition. Though he makes no claim to originality, no one can deny the freshness and ingenuity with which he develops his ideas or the breadth and balance of his discussion. The book is, indeed, too long. Precautions against objections, replies to them, and adjustments to meet them result in a lot of repetition, and a rather laboured style is an obstacle to comprehension. But this is a very interesting and important work.

The author's aim is not to analyse an existing concept of justice, but to propose a concept which will be acceptable, and which will be recognised as implicit in constitutional democracy. So the main substantive issues concern the acceptability of the central idea and the transitions from this to the "general conception," to the two "special principles," and thence to more detailed applications. Taking the transitions first, one can question whether a rational man, choosing behind the "veil of ignorance," really would prefer Rawls's solution—a society which maximises the advantage of the worst-off individual—to one which maximises average utility. The argument on this issue is the core of the book. Would it not be reasonable to gamble on the society which gave one the highest "expectation" of happiness ? Professor Rawls's reply criticises the assignment (implicit in this objection) of prior probabilities by the principle of indifference, and appeals to our reluctance to take risks with our descendants' prospects ; but neither point carries conviction.

It is said to be a merit of "justice as fairness" that it is a better basis than utilitarianism for the defence of liberty. Rawls gives the first of his special principles priority over the second, and he seems therefore to be saying that restrictions or inequalities of liberty can be justified only if they are for the sake of liberty itself : freedom is not to be sacrificed to other advantages. But the argument that justifies this rests on the view that freedom becomes more important than material amenities once a certain level of well-being is reached. The priority of the first principle, though an ultimate goal, is conditional, not absolute.

His theory is exposed to attack from two sides. The adherent of average utility will say that the conclusion is more egalitarian than the starting-point should allow. Others will find it not egalitarian enough. It provides a schema for the justification of inequalities—even unequal liberties at some times, and unequal wealth at all—which may well seem unfair even if from behind the veil of ignorance it would be reasonable to accept a society that included them. And, unlike his forerunners in the contractual tradition, Rawls cannot say that what happens is fair because everyone has (explicitly or implicitly) agreed to it : his contract is purely hypothetical.

A wayward life

THE SADDEST STORY
By Arthur Mizener.
Bodley Head. 639 pages. £5.

Ford Madox Ford intended the brilliant book for which he is best known, "The Good Soldier," to be called "The Saddest Story." He recognised it to have been produced by "a concatenation of circumstances of a rather purposeless and wayward life." He always regretted the change of title forced on him by his publisher, who believed that the original would have made the book unsaleable when it appeared in the middle of the first world war. The title has been resurrected, appropriately, for the story of Ford's own chaotic life.

It is interesting to speculate what Ford's reputation might have been if, like his contemporary E. M. Forster, he had written only a few books and stopped after the best. Yet restraint, artistic, emotional or financial, was not in Ford's character. He wrote 81 books in a life which he began as Ford Hermann Hueffer in Surrey in 1873, and ended as Ford Madox Ford in France in 1939. He abandoned too many women ; he talked too much ; ran up too many debts ; kept altering his name and creating confusion about his nationality. This confusion arose when he lived for a time in Germany, pretending to his mistress, Violet Hunt, and even to himself, that he was in the process of adopting the German nationality of his ancestors in order to secure the divorce which his wife, Elsie, refused him in his native Britain. The whole scandal—which had even landed him in Brixton prison for a few days—was one of the many reasons for which Ford was never liked, never admired, and never, in truth, awarded his proper place in English literature.



1915 : the good soldier ?

This careful biography by the American scholar, Mr Arthur Mizener, who is the author of a major work on the life of F. Scott Fitzgerald, should help to restore the balance. Taking a historical rather than a psychological approach, Mr Mizener traces the uncertain path of Ford's career. He chronicles, rather than explains, the mysterious 10-year collaboration with Conrad.

Mr Mizener shows how Ford exercised a major influence on English and American literature with the founding of his two under-appreciated journals—the English Review and the Transatlantic Review. He also makes clear—with no attempt at editorialising—that for a vain, conservative, vacillating man, Ford was astonishingly generous in recognising literary talent as great or greater than his own—notably in Ezra Pound, D. H. Lawrence and Hemingway.

At times one becomes impatient with

Eliot Janeway

What Shall I Do With My Money?

A special analysis of the economic situation with sections on personal finance, cash, property, stock and shares. In his introduction Mr Janeway describes the differences—and similarities—between the British and American economies, investment conditions and stock markets.
£2.75

Michael Joseph

the book's sobriety. Episodes of what was virtually unbearable anguish (Ford suffered several nervous breakdowns) are described with a scholarly piling of fact upon fact. There are no crescendos in this biography but, to be fair, we have Ford's own work as a chronicle of his emotional life. Mr Mizener has made an invaluable contribution to literary history and there will be few scholars who will not appreciate the appendix in which he discusses in detail the lesser-known works of this perplexing, but great, novelist.

At the bottom of the garden

NARCOTIC PLANTS
By William Emboden.
Studio Vista. 168 pages. £2.80.

THE DRUG MAKERS
By William Breckon.
Eyre Methuen. 222 pages. £3.50.

Come into the garden, Maud, and let us both get high on catmint and periwinkle, fennel and belladonna. Hand-in-hand, we will become nutmeg junkies and I will promise you the kick of amphetamines, the liberation of cannabis and the visions of lsd. And if you are alive at the end of it, we will travel the earth in search of still wilder sensations to be found in trees, flowers, leaves and fungi. On second thoughts, pour me a gin, dear, while I see if there are any cigarettes in the house. For I have learned from Dr William Emboden what every jungle simpleton knows, that while there's no kick like the nature kick, you have to know where to look.

It takes a botanist and a scholar of Dr Emboden's calibre to track down some of the most mind-bending plants that make cannabis and the opium poppy seem almost innocuous, and to include photographs, paintings and drawings of almost all of them, although a few remain hard to identify. The Indian tribes of central and Latin America used extracts from the teuvetli tree to drug sacrificial victims to the point where they were reduced to passive zombies who nevertheless still had sufficient muscular co-ordination to climb hundreds of steps to the high altars. But most of the narcotic plants that grow in America and across Asia and Africa are known, and sometimes still used, by the locals. They include the fly agaric mushroom, and a number of puff-balls which have attracted much attention among other



Mandrake : a trip on root

writers.

Europe, however, went through a period when its increasingly sophisticated, urbanised citizens were ashamed of the remedies of the past, when the same drug served as stimulant, sedative, aphrodisiac, abortion-inducer and general cure-all, and they erased much of the record. Only socially acceptable drugs of the alcohol-tea-coffee-cocoa-tobacco variety continued to be used enthusiastically, although some potent herb teas still appear as pain killers in Russian pharmacopoeias. For its other stimulants, tranquillisers and pain-killers, the west has turned increasingly to synthetic drugs, upon which a highly controversial industry has been built.

Mr William Breckon's book deals mainly with the British side of drug manufacture and the industry's regular skirmishes with the govenment. He is not unsympathetic with the better manufacturers, though he takes a few well-earned swipes at their selling methods. It is a low-keyed, sensible account of the administrative and political problems of men whose lives have never been disturbed by the shriek of a mandrake ; who would be hard to convince that chocolate was an aphrodisiac and who would never, never drink beer made by spitting chewed corn into a common bowl. Yet some of the most potent drugs known to them can be extracted, in high concentrations, from the plants on Dr Emboden's list.

Programmed President

COURAGE AND HESITATION : INSIDE THE NIXON ADMINISTRATION
By Allen Drury.
Michael Joseph. 317 pages. £3.25.

For three months just over a year ago Mr Allen Drury went back to political reporting from his more recent success as a political novelist. But this time his reporting was handed to him on a plate. He was given the run of the White House and had full co-operation in his research from everyone there, including the President—with the sole (and odd) exception of the President's press secretary. The result is an amalgam of chatty comment and verbatim interviews with the White House staff, the Nixon family and a number of people in government and Congress who were closely connected with the President. It is a revealing account of how the most demanding job in the world is being managed on behalf of the present incumbent.

Mr Drury's verdict is that it is being over-managed, so that the personality and humanity of Mr Nixon are obscured from the public. Partly this is the fault of the news media, which have never given Mr Nixon a fair chance ; Mr Drury's book can hardly have pleased his old colleagues. Partly of course the fault is the President's ; he seems to lack the confidence and drive needed to break through the barriers that inevitably surround him. But mainly, in Mr Drury's opinion, the blame rests on Mr Nixon's staff, able, dedicated but lacking experience of Washington and of government and tactlessly cocksure that they are doing the best that anyone could for their President. Mr Drury offers some suggestions about how they, and Mr Nixon, might do better, particularly by following up the many constructive and innovatory proposals that have got nowhere and by showing more sympathy for Congressmen's problems and prejudices.

The book is most enjoyable, at least for anyone who already has a working knowledge of how the American system of government is set up, and it is less superficial than it seems at first glance. But it is a pity that British readers are not being given an opportunity to progress to another and much more penetrating study of "Nixon in the White House" by Messrs Evans and Novak, which came out in the United States at about the same time.

Watched pot?

THE NEW ZEALANDER
By Anthony Trollope, edited by N. John Hall.
Clarendon Press : Oxford University Press. 271 pages. £3.

ANTHONY TROLLOPE AND HIS CONTEMPORARIES
By David Skilton.
Longman. 184 pages. £2.50.

It is a sign of Trollope's steadily rising reputation that a full-length manuscript of his, rejected when he offered it to Longman's in 1855 and never subsequently published, should now be exhumed, edited and offered to the general public, less as a literary curiosity than as an intrinsically interesting book. "The New Zealander" is not a work of fiction, but a tract for the times, of the same order as Carlyle's "Latter-Day Pamphlets." Trollope thought those fulminations exaggerated in their pessimism, but his own study of mid-Victorian England is coloured by misgivings about its future. The title derives from Macaulay's prognostication that a New Zealander would one day sketch the ruins of St Paul's from a broken arch of London Bridge ; and Doré's engraving, reproduced in this volume, catches Macaulay's apocalyptic note quite brilliantly. Trollope, however, was not cut out, temperamentally, to be a prophet of doom ; his satire is pretty mild and predictable, and his rhetorical passages, especially his exhortations, are all too reminiscent of Carlyle's bombast. The book was no doubt meant as a pot-boiler, though as it was not accepted it can hardly rank as one. Trollope wrote it as a mature man, and his judgments on current social trends are based on shrewd observation. Students of his work will be glad to have so substantial a chunk of new material ; but it is worth noting that Trollope himself never so much as mentioned it in his autobiography.



Doré's apocalypse

Mr Skilton's study, "Anthony Trollope and his Contemporaries," takes its useful place among a number of recent critical commentaries on the novelist. It pays particular attention to the conventions of Victorian fiction, imposed by the quite explicit demands of serious-minded middle-class readers. The problems posed by these expectations involved other authors besides Trollope, but Mr Skilton concentrates on him because, though he had his detractors among the critics, he achieved such outstanding popularity.

Vat books

Guides to the value-added tax are falling like autumn leaves—to the surprise of no one, despite the season. One way of deciding which to buy is by price. And on this score Mr Hugh Mainprice's **Vat : A Concise Guide** (Vat Planning and Publications, 45p) wins hands down. He was working on the Vat legislation in the Customs and Excise department until March, and goes as far as is possible at this stage—the legislation provides for most of the details to be filled in later in the summer. But most of them have been mulled over in the Customs, and some have been tried out on the interested parties. Naturally, Mr Mainprice was privy to those discussions, and this shows in his book : for instance, the three possible schemes that the Customs has in mind to make life easier for retailers are described.

Professor Wheatcroft's **Value Added Tax** (Cassell, £1.80) claims to be no more than a "short book"—a "first instalment." He proposes a longer and more definite book "after the legislation is passed," and, no doubt, after the necessary orders and regulations have been made. This first bite goes a little deeper than Mr Mainprice's in informal discussion of the tax and how it works. It is doubtful whether Professor Wheatcroft is entirely accurate in his understanding of some of the legislation. For instance, he thinks that perhaps a theft from a business would count as a taxable supply from the business to the thief—particularly if the thief was discovered and successfully sued for damages—otherwise tax could be avoided by arranged theft followed by arranged compensation. But under its general provisions Vat only applies to supplies "in the course of a business," which can hardly apply to a robbery. The loophole that bothers Professor Wheatcroft is less than life-size ; it would involve an uncomfortably large risk of criminal prosecution.

Butterworth's **Value Added Tax and The Bill Explained** (£1.70) has a text of the bill together with short textual notes by that publisher's editorial staff. This will have to be revised in the late summer. It has an explanation of the tax by Mr Jeffery English. Professor Alan Tait's **Value Added Tax** (McGraw-Hill, £3.60) is more of an economic guide to Vat, with extensive coverage of European versions of the tax. (It was written before the budget.) Its strength and its weakness are that it covers quite briefly the theoretical ground that has been comprehensively covered in the standard textbooks on public finance and the value-added tax, such as those by Professor Carl Schoup. It is more up to date than most of these, but on the facts it will soon be out of date itself.

Meanwhile Mr D. S. Buchanan of the Department of Trade and Industry's library has performed an invaluable service by compiling for Aslib a bibliography on Vat (**Value Added : the tax and the concept**, 75p), which gives sources of information and lists books under five headings.

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Liabilities			Assets		
Capital Stock		L. 60,000,000,000	Cash in hand		L. 111,354,118,616
Reserve Fund		L. 19,602,295,652	Balances with Central Bank		L. 535,195,512,091
Unclaimed Dividends		L. 24,246,312	Funds available with other banks		L. 1,072,504,442,671
Deposits:			Treasury Bills and other Government Securities		L. 588,150,173,222
Savings Deposits	L. 524,138,778,872		Securities guaranteed by the State		L. 226,366,519,170
Current and other accounts: Customers	L. 3,219,890,213,433		Our portfolio of securities:		
Current and other accounts: Correspondents	L. 1,927,543,329,076		Shares	L. 21,841,814,987	
Circular cheques outstanding	L. 61,626,973,027		Bonds: of Industrial and other enterprises	L. 80,373,775,294	
	L. 5,733,199,294,408		mortgage Bonds	L. 178,728,990,186	
Advances from Central Bank	L. 347,743,924				L. 280,944,580,467
Liabilities:			Participations in:		
for guarantees	L. 404,462,532,522		Mediobanca	L. 2,888,700,000	
for irrevocable credits	L. 69,410,265,550		Credito Fondiario	L. 3,488,000,000	
for commercial acceptances	L. 43,659,866,576		Banco di Chiavari	L. 9,517,095,560	
	L. 517,532,664,648		Others	L. 4,388,527,377	
Staff liquidation fund	L. 51,300,000,000				L. 20,282,322,937
Provision for depreciation of Premises	L. 14,144,781,735		Affiliated Foreign Banks		L. 1,260,785,692
Creditors for bills taken for collection	L. 171,607,390,276		Loans:		
Items in transit and sundry	L. 117,032,724,633		Bills discounted	L. 430,483,329,118	
Unearned Discount, Interest, etc.	L. 38,987,244,539		Current and other accounts: Customers	L. 2,235,832,868,904	
Profits brought forward	L. 90,302,880		Current and other accounts: Correspondents	L. 414,458,989,538	
Net profit for 1971	L. 6,028,552,226		Contango Loans	L. 27,068,420,077	
					L. 3,107,843,607,637
			Non-Cash Credits:		
			Customers' liabilities for guarantees	L. 404,462,532,522	
			Customers' liabilities for irrevocable credits	L. 69,410,265,550	
			Customers' liabilities for acceptances	L. 43,659,866,576	
					L. 517,532,664,648
			Bills for collection		L. 171,607,390,276
			Items in transit and sundry		L. 53,608,355,013
			Interest accrued receivable, etc.		L. 24,148,814,716
			Bank premises and other Real Estate		L. 19,097,954,076
			Furniture and equipment		L. 1
		L. 6,729,897,241,233			L. 6,729,897,241,233
Depositors of Securities: as guarantee	L. 376,692,268,083		Securities on deposit: as guarantee	L. 376,692,268,083	
Depositors of Securities: in custody	L. 2,369,440,718,223		Securities on deposit: in custody	L. 2,369,440,718,223	
	L. 2,746,132,986,306				L. 2,746,132,986,306
	L. 9,476,030,227,539				L. 9,476,030,227,539

Payment of Dividend

An 8½% dividend for the year 1971 is payable as from Monday, April 24th, 1972, at all branch offices of the Bank in Italy, against presentation of the share certificates, as prescribed by the law actually in force.

CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE

CREDIOP

AN ITALIAN STATUTORY CREDIT INSTITUTE WITH HEADQUARTERS IN ROME VIA QUINTINO SELLA, 2
FULLY-PAID CAPITAL: LIT. 15.300 MILLION
RESERVE FUNDS: LIT. 137.974 MILLION

During financial year 1971:
— the Consorzio di Credito per le Opere Pubbliche granted loans totalling Lit. 1.763 billion in favour of the Treasury, of local Bodies and Hospitals, of Companies concessionaires of toll-motorways and of the State Railroads;
— The bonds issued during the year by the Consorzio amounted to Lit. 1.599 billion, to US$200 million and to DM 25 million;
— The Consorzio paid Lit. 453 billion interest to bondholders;
— After appropriation of Lit. 21.400 million to Special Contingency Fund, the financial year 1971 closed with a net profit of Lit. 3.180 million, from which Lit. 1.593 million was allocated to Reserve Funds.

BALANCE SHEET AT 31st DECEMBER

	1970 (million lire)	1971 (million lire)
ASSETS		
Loans	6.406.726	**7.918.236**
Securities	5.901	**6.683**
Current Accounts with Treasury, Bank of Italy and other Banks	506.827	**597.273**
Sundry debtors and various	15.604	**15.555**
Unamortized Bond Discount	44.465	**52.664**
Other Assets	9.964	**8.848**
Contra Accounts	1.430.003	**1.554.518**
	8.419.490	**10.153.777**
LIABILITIES		
Capital	15.300	**15.300**
Reserve Funds	113.427	**136.381**
Bonds in circulation	6.425.276	**7.882.231**
Matured Bonds and Accrued Interest	326.588	**421.176**
Current Loan Commitments	44.000	**72.293**
Sundry Creditors and various	45.941	**53.854**
Other liabilities	15.852	**14.844**
Net profit	3.103	**3.180**
Contra Accounts	1.430.003	**1.554.518**
	8.419.490	**10.153.777**

Business Brief

The common market's backyard

When Britain goes into Europe next year it will be joining a trading block which stretches in many products from Finland to the borders of South Africa, with outposts in the three main oceans. This is the result of a proliferation of preferential trading agreements made by the Six which has caused much irritation in Washington and Geneva.

Two factors triggered off the growth of this network: the preferences which already existed between certain European countries, notably France, and their former colonies were inherited by the EEC; and the sheer impact of the common market on world trade put pressure on some of the EEC's trading partners, notably round the Mediterranean, to try to get inside the common external tariff. The importance of the EEC to these countries can be gauged from the fact that the original 18 African associates do nearly 80% of their trade with the Six and the community's Mediterranean partners about 50%. The non-applicant Efta countries do about half their trade with the Ten.

Pride of place in the European "commonwealth" goes to the 18 associated African states, known as the EAMA (Etats Africains et Malgache Associés). The French insisted on associate status for their African territories before accepting the Treaty of Rome. The list of beneficiaries was then extended to include the Belgian Congo and Ruanda-Burundi, Italian Somaliland and Dutch New Guinea. When the original convention ran out in 1963, most of the beneficiaries had become independent states but they all agreed to continue the association on the basis of the Yaoundé convention. This was renegotiated in 1969.



Watch those Israeli oranges roll in

Under the agreement, separate free trade areas have been set up between the EEC and each of the associated states. But the associates are free to impose revenue duties on imports from the EEC so long as they do not discriminate between or against the Six. In practice the 18 (except Zaire—the former Belgian Congo) give preference to industrial goods from the EEC. In return they get free access to the EEC market for their commodity exports (except for goods directly competing with European produce, like sugar and vegetable oils), and financial aid through the European Development Fund and European Investment Bank. The association is controlled by an elaborate set of institutions, with strictly equal representation of Europeans and Africans, except for the EDF, which is directly controlled by the Brussels commission.

Assessments of the Yaoundé association have ranged all the way from condemnation as a subtle form of neo-colonialism (particularly by English-speaking Africans) to praise as a model relationship between industrialised and developing countries. But for the 18 EAMA countries themselves it is essentially a bread-and-butter issue. They reckon they have more to gain from their association with the EEC than from the United Nations and the multilateral agencies where their influence is negligible. In terms of aid received per head they have done almost twice as well as the British Commonwealth African states.

Trade

On the trade side, however, the EAMA are less happy. The Yaoundé convention has not protected them against a progressive worsening in their terms of trade—indeed the 14 former French colonies had to give up guaranteed export prices on the French market and settle for the far lower world prices. In addition, the Six twice reduced their tariffs on the major tropical commodities (coffee and cocoa) under pressure from other developing countries. And Germany and the Netherlands continue to import their coffee and bananas from their traditional suppliers in Latin America. Further, the return from the Yaoundé preferences has been reduced by the introduction last year of generalised preferences on industrial exports by all developing countries.

Under the agreement reached between Britain and the Six, no fewer than 20 Commonwealth countries will be offered the choice between association on the same basis as the present EAMA, a separate (preferential) association agreement or a simple (non-preferential) trade agreement. If all or most of the eligible Commonwealth countries were included in the Yaoundé association, existing trade preferences would become so diluted as to be virtually meaningless for certain commodities, such as cocoa, where Nigeria and Ghana account for 70% of world production. Ironically, the EAMA may benefit from a vague condition of British entry eventually won for the sugar growers of the West Indies and Mauritius—when the time comes to renegotiate Yaoundé, the interests of countries which are particularly dependent on the export of a single commodity will be borne specially in mind. The present African associates of the EEC hope to use this phrase for their own benefit as well. The commission is currently studying whether the Commonwealth sugar agreement under which Britain provides guaranteed export markets at fixed prices might be taken over, when it runs out in 1974, by the enlarged EEC and extended to other products. The EAMA are pressing very hard for their present privileges to be maintained when the convention comes up for renewal in 1975. But in the long run the EEC may find the pressure to extend such privileges to non-EAMA developing countries irresistible.

Such a move would virtually reduce the scope of the association to the European Development Fund. Under the present convention the EAMA will receive $1 billion over five years. The eligible Commonwealth countries have a combined population of over 100m, compared with 70m for the present EAMA. So the enlarged community would have to find around $3 billion if the present associates were to continue on the same amount of aid per head in real terms. But neither the Africans nor the EEC commission are very optimistic about the chances of getting the Ten to cough up.

The Six started negotiating association agreements with Nigeria and the East African community (Kenya, Uganda and Tanzania) as far back as 1963, after the breakdown of the first round of negotiations for the enlargement of the EEC. The resulting Arusha agreement with the three East African countries was subsequently renegotiated and came into effect at the beginning of last year. It established reciprocal trade preferences, but of a more limited scope than under the Yaoundé convention. Free access to the EEC market was limited by tariff quotas to protect the EAMA, and the reverse preferences covered barely a sixth of EEC exports. A proposal by the three East African countries to include aid as well was dropped when it threatened to jeopardise the negotiations.

While the Yaoundé association grew naturally out of the Treaty of Rome, the evolvement of preferential agreements with the Mediterranean countries came as something of a surprise to the community—except for the North African countries which had special relations with France. The EEC's policy in this area was handicapped by the need to preserve a diplomatic balance between Greece and Turkey, between Spain and Israel, between Israel, Egypt and the Lebanon, and between Morocco, Tunisia and Algeria. There were further complications because most of the Mediterranean countries are mainly interested in exporting agricultural products (wine, olive oil, citrus fruit, tomatoes, etc) which compete directly with Italian produce inside the EEC.

Mediterranean

Of the Mediterranean associates, Greece was the first off the mark in 1962, closely followed by Turkey in 1964. The agreements for both countries provided for a customs union and ultimately full membership once the two countries' economies have caught up with the Six. In addition to financial aid through the European Investment Bank, the two countries got the benefit of the reduction of EEC industrial tariffs but were allowed to spread their own tariff reductions over 12 to 22 years, according to the products.

The Greeks received slightly better terms than the Turks, but their agreement has worked less well in practice. Against their hopes, they were not allowed in on the common agricultural policy (the Turks too were merely given ad hoc preferences on the principal agricultural exports). The association was virtually frozen after Greece's 1967 coup d'etat, although the tariff-cutting continued as planned so that the only practical effect was a block on any further loans by the European Investment Bank. The association with Turkey has developed normally and has so far been unaffected by its troubled domestic political scene.

The next two applicants for association, Spain and Israel, were not so lucky. Although both started knocking on the Brussels door in the early 1960s, they had to wait for admission until 1970 because of opposition from Italy (for economic reasons) and from the French and Dutch (for political reasons). After much haggling, both countries were finally offered a preferential trade agreement which fell short of a full customs union or a free trade area.

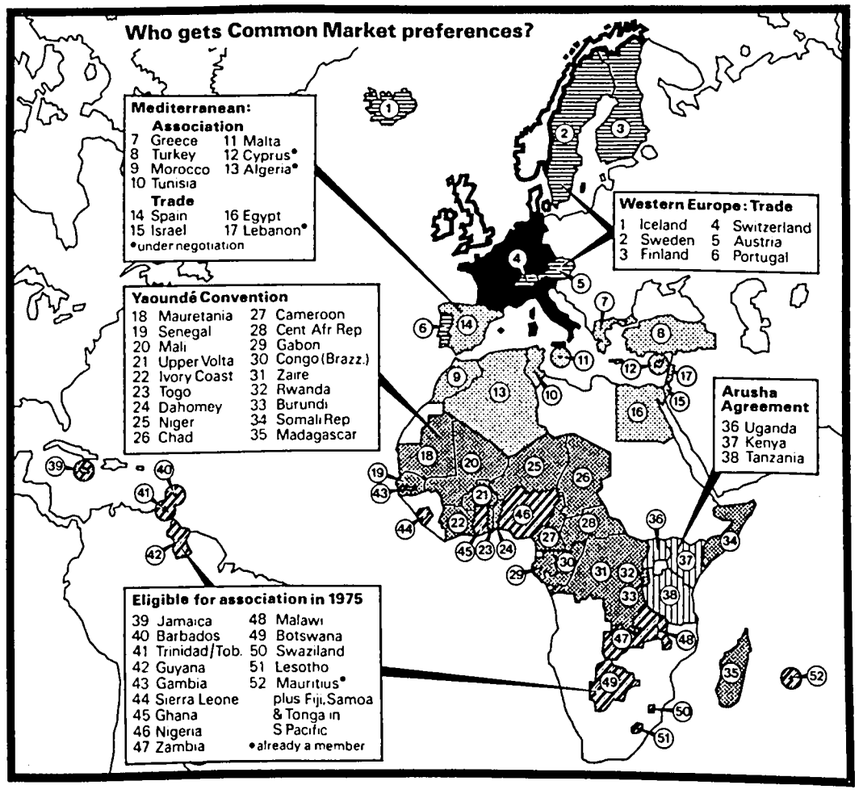
The French, as a quid pro quo for the agreement with Israel, pressed for a commitment to negotiate similar agreements with Egypt and the Lebanon. Talks began in 1970 but were held up for over a year by a dispute over the non-discrimination clause in the draft agreement which might conflict with the Arab league's boycott of firms trading with Israel. The agreements are expected to come into force next year but their economic impact will be very limited. Most of Egypt's exports already enter the EEC duty-free, and the Six have refused to make any concession on rice. However, agreement with Egypt could open the way for applications by other Arab countries, including Syria and Libya.

The three Maghreb countries may also end up with some form of association. Morocco and Tunisia were eligible under the Treaty of Rome although they preferred to wait until 1969 with their applications. The two countries now have free entry to the EEC market for their industrial exports, and also preferential treatment for certain agricultural products. Negotiations for financial and technical help may start soon. Algeria could prove to be more difficult, particularly over wine (which the French want to keep out), and the recruitment of migrant workers.

Malta and Cyprus, too, have decided to jump on the bandwagon. The association agreement with Malta came into operation last year, and provides for the establishment of a customs union in two stages; Malta's premier, Mr Dom Mintoff, has already asked for a revision to include financial aid and agriculture. Talks started last January for a similar agreement with Cyprus which is also pressing for bigger concessions on agriculture.

Negotiations are also under way with the remaining Efta countries which will result in industrial free trade in western Europe. This time round, the EEC has only offered simple trade agreements rather than the preferential association held out in the last round of negotiations in 1961-63. Even so, their economic significance will be greater than the agreements with the community's southern neighbours.

The common market's preferential system is still a bone of contention between Brussels and Washington. However, it now looks as though the United States has dropped its former outright opposition, and is expecting the multilateral negotiations due to begin next year in Gatt to deal with the threat of discrimination against American exports. The trade preferences between the EEC and its African and Mediterranean partners can be justified by the Six as a move towards fairer treatment for the developing countries by the industrialised powers. And the Americans are in a poor bargaining position until they implement the Unctad recommendations on general preferences for the developing countries' industrial exports.



National and Commercial Banking Group Limited.

Preliminary Announcement of results for the six months ended 31st March 1972.

The directors have authorised payment of the dividends for the half-year ended 31 March, 1972 on the 11% cumulative preference shares at 5½% and on the 5½% cumulative preference shares at 2¾%. The directors have also declared an interim dividend, on account of the year ending 30 September, 1972, on the ordinary shares of 2.5p per share (1971—2.125p per share).

The above dividends will be payable, less income tax, to those shareholders on the register at the close of business on 11 May, 1972. The preference dividends will be paid on 31 May and the ordinary dividend on 8 June.
The following table summarises the results :

	6 months ended 31 March 1972 (unaudited)	6 months ended 31 March 1971 (unaudited)	12 months ended 30 September 1971
	£000s	£000s	£000s
Profit before taxation and the additional provision			
The Group (note 1)	10,926	8,745	20,206
Associated companies (note 2)	2,675	1,961	3,952
	13,601	10,706	24,158
Taxation thereon, including corporation tax at 40%			
The Group	(4,383)	(3,508)	(7,726)
Associated companies	(1,033)	(770)	(1,570)
	8,185	6,428	14,862
Additional provision for bad and doubtful debts, less taxation relief	—	—	(480)
Profit after taxation	8,185	6,428	14,382
Preference dividends (gross)	(39)	(39)	(77)
Profit attributable to the ordinary shareholders of National and Commercial Banking Group Limited	8,146	6,389	14,305
Ordinary dividend (gross)	(2,810)	(2,388)	(5,282)
Retained profit	5,336	4,001	9,023

Notes
1 In arriving at the group profit for the six months ended 31 March 1972 the accounting policies, which were fully described in the 1971 annual accounts, have been applied.
2 For the six months ended 31 March 1972 the Group's appropriate share of profits of associated companies has been calculated by reference to results for the six months ended 30 September 1971 for Lloyds and Scottish Limited and for the six months ended 31 December 1971 for Associated Securities Limited and Yorkshire Bank Limited.

The unaudited profit before taxation for the six months to 31st March, 1972 amounts to £13,601,000. The level of group earnings in the second half of last year, to which I referred in my annual statement in November, has been maintained.

The increase in the attributable profits of associated companies compared with the corresponding period last year arises, firstly, from the Royal Bank of Scotland's larger investment in Associated Securities Limited and, secondly, from the significant improvement in the Lloyds and Scottish published results for the second half of their financial year.

Initial adjustment to the new system of competition and credit control has proceeded smoothly in the recent conditions of easy credit. However, against the background of current economic uncertainties at home and abroad it is unwise to forecast the effect of these arrangements on the level of profit for the full year.

The Board intends that the final dividend for the current financial year should not be less than was paid last year at 2.575p per share. In expressing this intention the Board have in mind, amongst other considerations, the effect of the proposed reform of Corporation Tax incorporating the imputation principle.

27th April, 1972.

J. O. Blair-Cunynghame, Chairman.

The Royal Bank of Scotland Limited

WILLIAMS & GLYN'S BANK LIMITED

BUSINESS

The unnecessary railways

The higher the wage settlement the railway unions finally get, the more uneconomic does it become to keep the British Rail network at its present size

The horse-trading began again on Thursday, with Sir Sidney Greene pulling his usual lugubrious face and talking about being "pessimistic" when offered what looked like a 14 per cent rise—almost everything that the unions wanted. It could cost British Rail well over £39m a year.

What BR was proposing to the unions on Thursday was the 12½ per cent suggested as a last-ditch measure by Mr Alex Jarratt, the arbitrator, on April 16th just before the unions started their work-to-rule, plus another 1 per cent found by offering a minimum basic wage of £20 from next month, instead of from next year, as Mr Jarratt had proposed. The unions asked for the rise to be brought forward to this month ; British Rail refused, and the two sides parted on Thursday night on visibly bad terms. The dispute between them now is over who saves face and who loses : the offer remains worth 14 per cent whether it is paid from this month or next, but in British Rail's books it will look closer to the original 12½ per cent if it can be put off to June instead of starting now at the beginning of the railway year. The unions know this and their obstinacy is tied to a determination not to help the Government's surrender to look less than it is.

What Mr Richard Marsh should do now is to announce that he will put up all fares and charges by 6 per cent immediately to pay for it. In fact, Mr Marsh may have to put up his charges by a great deal more, because he is getting a £27m subsidy from the Government this year (in addition to his other subsidies) for keeping fares inside the Confederation of British Industry's 5 per cent price freeze, which is due to end in July.

Perhaps the country wants its railwaymen to be paid more, as it wanted its miners, and is prepared to subsidise them as living symbols of the merrie England fast vanishing along with the Brighton Belle. But, if so, the cost should be brought home to those who use the railways by demonstrating immediately in the fares what this form of generosity is going to cost. Because relatively few people do still use the railways (less than one-tenth of all passenger travel and one-fifth of freight), the alternative is to question very seriously whether we need anything like the railway network that we have.

On his appointment as chairman of British Rail last year, Mr Marsh looked as if he was going to apply the financial discipline towards the railways that he was noted for as Minister of Transport. In practice, he has chiefly taken up the environmental rumblings of his predecessors, and used his political skill to articulate them better. Although a former politician may be impressed by the way the vocal middle class has taken up the environmental campaign, he should not bank on it helping him particularly.

Society is growing impatient with the car, but still prefers it to any alternative form of transport. The private car, which up to a few years ago was the greatest symbol of mass consumption, is blamed now for air pollution and for being the largest single cause of death between the ages of 15 and 35. Car owners and the vast industry behind them are depicted as increasingly selfish. But the problems are not as simple as is suggested by those who advocate banning cars and lorries, and subsidising railways instead. Take the argument for transferring freight from the roads to British Rail : most of the congestion, pollution, noise and everything else caused by lorries is inside cities, and not between them—the lorries have to be in the cities anyway. British Rail does have a future in freight, in the growing bulk carriage business, not in the bits and pieces of wagonloads that it continues to chase after.

Passengers are a similar story. British Rail has an expanding inter-city traffic, and one that is fairly insensitive to price increases. This could carry much of whatever wage settlement is finally struck. But the development of this traffic is handicapped by the conflicting claims of other, less profitable activities. What too many managers of public transport forget is that they are catering for a volatile and increasingly affluent market, and that the secret is to improve the service, and probably the prices too, rather than use subsidies to keep down the prices of the kind of service that a dwindling number want.

The railways themselves have found that in Japan, Germany and France, as well as Britain, they can carry more passengers at higher prices if they improve speeds. A cheap but poor service which does not meet the demands of an affluent society does not win passengers ; they prefer to stay at home, to do business by telephone—or take to the roads.

that only two years ago, when the two French companies were talking about a merger between themselves, the commission warned that it might try to stop this by invoking one of the innumerable articles in the Treaty of Rome that gave it powers to check monopoly. The merger fell through of its own accord so the threat never had to be put to the test, but if their efforts to salvage Glaverbel bring the two closer together, what is Brussels going to do ? Show whether it has muscle ?

The rate at which mergers are proceeding in European industry makes a test case desirable, if only so that everyone knows where he stands. Until now, with the possible exception of International Business Machines, there have been precious few companies that were so big in Europe that they were in a position to dominate the EEC market, but that may not necessarily be true for much longer, and if a company does acquire what looks like dangerous economic power, then the competition directorate in the commission believes that under article 86 of the Rome treaty it can break them up. But no one really knows ; the one time the commission has tried to use this power, against Continental Can, still waits on a ruling from the court of justice. Obviously, what the commission would like is the sort of power that the Department of Trade and Industry has in Britain to clear mergers before they actually take place, using guidelines that vary with the circumstances. What it has got instead is the sort of vigorously defined legal power of the American Anti-trust Division, without America's body of anti-trust case law. The result is that a large section of European industry believes this part of the commission's powers to be a dead letter and is going to be hugely surprised if a test case proves otherwise.

No one doubts, on the other hand, the commission's growing powers over restrictive agreements (article 85), which it has used with diligence, wading through more than 35,000 restrictive agreements between EEC firms in 10 years. All but 5,000 of these dealt with exclusive dealerships, and the commission got a ruling in the court of justice that these could not be exclusive any longer. In other words, a distributor who has rights to a company's goods in one country can sell them in another EEC country even though another man already has an exclusive franchise there. The agreements have each to be worked through in turn, and the entry of Britain and the other newcomers means a fresh raft to be looked at. The commission has not yet chanced its arm on drugs, cosmetics and cars, but it has begun to put pressure on both BMW and Citroen. There is also the whole jungle of patent and licence agreements to be hacked through, some of which are blatantly restrictive. But the court has already ruled that in the record business the holder of an exclusive copyright under German law may not stop records from being reimported from France into Germany, and the same sort of ruling has been given over a disputed trademark.

The commission has also read the riot act on the type of restrictive agreement that the British Restrictive Practices Court has long specialised in. A group of cement producers was forced to scrap a joint selling organisation in Holland, while some vegetable canners in France were allowed to keep their sales organisation in Germany because individually they were too small to export without it. Feathers flew when Brussels moved against the dyestuffs divisions of the big chemical companies, complaining that they were price-fixing, and that they were doing this in collusion with Imperial Chemical Industries and (Swiss) Ciba-Geigy, whose local subsidiaries were taking orders from their parent companies outside the EEC. If this charge sticks in the court, the companies will be liable to individual fines of up to $50,000 ; the fine on Commercial Solvents and its Italian subsidiary may be $1m if the monopoly charge is proved.

The commission is drawing directly on American experience. It will have to move soon against the big fibre producers, who have already been fined by the German cartel office for price-fixing, and when they come to the commission to file a " collective information agreement " they are not likely to be handled gently. It is the same sort of American precedent that guided the commission's attack on Continental Can, but this may not have been the best ground on which to test its so far untried powers against mergers. There is no disputing the strength of Continental Can's position in the German market for food cans and lids, or the fact that the Dutch company it bought up has 100 per cent of the Benelux market for meat and fish cans and half the market for tinplate caps. But the two companies had never competed ; they had both stayed out of the other's market, so a merger between them could hardly reduce what had never existed. What the commission pleaded, in standard American fashion, was that it reduced any potential for competition there might have been had the two companies ever been tempted to slug it out. Not that they were likely to : the Dutch company was already Continental Can's licensee in Benelux, and the merger seemed specifically planned to stop the commission for jumping on this as a restrictive practice. There is a new director-general in charge of competition, Herr Willy Schlieder, who looks set for a trust-busting career. But the commission might wish for a clearer test case with fewer loose ends. The trials of the Glaverbel glass business might provide it.

Retail Business

Issue No.171 May 1972

This month's edition contains the following market analyses :-

CANNED VEGETABLES

BICYCLES

ELECTRICAL PLUGS, ADAPTORS AND LIGHT DIMMERS

This month's Trade Review : CO-OPERATIVE SOCIETIES

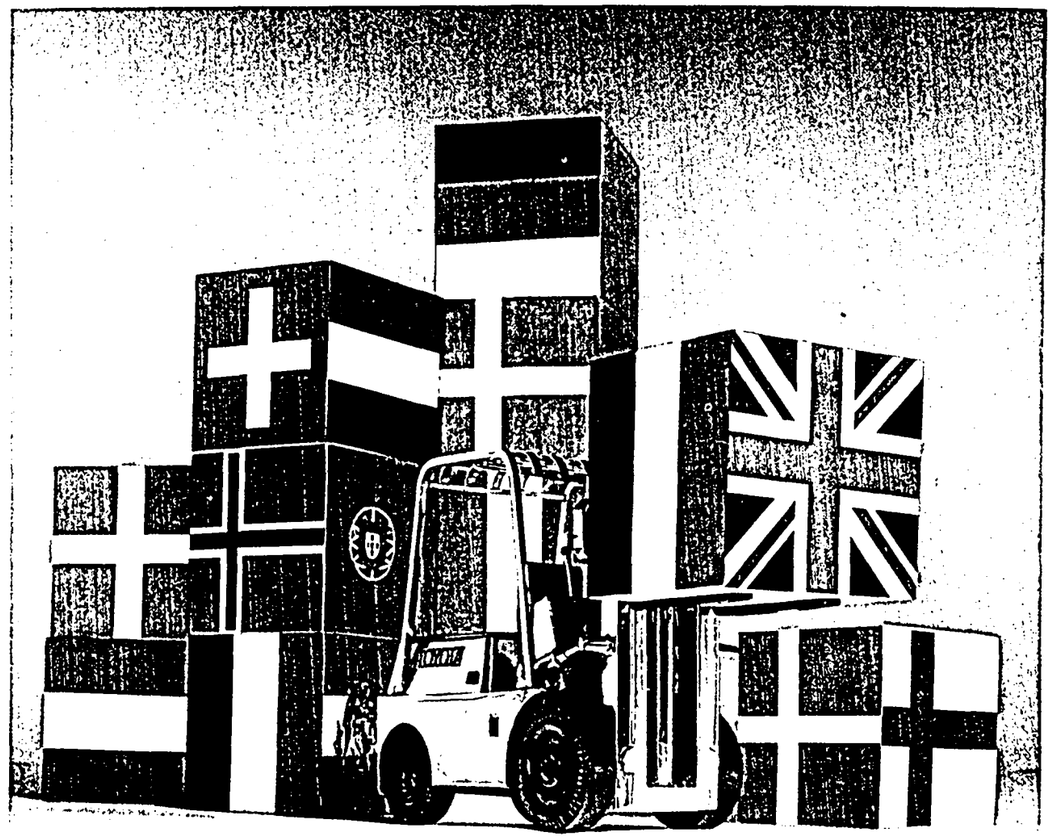
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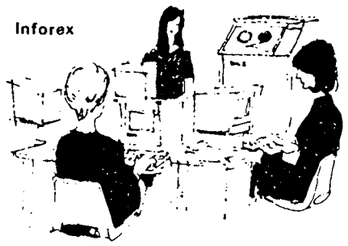
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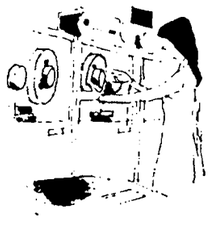
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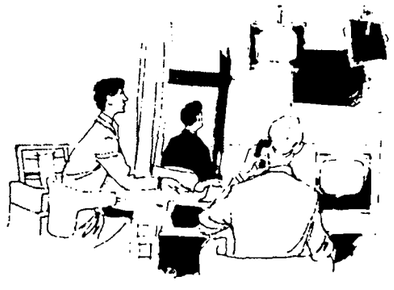


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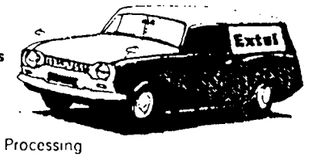


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Industry won't invest

The latest poll of how British businessmen see their prospects is encouraging on most points, but gloomy on the two most important ones : investment and inflation

Mr Barber's billion pounds of tax reliefs in March were supposed to galvanise British management into a big rethink of its investment needs. The Confederation of British Industry's latest opinion poll, taken in the first two to three weeks of April, unfortunately shows that they did no such thing. Indeed, they seem to have dampened, rather than excited, the tempo of investment confidence.

True, this new quarterly survey shows that 37 per cent of firms now expect to increase their spending on plant and machinery in the coming 12 months, against a depressingly large 28 per cent who still expect to decrease theirs. The positive balance of 9 per cent is certainly larger than January's 3 per cent ; but if the budget had done no more than keep going the rate of improvement in the second half of last year (see chart), Mr Barber could have hoped for a positive balance of 18 per cent.

There are two probable explanations of why he has not got it. First, some businessmen have cottoned on to the fact that, if clause 65 of the Finance Bill goes through, all their investment this year will be depreciated at 40 per cent, while the profit from it will be taxed at 50 per cent. This gives them a most undesirable incentive to postpone some of their replacement spending until 1973-74. When *The Economist* last discussed this problem (April 15th, page 68), we did not speculate on how much postponement might result : but we now guess that in manufacturing alone it could be of the order of £150m, or 6-7 per cent, in the financial year 1972-73. The Government surely must rectify this absurd disincentive to investment which the Treasury may have let into the Finance Bill by mistake, and indeed Mr Barber said on Wednesday that he was looking at it.

It is much less likely that the Government will dispel the other blanket over investment. The CBI says that "cost inflation must constitute the major qualification on optimism," and that "it is unrealistic to expect firms to hold prices in the face of ever-increasing wage costs." Of course, some of this is special pleading. Naturally, every manufacturer, when questioned, tends to say that his costs are rising and that he is near-killing himself to keep his prices down. Admittedly, answers to the CBI's questions about wages and prices are likely to be particularly bent this time to justify industry's rejection of a second bout of price restraint. But this survey confirms again that there really is a huge worry about escalating wage costs and narrowing profit margins, and no confidence that business activity is gaining enough momentum to counteract them.

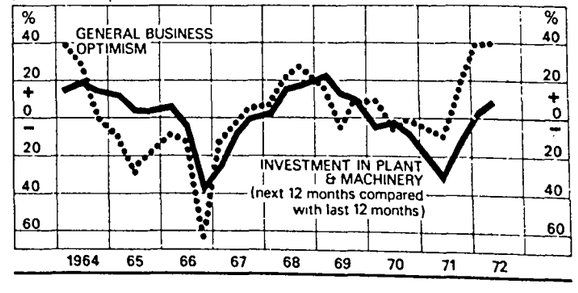
Four out of five firms, an historically high number, answering the CBI's quiz still say that shortage of orders or sales will hold back their output in the coming months. Two out of three say they are still working below capacity. As would be expected, it is in the capital goods sector and among the larger firms (the ICIs of this world) that underutilisation is most marked. It is only the smaller firms who expect to add to their labour forces in the coming months ; the big firms are still trimming theirs even though they see a big rise in new orders in the coming months.

Although there seems to be more general optimism around in business circles than at any time since 1964 (see chart), there are therefore some very worrying features in the CBI's survey. On past experience, it suggests that this year's investment in new plant and machinery in Britain may be about 12 per cent more, in real terms, than in 1971. Unfortunately, as investment was so depressed last year, that will make it a mere 3 per cent higher, at least as far as manufacturing goes, than in 1970. Some industries—including organic chemicals, plastics, agricultural machinery, shipbuilding, paper and printing—are scaling down their investment, and quite drastically, even compared with 1971. And again with investment it is the smaller companies who tend to be most bullish.

The CBI's next survey will come out just too late to affect its decision on whether or not to renew its price pledge when it expires at the end of July. Before the railways dispute, a renewal at least until December, and at least in some form, seemed likely. But many CBI members are now saying that any attempt to hold down their price rises again to an annual maximum of 5 per cent would spell disaster for their profit margins. These margins had been built up before the price freeze started last July ; but are now, manufacturers say, beginning to be eroded again.

In addition, more and more firms are building into their outlooks a three-week period of labour trouble a year : whether they flag it as a potential strike, go-slow or work-to-rule. The main lesson from this week's survey is that fears of inflation are now interfering with investment. If industry sees 10 per cent inflation ahead, it will not invest—even though that investment might be recouped more quickly at tomorrow's prices. Inflation is making industry, as well as individuals, insecure.

But optimistic about what?
Balances of 'ups' over 'downs'



BUSINESS *Britain*

Jack paid until it hurt, but Clive wants his money

Mr Jack Jones paid his £55,000 fine to Bow Street magistrates' court on Tuesday and then demanded that the Trades Union Congress should pay him back. By a vote of 16 to eight the TUC hastily agreed that "the movement should accept a measure of financial responsibility," although it has not yet decided how much. If it had refused, Mr Jones had intimated he would not pay his transport union's affiliation fees to the TUC of over £120,000. Should he carry out this threat, the TUC would be bound to chuck out the Transport and General Workers' Union and so deprive itself of its biggest member. The TUC's compromise was understandable, but Mr Jones has not made himself beloved among his colleagues who are leaders of smaller and poorer unions. Opposition to the Jones-Scanlon policy of total non-co-operation with the Industrial Relations Act has been growing in recent weeks.

Mr Jones did, however, swallow his pride on Tuesday and allowed his union to be represented at the National Industrial Relations Court when Heatons, the Merseyside transport firm, again claimed that the union was still in contempt of court. The union got an adjournment so that it had time to collect evidence. The nub is whether the union is now in the clear, since it has told its shop stewards to stop the blacking, or whether it must disown the stewards to the extent of throwing them out. If the court decides, as it did before, that mere advice to the shop stewards by the union is not enough, it may levy yet another and even larger fine.

As the TUC will pay some of Mr Jones's £55,000, will it lay itself open to paying every fine incurred by any union from now on ? Apart from anything else, the TUC has little spare cash. It may try to mount a face-saving operation, paying the fine and arguing that it was a once-off business which cannot recur. Its argument will presumably be that it need not stump up for anybody else because on Monday it made a formal decision to agree to unions turning up at the NIRC.

More significant than the TUC's back-pedalling was the expected vote by the 330,000-strong Union of Shop, Distributive and Allied Workers in favour of registration. By itself the vote does not mean a lot. But Mr Clive Jenkins's union, the Association of Scientific, Technical and Managerial Staffs, may follow suit.

ASTMS is one of the unions that is stuck with a rule that says it must be registered. In order to change this, it needs a two-thirds majority. However, at last year's conference a motion in favour of deregistering was carried by only 68,000 to 66,000. So there is every chance that there will not be a two-thirds majority in favour of leaving the register. This could be just enough to start a bandwagon going and persuade other moderate unions like the National Union of General and Municipal Workers to change their minds once more in favour of registering. Non-registering is costing the unions £6m a year in lost tax rebates.

Whether or not ASTMS registers, Mr Jenkins has been busy taking advantage of the Industrial Relations Act. On Wednesday an industrial tribunal in London heard him plead one of the first cases under the unfair sackings section of the act. Mr Jenkins claimed that one of his members had been sacked by Burroughs Machines because he was an ASTMS organiser. If the tribunal agrees, it would award handsome compensation. Its decision has been postponed until Monday. Mr Jenkins has plenty more cases of this kind.



Shopworkers register,



Jones pays,



Jenkins collects ?

Government research

Too overawed to think

If the Government had expected MPs to support its draft plans to tighten control over the ways some of the big government-financed research councils spend their money, Thursday's report by the Select Committee on Science and Technology (Cmnd 237) will have disillusioned it. The committee seems to have been overwhelmed by the appearance before it of so many eminent scientists bent solely on the task of discrediting the scheme to control

FIAT S.p.A. TURIN, ITALY

Annual General Meeting

The Annual General Meeting and Extraordinary Meeting of FIAT shareholders was held on April 28, 1972, in Turin under the Chairmanship of Mr. Giovanni Agnelli and in the presence of the Board of Directors and the Auditing Committee.

After mentioning that Italy was on the eve of a general election which was being held earlier than expected, Mr. Agnelli said there was hope that this would produce greater clarity in politics and in the economy, hence a more balanced production recovery and a better utilization of plant capacity.

The chairman then announced the results for 1971 which were as follows :

Total FIAT sales (including OM and Autobianchi) totalled 1,820 thousand million lire (£1,201,320,132), compared with 1,712 thousand million lire (£1,130,033,000) in 1970. Exports totalled 646 thousand million lire (£426,402,640), compared with 626 thousand million lire (£410,000,000) in 1970.

Motor vehicles sold totalled 1,586,253 FIAT, OM and Autobianchi units compared with 1,550,616 units in 1970. Of this total 619,081 units were exported in 1971. In addition about 450,000 motor vehicles were built under FIAT licence in various countries—roughly the same number as in 1970.

Tractors sold : A total of 41,939 tractors were sold compared with 50,423 in 1970. 21,291 of these were exported. In addition about 30,000 tractors were built under FIAT licence—roughly the same number as in 1970.

Iron and Steel : The equivalent of 1,950,000 ingot tons were converted into steel compared with 2,150,000 tons in 1970.

Other Products sales : totalled 160.12 thousand million lire (£105,700,000) compared with 196.6 thousand million lire (£129,000,000) in 1970. (The 1971 figures do not take account of production by the Fiat Aero Division for the Aeritalia Company, amounting to 23.67 thousand million lire (£15,600,000).)

Fiat Group Employees (including OM and Autobianchi): 182,501 persons (of whom 146,319 were factory workers and 36,182 office staff, not including those who moved over to Aeritalia).

The total number of working hours lost in 1971 as a result of strikes was around 3,250,000. This, coupled with labour unrest at supplier companies, caused a production shortage of over 160,000 vehicles.

The 1971 financial year closed with a trading profit of 15,512,212,070 lire (£10.2 million) after allowing 141 thousand million lire (£93 million) for depreciation. The Board of Directors recommended a dividend payment of 120 lire (8p) per share (of which an interim payment of 45 lire (3p) was made during the financial year) by withdrawing 20,720,471,110 lire (£13.6 million) from taxed reserves, to supplement the net trading profit shown in the balance sheet.

The Chairman's Report underlined the main activities of the Company during 1971 : the introduction of the 127, 128 Rally and 128 Coupé models plus the new saloon and coupé versions of the 130 ; the work going on towards the completion of the new plants in Southern Italy ; the increased production at the Volga plant with a daily output now of 800 cars ; the new agreement signed with the Polish Government ; an important investment programme in Latin America ; the signing of the integrated Labour agreement on August 5, 1971 ; and the re-organization of the company structure.

The Report then referred to the Italian and international situation. On the Italian aspect, it pointed out that Italy, because of the current stagnation in its process of development, was the country which showed the greatest signs of weakness in the present economic phase of the European Community.

However, the Report continued, a few signs that pick-up in production might be on the way did appear towards the end of 1971. Any fuller recovery was however limited to a return to normal working conditions in the factories and to price restraint.

The Report finally surveyed the results of the Company's non-automotive production, such as trucks and tractors, rail rolling stock, large diesel engines, aviation and space activities, steel, nuclear energy, machine tools, supplementary products and related activities, plus public works and welfare schemes.

PEARL
ASSURANCE
COMPANY LIMITED

Chairman:
MR S. C. McINTYRE, M.B.E., F.C.I.S.
Year ending 31st December, 1971

TOTAL ASSETS £627 million
GROSS INCOME £136.4 million
Total Payments to Policy Holders £67.0 million

INVESTMENTS
Total assets show an increase of £37.5 million including £5.3 million net write up of asset values. Gross yield on the combined life funds was £7.8 per cent.

LIFE BRANCHES
Total sums assured and bonuses in force amounted to £1,740 million and total annuities per annum to £12.3 million. New business amounted to £277,752,000 sums assured and to £2,257,000 per annum annuities, subject to new annual premiums of £11,539,000 and to single premiums and considerations of £6,197,000.

LIFE BONUSES
ORDINARY BRANCH—£11,841,000 has been applied to provide bonuses for policyholders. Reversionary bonuses at the following rates are applicable to United Kingdom participating policies for each £100 of sum assured or annuity.

	Assurances and deferred annuities other than those in the pension business fund	"Self-employed" and other deferred annuities in the pension business fund
Policies issued in 1967 to 1971 ...	£3.35	£3.75
1966 and earlier ... (provided no bonuses surrendered)	£3.60	£4.00

In addition terminal bonuses have been declared on United Kingdom policies that become claims by death or maturity or by commencement of deferred annuity on or after 1st May, 1972 and before 1st May, 1973.

INDUSTRIAL BRANCH—£13,645,000 has been applied to provide bonuses for policyholders. Reversionary bonuses on the following scales are applicable to policies subject to a monthly premium of 4s. or a weekly premium of 1s. (as originally expressed in the policy) and in proportion for policies subject to other premiums.

Policies issued in	Endowment Assurances	Whole life Assurances
1957 to 1965 ...	£1.56	£2.16
1952 to 1956 ...	£2.28	£2.88
1947 to 1951 ...	£3.00	£3.60
1946 and earlier ...	£3.72	£4.32

In addition terminal bonuses have been declared on certain policies that become claims by death or maturity on or after 24th April, 1972 and before 23rd April, 1973.

NON-LIFE BRANCH
In this Branch the premium income was £16,293,348.
Chief Office: High Holborn, London, WC1V 7EB.

Bestobell

Earnings up 50%

PROFIT
Group net profit for 1971 was £2,214,715 compared with £1,742,144 last year. This represents an increase of 27% which is considered satisfactory in view of the prevailing economic climate in the U.K. and the principal overseas territories where the Group operates.

EARNINGS & DIVIDEND
Earnings per share increased from 8.58p to 13p and a dividend of 8.5p (34%) is recommended compared with 7.5p (30%) last year.

SALES
Sales increased from £28.4m to £33.7m with a net margin of 6.6% which is the same as last year.

UNITED KINGDOM
Net profit attributable to operations in the U.K. increased by 12%. This was due to a substantial improvement from chemical and consumer products companies which more than offset a reduction in the profit from the engineering divisions.

EUROPE
The overall contribution by the European companies is relatively small but it represents steady growth in turnover and profit.

OVERSEAS
Profit of overseas companies rose by 19% with increased contributions from all territories with the exception of Australia and North America.

PROSPECTS
Mainly due to conditions in Australia and Africa appreciable growth from the Overseas Companies cannot be expected this year. Prospects in the U.K. are difficult to assess at present. However, it is anticipated that on balance 1972 will see a gradual revival of confidence and on this assumption an increase in overall Group profit is expected.

	1967 £'000	1968 £'000	1969 £'000	1970 £'000	1971 £'000
TURNOVER	20,056	23,612	28,445	28,401	33,689
PROFIT BEFORE TAXATION	1,348	1,916	2,115	1,742	2,215
NET PROFIT AFTER TAXATION	751	1,044	1,031	893	1,328
ORDINARY DIVIDEND	6.3p	6.9p	7.5p	7.5p	8.5p
EARNINGS ON ORDINARY SHARES	8.0p	10.7p	10.3p	8.6p	13.0p
CAPITAL EMPLOYED	9,882	10,931	11,536	11,783	12,400
RETURN ON CAPITAL	14.8%	18.7%	19.5%	16.2%	19.5%

Copies of the Report and Accounts and Chairman's review may be obtained from the Secretary

Bestobell Limited SLOUGH, BUCKS

their spending drawn up by that other equally eminent scientist, Lord Rothschild. Lord Rothschild said last autumn, in a paper that the Government then backed, that some of the research councils were spending their considerable funds to no practical benefit to anyone but themselves. He thought this was particularly true of the agricultural, medical and environment research councils and suggested that in future, apart from an allocation for pure research that would continue to be spent at their own discretion, they should only undertake work that had been specifically commissioned by a government department.

An attempt was made to soften these strictures by wrapping them up in phrases about the "customer-contractor" relationship, but no one mistook Lord Rothschild's meaning, and the scientific establishment in consequence took mass umbrage, whether its members were directly affected or not. The universities, which were not involved in any way, were, nevertheless, afraid that if the free-spending powers of the research councils were curbed the flow of the councils' funds to them would be curbed too. So when the select committee decided to inquire what the row was about, the mandarins reported in force to defend the status quo.

> The committee did get evidence of concern in some quarters that the research councils were not fully in touch with immediate problems . . . the Agricultural Research Council were criticised in several quarters for their remoteness from farmers and growers and their over-emphasis on "academic" rather than applied research,

and much the same was said about the Medical Research Council. The council dealing with the environment said blandly that the sort of fire-

Dock one, carry one

The dockers, rather to their surprise, gave 28 days' notice of a strike on Thursday, unless their container dispute is settled favourably for them. But they know, like their employers, that there is little either of them can do to discover who packed—and, still less, who will unpack—the containers that roll in and out of the docks, or where the packing and unpacking goes on. Unless, that is, the lorry drivers are in cahoots with the dockers' shop stewards—as they are in Liverpool, but not in other ports like London. So what the dockers want before the 28 days are up is the offer of some formula that will leave them with a feeling that they have hit back at the enemy. Such a formula is likely to mean more money for someone: probably for those dockers whose jobs run down and leave them on their £20 a week fallback pay. This is a prospect facing another 1,500 men in London when one of the stevedoring firms closes next month.

The docks dispute has grown from small beginnings about who is going to pack a tiny fraction of the containers passing through the ports. But it has exposed three sensitive nerves. One is the rivalry within the Transport and General Workers' Union; another is concern about unemployment in the docks; and the third is ill feeling about the Industrial Relations Act.

Mr Jack Jones of the TGWU likes to boast that he used to be a Mersey docker, but the men say he worked a crane on the upper river, and that he has never done the dirty jobs in the hold of a ship. In this proud trade, you practically have to have worked alongside Ben Tillett to gain their respect. Mr Jones's philosophy is one of devolution of responsibility. In practice, this has meant loss of control.

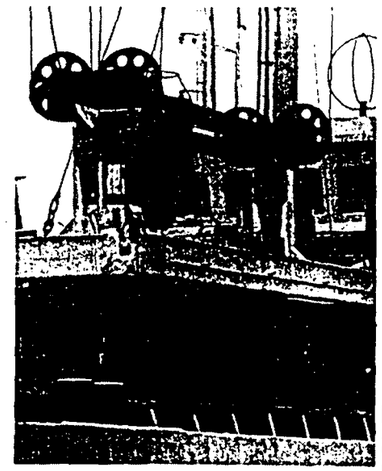
The militants say that the official leadership has sold them short. Militancy has paid off, with dockers in one port averaging £73 a week take-home pay. But there are also divisions between the militants, especially between Liverpool and the extremists of London and Southampton, who usually lead the country. The present dispute has given Merseysiders one of their rather rare chances to call the tune.

It is important to remember in all these disputes that no docker can actually be sacked. He can, however, be reduced to fallback pay or become voluntarily redundant on generous severence pay that was raised only six weeks ago to £2,300. There has been quite a rush to accept the new terms; in London alone by 870 dockers in these six weeks.

This is partly because London seems to face redundancy—or at least a reversion to fallback pay—in dockland that looks worse and worse as new estimates come in. Liverpool, so the theory goes, is insisting on co-operation from London in return for future help with London's unemployment problem. The Merseysiders seem much more worked up about container stuffing than Londoners. But that may just be because they fear unemployment too: although the forecasts say Mersey dockers will keep their jobs, it is much worse to be unemployed in Liverpool than London.

More than four-fifth of containers are packed at the factories. There has never been any argument about them, although Mr Jones was talking about wanting all the business on Wednesday—again an idle threat, since that would take a lot of jobs away from the non-dock part of his union. The fight has been about containers packed in lorry depots, away from the factories.

Until one of the employers decided to take them to court, the Mersey dockers had been canvassing voluntary assurances from road haulage companies that they would not pack containers; with an occasional sniff of blackmail in the form of blacklegging a lorry or two. Now the blacking is supposed to be complete on the com-



You can hardly see anyone around

panies who have taken the TGWU to court.

In London blacking has been hard to enforce. There is no way of telling on the dockside which containers are going to be unstuffed at one of the critical depots. With an increasing number of lorries radio-controlled, the manager can give one destination to the driver while he is in the docks, and another once he is outside. This week one group of containers in London got blacked by mistake. In Liverpool, however, the blacking is more effective, since the dockers have the co-operation of some of the lorry drivers.

The issue of who should pack containers is an old one. In the 1960s a committee was formed which proposed that any depot within five miles of the Thames should be counted as part of dockland. The port employers agreed, but pretty pointlessly: they had no power to enforce the agreement on their customers, the employers of the lorry drivers.

brigade action most people want to see when the environment is threatened was not its job at all. But the committee lacked the nerve to go the whole way with Lord Rothschild and say that it was time that control over the spending of some of the councils' money (by no means all of it) was put in the hands of those government departments that wanted work done.

Instead, the committee hedged, temporised and tut-tutted about the need to put more people on the governing bodies and to publish fuller annual reports. Lest this sounded too much like criticism the committee recommended that the councils get more money for yet more headquarters staff —although Lord Rothschild had put the finger on the funds already spent in administration and the staggering number of committees the councils proliferated.

The committee asked the Government for yet another white paper on the functions of research, for a minister in charge of research, and for another science policy committee. It evaded whenever and wherever it could the unpleasant prospect raised by Lord Rothschild that this country is not getting value for its science spending. The committee could have decided that he was wrong, but it did not do that either. It seemed too overawed to have any opinions at all.

Steel

Back to base

The Government is to act through the Industrial Development Executive to prevent the regions from being hit when British steel prices go over to the common market system at the end of the year. (Special arrangements will have to be made for Ulster, technically outside the IDE.) From next January, the British practice of averaging transport costs over the whole country so that all users pay the same price will not be allowed any more. Under EEC rules, users have to pay in full for transport costed from a range of published basing points, and it is just bad luck for steel users far from one.

So manufacturers in places like Plymouth, northern Scotland or Ulster could have been faced with paying more for steel than their competitors in the Midlands. But apparently the Government is prepared to face the inevitable charge that it is subsidising British industry to see this does not happen. The British Steel Corporation had already intended to use a loophole in the EEC rules, covering "non-comparable" deals, to average the price paid for steel by companies with several plants, like Ford at Halewood and Dagenham. The same system would be used for British Leyland and Chrysler to cope with their Scottish plants. And it is possible that there could be a return to fixed-price steel contracts for shipbuilders, mainly to cover Harland and Wolff's difficulties in Belfast. Here BSC faces the probability of serious undercutting by Japanese steel plate, possibly imported through Scandinavia. Rather than make use of another common market rule that allows "aligning down" to a lower competing price with its depressing effects on profits, BSC is reconsidering long-term contracts, even though it lost £15m on them two years ago. The contracts would most likely be tied to an individual ship.

The corporation has attempted to reduce the room for competitors to slip under its new prices by bending the EEC rules a little. It is to use two systems of basing points, depending on the product. Where it has more than one steel mill making a type of steel, as with strip, BSC has the nod from the commission to use more than one basing point. For others, like the major part of alloy and stainless steels, there will be just one basing point. The location of the single basing points has been decided on a balance of transport costs between the mill and the users.

There is still a mass of detail to be sorted out. A working party has been set up to establish a reliable cost index for sea transport. The community has not been faced with the wide variety of port charges, for example. BSC, too, has yet to settle just what prices it will be charging under the new system. They will depend on what happens to the CBI initiative after July, but the industry is looking forward to the greater commercial freedom it will have under community rules. It would be too much to expect the Government not to keep its fingers in this pie, but with steel demand rising, there may be chances of profit-making.

Insurance

Shutting the stable door

Belatedly, the House of Commons on Monday got around to debating the report of the tribunal of inquiry into the affair of the Vehicle and General Insurance company. Predictably much of the—fairly thoughtful—debate revolved around two related questions. Had the principle of ministerial responsibility been eroded because blame for the fiasco was laid so uncontrovertibly at the door of three civil servants, and especially one of them? How desirable are tribunals of this kind anyway? The most important point, however, was the portent for the future. And it was bad.

The Secretary of State for Trade and Industry, Mr John Davies, ran briefly through the list of the tribunal's recommendations. From this it emerged that the insurance supervisory section of the DTI has had its staff doubled and that specialists may be recruited to help. The law on supervision is to be tightened up. But it became only too obvious that insurance supervision will continue to be the job of the DTI alone. The British Insurance Association has evidently told Mr Davies that it wants no part in it. This is regrettable. The best course would be for insurance supervision to be handled by a semi-autonomous agency, like the take-over panel, with which the insurance industry could then be associated with in some way. Three MPs (two of them insurance men and one a former junior minister at the DTI) urged this in the debate.

It would be a help if everybody stopped talking about the BIA as though it were the industry. As it was quick to plead when the V and G folded, it is nothing more than a trade association for most of the companies in the business. Lloyd's, the brokers and many specialist companies lie outside it. The brokers might well have more to contribute to any supervisory body than the companies; they certainly have as much to lose—in terms of overseas business—when the standing of the London market is knocked by an affair like the V and G.

As a new Tory MP, Mr Robert McCrindle, a life assurance broker, pointed out, it is on the life assurance side that any tightening of the law is most needed. Non-life insurance companies are already made to produce run-off statements which show whether a company is making enough provision for its outstanding claims, and which the V and G repeatedly failed to produce when asked. Combined with a supervisory body that was close to the industry—and that was not paralysed by civil service procedures, buck-passing and prevarication—this ought to be enough to enable the fools and wide boys of non-life insurance to be spotted.

Clive Holdings Limited

Announcing the highest profits in the Company's history, the Directors propose:

A total ordinary dividend increased from 20% to 32½%, which will be maintained on the capital to be increased by a scrip issue of one new share for every five shares held.

A sub-division of each £1 ordinary share into 5 ordinary shares of 20p each.

	March 31st 1972	March 31st 1971
Profit after tax and a substantial transfer to contingency reserve.	£ 1,510,549	£ 782,276
Preference Dividend	32,500	32,500
Total Ordinary Dividend	519,600	318,000
Amount written off excess cost of shares in subsidiaries*	411,695	—
Transfer to General Reserve	300,000	250,000

**The balance of excess cost of shares in subsidiaries has been written off contingencies reserve still leaving the reserve very substantially higher than last year.*

A complete money service.

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Principal Subsidiary Companies

Clive Discount Company Limited
Long, Till & Colvin Ltd., London, Edinburgh and Manchester
Guy Butler, London and Paris

General Accident profits more than doubled in record year

The eighty-sixth Annual General Meeting will be held on 24th May, 1972, at Perth. The following is an extract from a statement by The Rt. Hon. the Lord Polwarth, T.D., D.L., C.A., who was Chairman of the Corporation until his appointment as Minister of State Scottish Office in April, 1972.

A year ago, announcing improved results, I looked forward to the future with cautious optimism. That optimism has been more than *borne out* by our 1971 performance, a record in almost every respect in the Corporation's history. Profits before taxation rose from £7,356,000 to £18,446,000. General Business underwriting shows an improvement of £9,814,000, and this, against a background of severe inflation, the worst enemy of the insurer, in those countries where the vast majority of our business is written. We have also had to contend during 1971 with the effects of civil strife in Northern Ireland and with a devaluation of the world's major currency: the latter reduced, in terms of sterling, our very substantial earnings from the United States of America. In these circumstances it is all the more gratifying to have produced a profit available to shareholders more than doubled at £14,834,000.

RESERVES

We continue our policy of maintaining strong inner reserves available to meet the contingencies which, though normally infrequent, are inseparable from our business. The major transactions dealt with through these reserves during 1971 were:

(1) The adjustment to sterling values of our net assets overseas, consequent upon currency realignment:

(2) A transfer, net of taxation, of £3,688,000 to Pension Fund Provisions, arising from the need to make further funding of the deficits therein.

(3) A credit of £6,125,000 being that part of the amount released from USA unearned premium reserves which was not transferred to General Reserve.

Retained earnings in 1971 amounted to £7,941,000—a record for the Corporation—and disclosed Capital and Reserves now total £56,704,000, of which £15m is represented by Goodwill. Although this "tangible" is backed by our very valuable life assurance interests, it is normally disregarded in considering an insurance company's assets: on that basis, our disclosed net assets represent less than 20% of current premium income. Furthermore, in the United Kingdom, adverse underwriting together with the cost of servicing loan capital and paying dividends has led to a disproportionate reduction in shareholders' funds invested at home as compared with overseas. To correct this maldistribution and to provide a strong base for growth the Directors decided to raise approximately £35m by way of rights issue to Ordinary Shareholders. An announcement to this effect was made on 24th *March, 1972 and the issue of two new shares (at a price of 175p* each) for every 11 shares held was successfully underwritten on 29th March.

INVESTMENTS

During the year, the book value of our invested assets increased from £522m to £569m. In 1971 the investment climate in most of the main countries of the world was dominated by the problems of inflation and unemployment and by the international currency *crisis resulting from the huge deficit in the United States* balance of payments. In the United Kingdom inflation continued at an uncomfortably high level, but in spite of almost negligible growth in industrial production, the market for ordinary shares rose strongly while that for fixed interest securities also improved, favoured by a general easing of interest rates. As will be seen from the balance sheets, in the Life Funds virtually the whole increase in book value of investments was divided between fixed interest securities and ordinary stocks in roughly equal proportions (approximately £9m and £8m respectively). In the Non-Life insurance funds the increase in fixed interest securities was more marked—about £19m against £7.5m in ordinary stocks.

At 31st December, 1971 the excess of market over book values of non-life investments, excluding investment reserves, amounted to £61,400,000 compared with £36,900,000 at 31st December, 1970. In a period of two years this "appreciation" has now increased by 130%. This is satisfactory: but on the Stock Markets what goes up can come down, and interesting though these figures may be to our shareholders, I still believe it is in their interest to confine them to my statement rather than import them to our Balance Sheets.

General Accident Fire & Life Assurance Corporation Limited
World Headquarters, General Buildings, Perth, Scotland

William Baird

TEXTILES • INDUSTRIAL • MINING • INVESTMENT

The results for 1971 were generally in line with expectations, a significant increase in operating profits being offset to a considerable extent by a return to a more normal charge for taxation.

Against a not especially helpful background considerable further progress was made with the policy of building up those parts of the Group not directly related to the mining operation in Sierra Leone. In the Textile and Industrial divisions, a useful degree of internal growth was supplemented by acquisitions costing in total some £4.25m. After paying for these, available resources remain strong enough for the Group's activities to be further extended as suitable opportunities can be created.

RESULTS IN BRIEF

	1971	1970
	£m.	
Group Net Assets	31.3	30.1
Profit before Taxation	2.3	1.7
Profit attributable to Ordinary Stock	1.6	1.4
Dividends	1.2 (11%)	1.2 (11%)

The Chairman, Mr. S. A. Field, concludes his Statement for 1971 as follows:

"Results for the first quarter of 1972 have been adversely affected by industrial action. This has borne heavily on Textiles and Industrial. The leeway cannot be made up by the half-year, but if the Government's efforts to stimulate demand are successful, the progress of the Group should be strongly resumed in the latter part of 1972 and into 1973."

Copies of William Baird & Company Limited's Report and Accounts can be obtained from the Company's Registrars, 105 St. Vincent Street, Glasgow G2 5EG.

A SYMBOL OF FAMILY SECURITY FOR OVER A CENTURY

REFUGE FOR LIFE & GENERAL INSURANCES

The Annual General Meeting of the Company was held at the Chief Office in Manchester on 27th April 1972

The Chairman, Mr. M. Wilcock Holgate, M.A., in a statement submitted with the Report and Accounts for 1971, reported that in the Life Branches new policies were issued during the year assuring benefits aggregating some £90 millions, at annual premiums of £4,305,000 and single premiums of £880,000. The total premium income of the year was nearly £31 millions, and payments to policyholders amounted to over £27 millions, including £13 millions in respect of endowment benefits.

The premium income of the Company's subsidiary, the Federated Employers' Insurance Association Ltd., which conducts most classes of insurance business other than Life, was £5,262,000.

INVESTMENTS

The assets of £283 millions shown in the Balance Sheets include £85 millions in British National and Local Government Securities, £66 millions in Debentures, Loans and Preference Shares, £68 millions in Ordinary Shares, £35 millions in Mortgages and loans on policies, and £21 millions in property. The total investment income, before tax, was over £19 millions.

BONUSES TO POLICYHOLDERS

In the Ordinary Branch, £5.9 millions was allocated to holders of with profits policies to provide a reversionary bonus at the rate of £3.70 per cent on the sum assured or annuity for the year 1971, and a terminal bonus at a rate depending on the year of entry up to a maximum of £30 per cent on the sum assured.

In the Industrial Branch, £4.9 millions was allocated to policyholders, and a reversionary bonus at the rate of £2.40 per cent on the sum assured has been granted on premium paying policies which were in force on 1st January 1972, subject to completion of one year's premium payments.

REFUGE ASSURANCE COMPANY LIMITED

Chief Office: Oxford Street, Manchester M60 7HA.

Drugs

It's cheap, too

A new antibiotic from Beecham could give the company temporary world domination of the antibiotic market, if it works. A variant of Beecham's existing penicillins, the drug is directly aimed at large parts of the market which now use the tetracyclines, long an American monopoly, and cephalosporins, made by Beecham's great rival, Glaxo. For infections of the respiratory and urinary tracts it is claimed to be much more effective than the tetracyclines, as well as cheaper: on a normal daily dosage basis the comparative prices work out at 12½p for Beecham's penicillin, 16p for its new Anoxil, and over 50p for tetracycline. But tetracycline profits are huge, and the price war that may follow will be one for giants.

At present, the world market for pharmaceuticals is valued at £1.2 billion. Antibiotics are its largest single sector, and Beecham's particular penicillin alone accounts for more than £100m. Beecham gets slightly more than half of this. Anoxil is expected to be at least as big a money spinner, but this time the company will attempt to keep the lion's share of the revenue for as long as it can. Any intending licensee will have to be prepared to offer a really good product in a cross-licensing arrangement rather than just straight royalty payments.

New drug breakthroughs have been rare recently; the profits they show depend on the number of complaints they treat and the tightness of the patents. Beecham is in the clear on the first score, but every drug company in the antibiotic business will now be trying to find a way round the patents. This usually takes a year or so, but in a few rare developments—like tetracycline—the inventing company has enjoyed its monopoly, and its monopoly profits, to the end of the patent's legal life.

Management consultants

Axe hits axemen

The term management consultant is so often a euphemism for hatchet man that few tears will be shed because 13 per cent of British management consultants lost their jobs last year. The sackings reflected the smaller market for consultants' services. Demand, which had been rising at an annual rate of 10 to 15 per cent, actually dropped. Consultancy spending is one of the first items that get the chop when companies want to economise, and, as many firms are no longer as enthusiastic about consultants as they were in the early 1960s, this may have accentuated the drop.

The slump in Britain came the year after an even more massive cutback in the United States, where demand fell by 25 per cent and many consultants went broke. But the annual report of the British Management Consultants Association, published on Wednesday, does point out that foreign demand for British consultants has rocketed by 60 per cent in the past two years. If we cannot run our own industry properly, we are presumably expert at running everyone else's.

Who can get excited, besides British managers themselves, about complaints that British industry pays its executives too little? One answer is that some researchers in Brussels can. A new report* from there on the pay of British managers suggests that, while they are not starving, their salaries are not enough to appeal to the young tigers that industry needs.

The chief executive of a British company with annual sales under £2.5m gets, on average, around £8,000 a year, including his bonus; if he runs a company with a turnover of over £25m, he will be paid nearer £18,000. His company secretary's pay would be, respectively, £3,800 and £7,500; his export manager's about £3,100 and £6,000. Over half the companies questioned give regular rises, usually once a year, to keep pace with inflation but in 1971 the average for upper management was only 7½-8 per cent—which fell some way short of doing this, especially in after-tax income. However, merit increases—which over 90 per cent of the companies gave to the majority of their managers—added another 6-7½ per cent on average.

Other perks, including incentive and bonus schemes, are used by about a third of the companies; profit sharing plans (17 per cent); and stock or stock options (15 per cent of companies questioned). Nearly 90 per cent provided cars for at least some managers, with the majority paying running costs as well. Just possibly, if management consultants had looked more closely at these aspects of industry, fewer would now be out of jobs.

*Executive Remuneration. The United Kingdom, 1971. Seventh annual report. *Management Centre Europe*, Brussels.

Key indicators: British economy

Reserves
Up £22m in April after repaying outstanding IMF debts of £396m

Bank loans
Rising trend continues though still largely in the personal sector; no real sign of greater demand from industry

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	February	111.9	−10.2	−10.6	−9.6
employment*	February	89.2	−0.6	−0.7	na
productivity*	February	125.4	−9.7	−10.0	na
Export trade*‡	March	143	−4½	−9	−8½
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	February	112.1	−0.9	−0.7	+6.2
Unemployment*	April	177.2	+0.5	+2.1	+27.0
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	March	154.7	+0.3	+1.4	+7.6
Export prices	February	148	nil	+1½	+7½
Import prices	February	134	− ½	+ ½	+5

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *International*

Canada won't buy itself back

Montreal

The Trudeau government's long-awaited policy statement on foreign investment in Canada turned out to be more a takeover code of conduct for foreign investors than any far-reaching or radical proposal to get back Canadian industry. The government will bring in early legislation to empower the Department of Industry, Trade and Commerce to screen any planned takeover by foreign investors of Canadian-owned corporations with assets of more than Can$250,000 (£96,000) or annual sales higher than Can$3m (£1.2m).

The legislation will not be retrospective and will not apply to new investments by foreign corporations in Canada or to the expansion of existing foreign-owned companies. It will be restricted to the takeover of Canadian corporations by foreign interests, and only those which can be shown to be of significant benefit to Canada will be approved. The basic criteria will centre on the economic effects on Canada—including employment—how much Canadian participation is foreseen, the effect of the change in ownership on competition and whether Canada will benefit from the takeover either technically or in productivity. The policy statement adds that any takeover of a Canadian firm by a foreign corporation must also be shown to be compatible with Canada's particular social and economic priorities. The legislation will also cover foreign acquisitions of foreign-owned corporations, when, for example, an American company wants to sell out to a British bidder.

Reaction has been mixed. The economic nationalists are aghast at what they consider the moderation of the government's proposals which, as they point out, will do nothing to "buy back" Canadian manufacturing industry, about 60 per cent of which is foreign-owned, mainly by Americans. They argue that having so much Canadian industry controlled from south of the border means Canada loses the power to solve its own special problems, like its 6 per cent unemployment rate, environmental issues and satisfying Quebec's aspirations.

The middle-of-the-road proposal reflects the government's basic belief that when Canadians are faced with the choice of more economic nationalism or prosperity they will choose to prosper, especially in a year like 1972 when a federal election is likely to be called. And the hard fact remains that it will take a lot to break the Canadian investor of his habit of turning to Wall Street for his investments rather than to local companies.

European labour

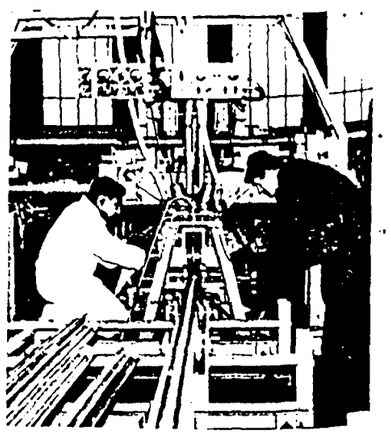
Italians, keep out

Milan

The European Economic Community is designed to achieve free movement of labour, among other things. So it has, and in the process some unexpected problems have arisen. Free movement has amounted to a flow of Italians from the south to France, Benelux and, above all, Germany. Yet since last autumn the Italians have been complaining that Germany allegedly gives preference to immigrant workers from third countries over EEC members (that is, Italy). The grumbling has risen to a crescendo in which, with the Italian elections due this weekend, Signor Carlo Donat-Cattin, the minister of labour, has threatened to haul the west Germans before the community Court of Justice.

It was, as it happens, rising prosperity in Italy, combined with a temporary exhaustion of reserves of labour on the farms, that induced the Germans to switch their recruiting in the 1960s to other countries. Now they are not particularly keen to make a switch back. The supply of Italians might again dry up, once Italy's economy picks up. The unemployed Italian worker is quite likely to have had an industrial job already, to be used to high wages, to belong to a trade union and to vote communist.

Naturally this is not the official German argument. The Germans have produced figures showing that the recruitment of Italians has actually risen in recent years: 402,000 Italians now work in Germany compared with 228,000 in 1968. They complain that they cannot get Italians with the necessary skills and qualifications. The skilled Italian worker may well prefer to sit out the recession, which his government is regularly telling him is nearly over, rather than emigrate. And Italians nowadays may be less ready to hump hods of bricks, drill roads, wash dishes, clean shoes and make beds in a foreign country miles from their families than they were 15 years ago, or than Turks and the rest are now. Nor is it correct to assume that the rest consists entirely of raw labour. Ruhrkohle has a sizeable Turkish contingent, many of whom



Foreigners must stick together

IRAQ-NORTH RUMAILA

Announcement by Basrah Petroleum Company Limited

By Law 80 of 1961, the Iraq Government purported to deprive Iraq Petroleum Company Limited, Mosul Petroleum Company Limited and Basrah Petroleum Company Limited (which are British Companies) of the greater part of their respective concession areas in Iraq. This action constituted a breach by the Iraq Government of its Agreements with the Companies.

The Companies immediately called upon the Iraq Government to settle the dispute by arbitration in accordance with the Agreements. This call has been repeated subsequently on numerous occasions, but the Government has failed to implement the arbitration procedures. Nor has any compensation been paid to the Companies; and no provision has been made by the Iraq Government for the future assessment or payment of compensation. The British Government has lodged appropriate protests with the Iraq Government.

This conduct of the Iraq Government is a breach of International Law and such wrongful acts are incapable of depriving the Companies of their rights under the relevant Agreements.

The dispute remains unsolved despite numerous attempts to settle it by negotiations.

The Government of Iraq and the Iraq National Oil Company (INOC) have announced that INOC has commenced the export from Fao of crude oil extracted by INOC from the North Rumaila field. This field lies within the concession area granted to Basrah Petroleum Company in its Convention of 29th July 1938.

Basrah Petroleum Company has written to the Iraq Government protesting at this further violation of its rights and repeating its request for arbitration. In its letter the Company makes it clear that its rights remain those contained in its Convention and subsequent Agreements with the Government.

Accordingly, the attention of all those who may in any way be concerned is drawn to the continued existence of the rights of the Basrah Petroleum Company. Any oil shipped from Fao will in fact be oil which has been extracted from the area covered by the Company's Convention of 29th July 1938. The Company will, therefore, take such legal steps as it may consider necessary or desirable to protect all its rights, including especially its title to any such oil.

33 CAVENDISH SQUARE, LONDON W1M 0AA

COMMERCIAL BANK OF ETHIOPIA

P.O. BOX 255, Haile Selassie I Square, Addis Ababa, Ethiopia

ESTABLISHED: January 1, 1964 to take over the commercial banking activities of the State Bank of Ethiopia. Capital is held by the Government.

CHAIRMAN: Ato Tadesse Yacob. General Manager: Ato Taffara Deguefé.

TELEGRAMS: "Etiobank" for Head Office and Branches. CODES: Peterson's 3rd & 4th eds.; A.B.C. 6th ed. Tel.: 47420 (9 lines). TELEX: 21037A; 21037B.

LONDON CORRESPONDENTS: National Westminster Bank; Standard Bank; Midland Bank Ltd.; Barclays Bank Ltd; Barclays Bank D.C.O.; NEW YORK: Bank of America; Chase Manhattan Bank; First National City Bank; Irving Trust; Morgan Guaranty Trust.

CONSOLIDATED STATEMENT:

LIABILITIES, Dec. 31:	1971 Eth.$	1970 Eth.$	ASSETS, Dec. 31:	1971 Eth.$	1970 Eth.$
Capital	35,000,000	30,000,000	Cash & Banks	57,999,880	60,503,349
Reserves	10,631,937	14,019,111	Investments	12,879,808	17,175,646
Deposits, etc.	396,318,929	369,394,187	Loans & Discounts	356,436,745	327,631,032
Contra A/CS.	102,209,862	93,930,794	Contra A/CS.	102,209,862	93,930,794
Other Liabilities	44,090,501	43,800,062	Other Assets	58,724,934	51,903,333
Total	588,251,229	551,144,154	Total	588,251,229	551,144,154

DIVIDENDS: 1964 to 1966, 10 p.c. p.a.; 1967 and 1968, 7; 1969, 8; 1970, 8½ and 1971, 7.14. SHARES: Eth. $100.

MEETINGS: June.

BRANCHES: Ethiopia 84. REPRESENTATIVE OFFICE: Djibouti, Afars & Issas (Transit Office only). See "GEOGRAPHICAL INDEX." (See Index to Advertisers)

CREDITO ITALIANO

JOINT STOCK COMPANY

Incorporated in: GENOA—Head Office: MILAN

Capital paid up: Lit. 45,000,000,000—Reserve Fund: Lit. 15,200,000,000

The ordinary and extraordinary shareholders' meeting which was held in Genoa on the 20th April 1972 has approved the

BALANCE SHEET AS AT 31st DECEMBER 1971

ASSETS			
Cash	Lit.	159,803,603,120	
Funds with the Bank of Issue	"	300,200,712,912	460,004,316,032
Funds with other Banks			
Ordinary Treasury Bills	Lit	449,000,000,000	1,193,806,314,210
Other securities of, or guaranteed by the Government, bonds issued by Government-controlled Bodies and special Credit Institutions	"	357,331,057,335	
Sundry bonds	"	10,726,405,667	
Shares	"	13,874,785,779	830,932,248,781
Bills receivable	Lit.	424,827,036,183	
Bills rediscounted	"		
Contango Loans	"	16,055,436,061	
Advances and other accounts:			
Customers	"	1,705,766,949,801	
Correspondent Banks	"	230,823,962,670	2,377,473,384,715
Bills for collection		Lit.	95,319,631,777
Participation in "Mediobanca—Banca di Credito Finanziario"	Lit	2,969,158,826	
Participation in "Credito Fondiario"	"	3,877,916,592	
Sundry participations	"	13,591,493,184	20,438,568,602
Liabilities of Customers for Acceptances and Endorsements	Lit.	4,867,425,586	
Liabilities of Customers for Guarantees and Confirmed Credits	"	252,327,627,189	257,195,052,775
Sundry Accounts		Lit	73,130,366,091
Buildings		"	22,011,144,677
Furniture and Equipment		"	1
Pre-paid expenses		"	17,368,935,096
		Lit.	5,347,699,962,757
CROSS ACCOUNTS			
as Collateral	Lit.	13,650,153,945	
for Safe Custody	"	2,364,989,787,773	2,378,639,941,718
		Lit	7,726,339,904,475

LIABILITIES			
Capital (90,000,000 shares of Lit. 500 each)	Lit.	45,000,000,000	
Reserve Fund	"	14,200,000,000	59,200,000,000
Deposit and Savings Accounts	Lit.	480,438,244,301	
Current and other accounts:			
Customers	"	2,502,946,767,164	
Correspondent Banks	"	1,584,438,322,596	
Cheques outstanding	"	71,999,530,902	4,639,820,864,963
Advances from the Bank of Issue			
Rediscount of bills	"	Lit.	38,808,947,911
Bills received for collection from Customers		"	118,459,372,642
Acceptances and Endorsements	Lit.	4,867,425,586	
Guarantees and Confirmed Credits	"	252,327,627,189	257,195,052,775
Sundry Accounts		Lit.	132,466,330,141
Provision for staff retirement indemnities		"	56,229,000,000
Provision for building amortization		"	5,698,492,842
Rebates in favour of 1972		"	36,917,318,119
Profits brought forward from previous year		"	73,479,136
Net profit for the year		"	4,831,107,233
		Lit	5,347,699,962,757
CROSS ACCOUNTS			
Securities deposited:			
as Collateral	Lit.	13,650,153,945	2,378,639,941,718
for Safe Custody	"	2,364,989,787,773	7,726,339,904,475
		Lit.	

The shareholders' meeting has furthermore:
—allotted Lit. 1,000,000,000 to increasing the reserve;
—fixed the dividend for the financial year 1971 at Lit. 42.50 for every share of Lit. 500 nominal value.

were miners in Turkey.

Recruitment of Turks or Jugoslavs is still a government-to-government affair: a German employer can simply arrange through official channels for a consignment of 200 Turks, and he knows they will be kept in order by their own government. Because there is free movement of labour within the Six, he cannot place similar bulk orders for Italians, who are expected to find their own jobs. Although the Italian government sounds angry, part of it is for the voters and part is the accumulation of bargaining counters to be played for what Italy really does want (and, with British support, may get), which is community cash for the Mezzogiorno.

Apollo 16

Not in the book

The first boxes of moon rock to be opened since Apollo 16 landed have given scientists a bit of a shock. They have had time only for a quick look at about 14 lb of rock brought back in the first four boxes before these were whisked away for radio-active testing; a small solar flare occurred while the astronauts were on the moon and a few boxes were rushed to the laboratories ahead of the rest to see whether any effects could be detected. But that look was enough to show that the rocks were not made up of simple moon crust but were a jumbled amalgam of almost every kind of formation that has been found at any time on the moon: soil, crust, molten rock, all conglomerated together in the surface and boulders of the Cayley Plains in a way that scientists describe as "very complex."

This puts the latest conventional theory about the moon in some trouble. It said that the mountains and highlands were formed when the moon first cooled down and have stayed that way ever since, except for the occasional meteor or volcano. The plains, on the other hand, were churned over repeatedly in great molten flows of lava. The theory may still hold for the moon as a whole, but it is obvious from that first, quick glimpse of Apollo 16 rocks that it is not true of the Cayley area. It looks very much as if this particular spot was worked over by some cataclysm after the original formation of the highlands and it will take a great deal of work in the laboratories to get any idea of what it could have been. The great error made by the National Aeronautics and Space Administration is to ban all discussion of issues like these until the scientists have the answers and can produce them with some assurance. But by then all conceivable public interest has evaporated. And Nasa wonders why Americans are bored with the moon.

Trade talks

Wait for us

The Americans have given the European commission in Brussels the uneasy feeling that they want to slow down preparations for the next round of world trade talks. When Mr Nathaniel Samuels, who is about to leave his job as American Under-Secretary of State for Economic Affairs, and Mr William Eberle, President Nixon's special trade negotiator, had had their say in Brussels last Friday there were expressions of satisfaction all round, but what stuck in the memory was Mr Samuels's recitation of all the objections to an early meeting: America's balance of payments problems, unemployment, protectionist sentiment and, above all, the approaching presidential election. In other words, late in 1973 or even early 1974 would suit Washington. Preparatory work at the General Agreement on Tariffs and Trade for the talks (variously described as the Nixon round and, by the Japanese, the Japan round) is well ahead and, despite the far greater range of subjects that will be considered than in the Kennedy round, ought to enable talks to start early next year.

The Americans continue to bang away at the allegedly unfair effects of the enlargement of the EEC, the free trade treaties with the neutrals, the common agricultural policy, and so on. The Nixon Administration cannot be expected to do much to resist pressure for anti-dumping measures, and for restraints—voluntary or otherwise—on other countries' exports, until the election is safely out of the way. Indeed, this week the Europeans were attacked by American members of the World Bank for the reverse preferences they enjoy in certain associated developing countries (see page 74), which gives them an advantage over the Americans in competition for projects being financed with World Bank cash.

What the Brussels talks did achieve was a new working relationship between the Brussels commission and the Nixon Administration; that is a conspicuous achievement for Mr Samuels and the EEC commissioner for external relations and trade, Mr Ralf Dahrendorf. What this adds up to is sitting down together and working out the subjects and policies that the commission can reckon to sell to its member governments and the Administration can get past Congress. This will be all the more valuable when the talks finally do get started.

Malta

Taxed haven

It is not Malta's new budget that means the end of its life as a tax haven, but the kites the prime minister, Mr Mintoff, flew before it. Before the budget, settlers in Malta who had investment income of over £1,400 were able to pay income tax at the concessionary rate of only 2½p in the £1, with no surtax and with a special £500 personal allowance; for a married couple the total personal allowance was £1,040. Although they will still pay no surtax and keep their allowances, the settlers have been told the 2½p rate is to be abolished in favour of a new, as yet undeclared, scale of income tax. The ordinary scale is at rates from 10 per cent on the first £200 of taxable income up to 32½ per cent on taxable income over £900. The special new scale for settlers is expected to raise £400,000; or £100 from each, since there are about 4,000 of them.

This is hardly ferocious beside the heavy increases in indirect taxes. But it was preceded by a couple of proposals made to test reactions. The first, on March 2nd, was that new settlers would need an income of £4,000 instead of £1,400, be 60 years old, and pay full Maltese income tax and surtax.



Flag down, taxes up

which would remove the attraction of Malta as a tax haven, although it would remain a sunny spot for retirement, with lower tax rates, and probably a lower cost of living, than Britain. This proposal is still in the air. When reactions have been tested a decision will be made.

The other proposal, made last week before the budget, was that foreign residents should pay a levy for a permanent residence permit as an alternative to higher taxes. But the British Residents' Association preferred to pay higher taxes instead. Hence the budget proposal. The main lesson that has been learned by settlers and potential settlers is that Malta's policy is highly uncertain. Since retired people value security, the remaining tax concessions are unlikely to tempt many new settlers even if the March 2nd proposals are not adopted. Mr Mintoff has caused maximum anxiety for minimum revenue.

Compensation

Washington gives

Although the nationalisation of American interests in Chile by the marxist government of President Salvador Allende has hit the headlines, in many ways he is merely following in the footsteps of the left-wing military government in Peru. Dr Allende's success in refinancing Chile's debts represents a considerable climbdown by Washington, which may be connected with Washington's dealings with Peru. Chile has undertaken to pay compensation for the nationalised copper companies "in accordance with international and Chilean law." International law is vague on this point, and Chilean law will therefore apply. This Dr Allende has scrupulously observed.

Meanwhile negotiations with Peru on compensation for the 1968 nationalisation of the International Petroleum Company (owned by Esso) have broken down. IPC enjoyed an extraordinarily privileged status in Peru. But on nationalisation Peru—like Dr Allende since—passed a law requiring the allegedly excess profits earned in the past to be set off against the compensation. President Nixon, on taking office, ruled that aid should not be cut off automatically. Nevertheless new aid dropped to a trickle, and, most important, American mining companies became unable to get funds from the Export-Import Bank for Peruvian projects.

By December, Wall Street bankers were freely predicting that the deadlock was about to be broken, with Peru making a token compensation payment in return for renewed Washington backing for Peruvian development. Some of Peru's generals apparently were ready to do a deal. But there was a leak, followed—presumably—by a huge row behind the scenes in Lima and then by angry denials that talks had even taken place.

The State Department, the Treasury and a strong lobby of American business interests had pressed hard for a settlement partly to enable the Administration to hold its tough line on Chile. But the kind of settlement Washington wanted may have been a non-starter in Peru's present political mood. More important, Lima holds the trumps. Although Peru has adopted the fairly stiff foreign investment rules agreed between the members of the Andean Pact (though not ratified by Colombia) American companies—other than Anaconda—are keen to get in on the Peruvian mining scene. More important, the Peruvian National Oil Company has struck oil in a big way in the upper Amazon basin. The company has signed service contracts with seven oil companies, including British Petroleum and Occidental, under which the companies would exploit the oil and be paid in crude—all despite the rumbling dispute over IPC. All this may have helped Washington to ease its hard line on Chile.

Ghana

The debt battle

The Ghanaian government has now set up a debt office. Its task will be to sift through all Ghana's commercial debts to see if any others should be singled out for repudiation beside the medium-term debts (of £13½m) to four British companies on which the new government has already turned its thumbs down. What Colonel Acheampong's government is really after are debts on which he thinks Ghana may have been taken for a ride.

The suspicion is that during the Nkrumah period several commercial debts fell into this category, but debts run up under the succeeding government of Dr Kofi Busia are also under review. Even those that survive study may still have to be renegotiated. Ghanaian spokesmen have talked vaguely about putting them retrospectively on to International Development Association terms (50 year repayment with minimal interest). Needless to say, the British Export Credits Guarantee Department, and corresponding bodies in other developed countries, which will bear the brunt of this onslaught, have suspended cover for new exports.

All Ghana's official debt to foreign governments and agencies like the World Bank will be repaid in full, although some doubt seems to centre on the extra interest that was added on to these debts when they were phased out after Nkrumah's fall. But the real argument behind the scenes between Ghana and western governments is on medium-term suppliers' credits ($294m) and short-term debt ($286m), the bulk of which is 180-day export credits that have been a compulsory condition of all exports to Ghana for some time.

Since export credit cover came off, Ghana's imports have dropped sharply. The new government has launched an energetic grow-our-own-food campaign, with officials getting out into the country to exhort farmers to extend their planting (and switch from cocoa), and sometimes doing it themselves. The problem will be giving sufficient motivation to farmers without raising the town prices of foodstuffs. So far there has been no evidence of manufacturing grinding to a halt for lack of essential imports, but stocks will not last for ever.

Key indicators: world commodity prices

Zipping along

After touching a 20-year high last week zinc prices on the London Metal Exchange came back marginally to £150 a ton. The United States, the largest producer, expects to have mined all its own zinc in 30 years. It is this shortage—rather than a surge in world demand—that has pushed the American selling price up to 19 cents a lb. European producers are likely to raise prices soon.

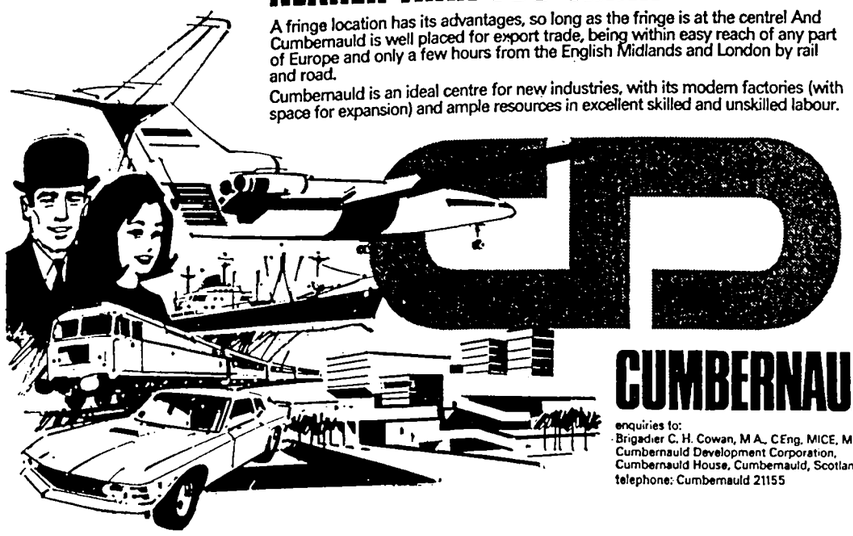
	Index 1963=100 Apr 26	May 3	Percentage change on one month	one year
All items	128.8	129.2*	− 0.4	+ 5.8
Food	141.2	141.6*	− 0.8	+ 6.6
Fibres	100.7	100.6*	+ 1.9	+25.4
Metals	183.2	182.6	− 2.9	− 9.4
Misc	112.1	114.7*	+ 2.0	+ 3.1

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- Turnover increased to £50.2m from £45.7m in 1970
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- Earnings of 10.8p per share the highest so far achieved
- Ordinary dividend increased by 2½% to 30%

The improvement in U.K. profits reflects the measures taken to reduce costs and increase output.

At the mines, earnings remained at about the same level as in the previous year. Further growth in turnover and profits expected in 1972.

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CAPE

France

Our very own

Paris

After the fracas over Algerian oil the French government is more anxious than ever to diversify its sources of key raw materials. This is behind the plans to step up mineral exploration around the world and to stockpile key ores by the Groupement d'Importation et de Répartition des Métaux, a government agency. An official list of what should be stocked and in what quantity is being drawn up.

The government particularly wants companies now involved with exploration or with other metals—like Pechiney-Ugine-Kuhlmann—to start looking for new copper deposits in a big way. PUK only narrowly missed being awarded the contract for the major new Iranian project at Sarcheshomeh, mainly because President Pompidou snubbed the Shah and refused to attend his mammoth party last year. Almost all copper is imported now from firms over which the French have no control; the government would like one-quarter to one-third of the country's copper requirements to be in French hands from exploration right through to refining. Help will be given to industry in negotiations with the countries where exploration would probably be carried out. Canada and Australia top the list; being politically stable, they top everyone's.

Nickel is the next priority. In spite of the present world glut the government may encourage the opening up of deposits in New Caledonia, where the Société Nationale des Pétroles d'Aquitaine may acquire an interest. PUK itself has recently signed an agreement for a £130m nickel mining deal there although the Société le Nickel has long dominated local nickel production.

Ini's in everything

Barcelona

The Spanish government has made its final selection of the companies that will participate in the £100m refinery at Tarragona, which will process Spain's new offshore oil finds. Rio Tinto-Zinc's Spanish affiliate got 40 per cent, in partnership with Spanish banks. But it was known well in advance that 60 per cent would go to the Instituto Nacional de Industria, Spain's giant state holding company, thus fulfilling Ini's ambition to move into oil in a big way.

Ini is General Franco's personal creation, established in 1941 on the advice of an old and trusted friend, Sr Antonio Suanzes, a naval engineer of character and ideas who is believed, whether in or out of government, to have been the chief influence on economic policy for nearly 20 years. Sr Suanzes became the first president of Ini and built it up to what it is today.

In 1941, the Spanish economy was ruined by the civil war and reconstruction was made difficult by wartime shortages. Ini's function was to move in where private enterprise was put off by heavy capital costs or a low rate of profit, particularly in the defence industries.

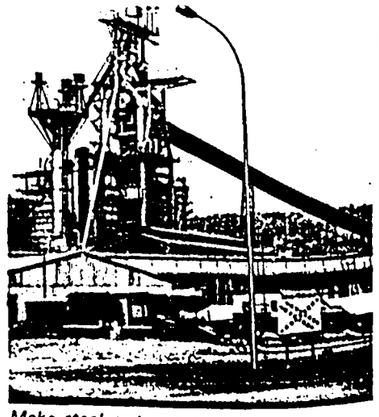
By the end of 1970 Ini had direct, and mainly majority, holdings in 67 companies (and indirect ones in another 93) with capital of £762m.

Ini controls over 30 per cent of electricity output and nearly 30 per cent of the refineries, nearly 40 per cent of steel, nearly 60 per cent of aluminium, over 30 per cent of nitrogenous fertilisers, nearly 60 per cent of private cars (mainly through Seat) and 30 per cent of air passenger traffic (Iberia). It employs some 200,000 people, or 1.4 per cent of the working population. Its 1970 sales (approximately £1 billion) accounted for 3½ per cent of the gross national product and 10 per cent of the gross industrial product.

It can boast that it was responsible for the remarkable growth of Spanish industrial production in the 1940s. But it has all been done at huge cost. From 1941 to 1970 the total investments of Ini's companies amounted to around £2½ billion. It has established some well-managed companies; in others there has been faulty planning and mismanagement, and a general tendency to extravagance and over-staffing.

Perhaps the worst example is Intelhorce (Industrias Textiles del Gaudalhorce), which was founded in 1957 to improve the chronic unemployment in the Malaga area. The idea of starting a large new textile mill was in itself unfortunate when the traditional Spanish cotton industry had been depressed for years; but on top of this the mill was badly designed and managed, there were long production delays, and it has made persistent losses, although it is apparently now being put on a sounder basis. Intelhorce is also an example of the far-from-stimulating effect that Ini has generally had on private industry. When Ini proposes to enter a new sector, other people tend to be held back by a variety of official obstacles. Since no one knows what sector Ini will enter next, the effect has been to inhibit private investment rather than encourage it.

The methods of financing Ini have varied. Until 1957 funds came from state grants. In 1958 these were substituted by credits from the Bank of Spain, but this system lasted for only a year. From 1959 until 1970 it was required to issue long-term (25-year) debentures, convertible into shares of Ini companies. By 1970 it had received £155m in government grants and £546m from debentures. The rate of interest on the debentures is not generous and they are forced on the savings institutions, which in 1969 took over 95 per cent of them. Because of the low profitability of the Ini group as a whole, the service of this huge debt makes it impossible for it to plough back profits.



Make steel, not money

The government has now decided to provide new capital in the form of a grant and to meet losses of companies that Ini is required to support for national reasons and which cannot be expected to pay—the outstanding example being the coal-mining company Hunosa, which has made enormous losses. But it has also said that in future, unlike in the past, Ini must render clear accounts.

In 1970 Senor Claudio Boada, the Catalan industrialist, who had put Altos Hornos de Vizcaya, the Bilbao steelworks, on its feet again, was appointed president of Ini. He has begun reorganisation, amalgamating or closing a number of companies, and has strikingly improved the supply of information to the public.

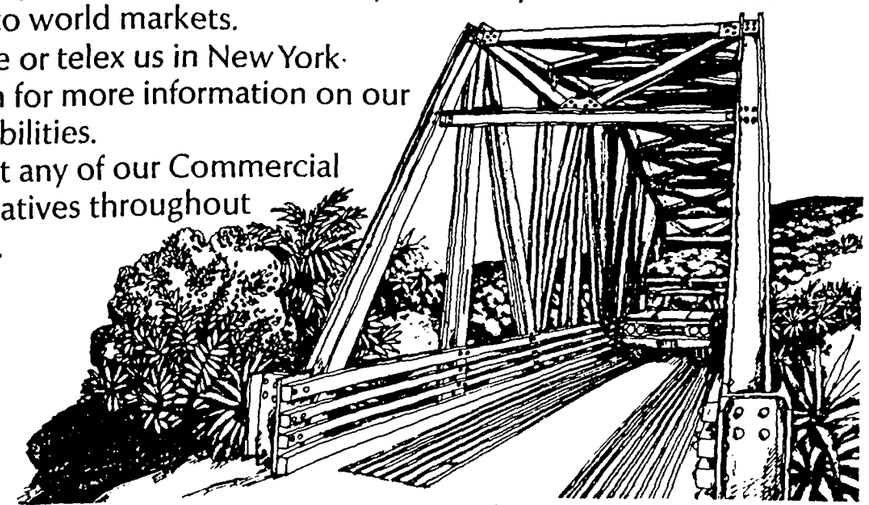
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BUSINESS *Japan*

The ever-rising yen

The question in Tokyo nowadays is when, rather than whether, the yen will break right through its new ceiling. Our special correspondent in Japan reports :



But what's it worth in your pocket ?

Can the leopard change its spots ? It is a nice question when it comes to Japan's economy, the miracle built up on exporting. For long enough, Japan's industrial partners have urged it to reduce its gargantuan surpluses on overseas payments by liberalising import policies, reducing tariffs, dismantling quotas, giving aid, investing overseas and so on. But, for the most part, the Japanese government was deaf, preferring to tighten up foreign exchange controls to prevent the inflow of funds, rather than encourage outflows. Not until last year did it think seriously about a deliberate shift of emphasis in planning away from exports and private investment in export industries to new priorities for aid and overseas investment, as well as government-led spending on social capital. Yet, despite this shift and last December's 16.9 per cent yen revaluation, which brought howls of rage from businessmen here, Japan's exports so far this year have been more than a fifth higher than in the same months of 1971 in dollar terms (if only 5 per cent up in yen).

Japanese businessmen, who found an increasing excess capacity at their factories after the country's longest postwar boom came to an end in the late summer of 1970, were clearly not interested in new theories about social priorities, but in old-fashioned remedies. The more they suffered, the more they stepped up their export drives. So the trade surplus stays just as high as ever, the gold and foreign exchange reserves continue to pile up uselessly, and the yen still looks cheap.

When a prime minister makes reassuring noises about the stability of his country's exchange rate, it can be assumed that stability is the one thing it lacks. The fascinating point about the assurance from Mr Eisaku Sato that there will be no second yen upvaluation in the "foreseeable future" is that he first felt it necessary to say it only a month after the Washington currency agreement had made Japan accept a bigger upvaluation than it wanted. Not surprisingly, speculation in Tokyo's financial circles has not died away.

The official view is that the new exchange rate for the yen is roughly right, and, given time, the government's new priorities will work to bring Japan's overseas accounts into balance. But when ? Even if the economy rebounds to the 10 per cent growth of the 1960s the government's scenario could take four years to work out, if it ever does. Last year overseas earnings exceeded expenditures by 20 per cent, a yawning gap to close even if imports were to bound up by 20 per cent a year, while the growth in exports was halved to about 10 per cent. Japan may not be able to buy the time to test the theory. The extent of the recent pressure on the dollar, even in Tokyo's tight market, and the reappearance of longer-term export contracts in which Japanese companies are incorporating their own private "crawling pegs," based on an annual upvaluation of the yen by as much as 2¼ per cent, are significant pointers.

The Japanese government naturally does not reprimand the nation's dedicated exporters. For the present state of nerves over the yen the Americans are held largely to blame. The hardening in American interest rates is seen as welcome, but late. And there is bitter disappointment that Mr John Connally, America's Secretary of the Treasury, has not yet made any hard promises, or even proposals, on dollar convertibility.

But Tokyo officials are living in hope that it will all work out in the end. On European currencies, some say the French will see the Germans do not float again. This is not a view that everyone shares. More than one influential banker here read the common market's decision to narrow the bands of fluctuation among their own currencies, which was started last week, as a prelude to a joint float of European currencies against the dollar.

No one would be willing to bet that the yen could hold its link to the dollar then, although the Ministry of Finance might be tempted to try. If the world were to fragment into trading and currency blocks—not an idea welcome in Tokyo—Japan thinks that it, along with Australia, would have to slot into the dollar block. But it seems highly unlikely that it could do so without floating first. One top banker puts the chance of the yen's getting through to 1973 without a float at less than 10 per cent.

While waiting on European or American initiatives on currencies, the Japanese authorities are finding their own room for defensive manoeuvre limited. Exchange controls have been tightened. All sorts of ideas, some

practical, some not, are being canvassed to whittle some of the fat from the country's out-sized reserves of $16.7 billion by the end of March. The government has its own, somewhat fluid, 8-point programme. Outsiders, too, are in on the act. But none of these really tackles the root problem, Japan's continuing show of strength on trading account. Only a much more rapid upswing in domestic demand than now seems likely could bite into this year's surplus.

There are proponents of a more aggressive reflationary policy, within as well as outside the government. But their argument has got bogged down in a curious mishmash of indecision, doctrinal and legal barriers to "real" deficit financing, the political infighting and manoeuvring of an election year (and one which should see Mr Sato step down), and, amazingly, even orthodox fears of inflation. Japan's unique consultative structure of decision-making has enormous strengths, as the country's postwar success record has proved time and time again. But it may work less smoothly in a period of high external pressure and rapid change. The next few months will tell.

The surplus that won't go away

If there is a somewhat frenetic preoccupation in Tokyo with the reserves, it is for a very simple reason: without some very cunning footwork, Japan's prospective surplus on overseas accounts will push the reserve kitty over $20 billion before 1972 is out. And the $20 billion mark, rightly or wrongly, is considered the psychological breaking-point for the yen.

Awkwardly, although it is now eight months since the yen was floated in August and 4½ months since it was formally revalued, Japan's exports, as we have already seen, look as buoyant as ever, while imports are only 10 per cent up on last year in dollar terms (and down 7 per cent in yen). No doubt the prolonged "recession" (in Japanese language) at home accounts for much of the trade gap. A peculiar reluctance to lay off labour and a big debt problem make the big Japanese companies unusually quick to push exports as hard as they can, in order to keep their plant going in the face of sluggish home demand. Certainly the import bill has been dampened by the recession—more than half of it is still for raw materials and semi-finished goods. Nor has it helped to encourage imports that distributors have managed to gobble up the lion's share of the windfall gains of revaluation. Indeed, a highly embarrassed Ministry of International Trade and Industry has been bringing pressure on them at least to bring down the retail prices of items like whisky. Altogether, Miti reckons that prices of imported goods have come down just 7 per cent since August.

Living it up with Y360 to the dollar

(Annual averages in $m)

	Postwar rehabilitation 1946-52	Towards economic independence 1953-57	High growth and near balance 1958-64	The surplus years 1965-70	1971
Trade balance	−233	−360	151	2,588	7,900
exports	661	2,041	4,480	12,601	23,650
% inc. in volume	*na*	*20.6*	*14.8*	*17.3*	*16.6*
imports	−894	−2,401	−4,329	−10,013	−15,750
% inc. in volume	*na*	*17.8*	*13.7*	*14.8*	*0.8*
Services and transfers	416	223	−368	−1,399	−2,002
Current balance	183	−137	−217	−1,189	5,898
Balance on long-term capital	−8	23	116	−670	−1,161
Basic balance	175	−114	−101	519	4,737
Short-term capital and omissions	17	33	85	303	2,940
Total payments balance	192	−81	−16	822	7,677
% growth in real gnp	*na*	*7.4*	*10.6*	*10.8*	*6.1*

But, even on fairly optimistic assumptions both about the pace of domestic recovery and the competitive climate abroad, Japan's trade surplus in fiscal 1972 (year ending March, 1973) could match, or even exceed, the $8½ billion of the fiscal year just ended. And this despite a 10 to 11 per cent rise in exports in dollar terms, which implies a distinct levelling-out of sales abroad in terms of the yen.

Admittedly, the forecasts do not allow for recent moves by the Bank of Japan and the Ministry of Finance to encourage imports by making finance for them easier. In early March, the central bank decided to accept industrial bills for imports of finished products for rediscount, and from April 1st it has extended its preferential loans, making them sufficient to cover 50 per cent of total funds needed for imports in place of the former 30 per cent, so reducing the degree of dependence on foreign banks for import funds. Moreover, as part of the government's 8-point programme, up to $360m (in dollars) will be deposited with foreign exchange banks to enable them to make 1-year dollar loans to importers stockpiling specified non-ferrous metals, at rates marginally below the 6½ per cent charged for the 4-month usance credits ordinarily available. Miti's original proposal, to offer importers closer to $600m, at rates linked to American treasury bill rates, directly from the reserves, might have been an irresistible incentive to smelters. But the final proposal, hedged around with no-export provisions, is less likely to make a big bite in the trade figures.

The bill for services from overseas will rise; and so should net transfers. The reversion of Okinawa on May 15th will also depress the overseas accounts. Indeed, in the government's original guesstimates on how the overseas accounts will go, the entry of Okinawa into the reckoning accounted for much of the $800m reduction then expected in Japan's current account surplus in fiscal 1972. Nonetheless, it now seems all too likely that the current surplus for the year that has just begun will again exceed $6 billion. Small wonder that the Japanese are desperately looking for bigger offsets in other accounts.

What's to be done about it?

If the government is determined not to unpeg the yen again, there are only three policies left to it: to step up the outflows of Japanese capital; to lock out speculative inflows of foreign funds; or, faute de mieux, to try to keep part of the gains out of the reserves (plans such as those to decentralise foreign exchange holdings and to invest more of the government's kitty in long-term foreign bonds would meet this window-dressing criterion).

Most conventional devices to encourage larger outflows of long-term capital have already been employed. Earlier restrictions on Japanese investment overseas in securities, real estate and plant have been almost entirely eliminated. It is true that in Japan there is almost always a catch to any liberalisation measure: in this instance, permission is still required for

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substantial direct investment abroad, although at present it is virtually automatic. By the autumn it is hoped that a government scheme will be set up to provide insurance against longer-term foreign exchange risks—although, of course, to the extent that such a scheme induces higher outflows of long-term export credits, it will also produce an eventual commensurate increase in exports. The first tentative steps have been taken towards opening up Tokyo's domestic capital market, such as it is, to foreign borrowers. The World Bank and the Asian Development Bank had been admitted as early as 1970, and only in March the Bank of Japan lent the World Bank $325m, the largest single borrowing in the World Bank's history. But now foreign governments are also being allowed into the queue. Mexico has already been given the go-ahead for a modest $10m yen issue. Agreement on Australia's request for an issue equivalent to almost $30m has been reached in principle.

But the trouble is that at this stage in its development the Tokyo market can handle no more than one, relatively modest, issue a month. Even more worrying to the authorities than the practical and legal problems of opening up the market are the indications that many would-be borrowers have objectives quite out of keeping with Tokyo's. The Japanese would like borrowers to come to the market to get yen for conversion into dollars to finance purchases of goods elsewhere. But Australia, for one, has bluntly indicated that it wants to sit on the bulk of the yen acquired. No doubt a compromise with Australia will be reached. However, if Japan would eventually like to see the yen used more as a trading currency, it most emphatically does not want to see it used as a reserve currency. Hence the restriction on foreign purchases of unlisted bonds and debentures and short-term government securities, and the rejection of requests by several south-east Asian countries that they be allowed to accumulate some yen reserves. As so many others before them, the Japanese are suddenly coming up against the difficulties in separating the two roles of their currency.



It's no joke keeping up with stock prices

Needless to say, there is no shortage of less orthodox suggestions of how to step up capital outflows. Miti has been pushing for a "foreign currency investment and loan fund" to lend dollars from the reserves to companies investing abroad. Some business circles have even suggested the outright purchase of Papua and New Guinea. But such notions do not find much favour at the Ministry of Finance.

In the short run, the most powerful incentive to capital outflows would come from pressure on the commercial banks to repay their New York and Eurodollar borrowings. Such borrowings amount to $5 billion-$7 billion, the bulk of it in trade financing from New York banks. The Japanese banks themselves, understandably, are less than keen ; a draconian rundown of such credits would wreak havoc with their correspondent relationships with American banks. So far the authorities have trod warily. At the end of February they deposited some $200m (in dollars) and in March a further $400m with the commercial banks, at interest rates pitched attractively marginally below comparable 3-month money rates abroad, to induce the banks to begin repaying such foreign borrowings. At mid-March the banks had evidently repaid roughly half the February amount, although the recent hardening of American interest rates may since have speeded the process. Even repayments of $100m-$200m a month, if continued, would rapidly add up to the target of $1.8 billion-$2.0 billion. The Ministry of Finance and the Bank of Japan can force that pace if they

Major foreign exchange controls

Restrictions on foreign borrowing by companies :

- Permission is required to float bonds abroad. In the three years to March, 1971, 30 such issues amounted to $574m. With two exceptions, no foreign issues have been allowed since, and the ban will continue through fiscal 1972.
- Short-term "impact loans" from foreign banks have been banned since September, 1968.
- Impact loans of over one year in maturity have been regulated since the autumn of 1970, broadly with a view to at least preventing any net increase in the total outstanding.

Restrictions on bank guarantees :

- The granting of bank guarantees to resident or overseas affiliated firms to enable them to borrow from overseas offices of Japanese banks or foreign banks requires permission, rarely given. (There is a lower limit under which permission is not required, but this is set so low that normally a bank guarantee would not be needed anyway.)

Restrictions on the transactions of foreign exchange banks :

- Restrictions are placed on the banks' "open" positions, both on the volume of foreign exchange oversold and the volume overbought. A check is now kept on average monthly positions.
- A minimum (and variable) proportion of certain of the foreign currency liabilities of the banks must be matched by liquid foreign currency assets.
- Limitations are placed on the banks' *short-term* borrowings from abroad ; such borrowings cannot exceed the sum of the banks' spot sold positions less their call loans plus their "free yen" deposits. (Free yen deposits are freely convertible non-resident deposits of yen.)
- Since February, 1968, each bank has had an effective ceiling placed on its conversions into yen of funds borrowed abroad (under the so-called informal Yen Tenkan regulation). Since March 1st further conversions have been virtually banned.

Advance payments for exports :

- The prohibition placed on advance payments for exports (exceeding $10,000), first imposed in August of last year and removed only on January 6th, was slapped back on February 25th.

Other still more severe and specific emergency controls on foreign exchange transactions (such as the freezing at their August 27th level of the outstanding total of the banks' free yen deposits), which had been imposed last summer, were lifted in two rounds of liberalisation, on December 21, 1971, and January 6, 1972, and have not yet been reimposed.

choose.

As for speculative inflows of capital, the defence here has been a retreat back into exchange controls, more effective in Japan than in most, more open, European markets. The retreat has not been complete. But the major step, the prohibition of advance payments for exports, has been taken —indeed, the pressures on the yen in the exchange market in Tokyo had built up to such a pitch by February 24th that the authorities had little real choice.

To outsiders, the obvious loophole to all this is the lack of any mechanism to keep foreign would-be hedgers out of the Tokyo stock market. By February foreign purchases of corporate securities had once again begun to exceed sales, if only by a modest $22m, while purchases of Japanese public and corporate debentures by foreigners topped sales by $30m. However, given the recent rapid rise in the Tokyo stock index, this problem may take care of itself. Certainly the Ministry of Finance thinks that prices have gone far too high. It can only hope that foreign investors may agree, but there is no indication yet that they do.

There is no proposal so far to adopt the German system of guard deposits to discourage company borrowing from foreign banks. Japan's own controls here are already quite tight. Companies need permission for such "impact loans," directly from the government or from the foreign exchange banks acting as its agents. And, while there is no formal, published quota on such finance, a shrewd guess would put the informal ceiling at no more than $30m a month, a figure that would certainly not permit any growth in the total outstanding. No doubt it would be less cumbersome and more foolproof to get domestic interest rates down to a point that would wipe out the still-operative interest rate incentive for Japanese borrowers to look abroad. But that is another problem.

Why not drop interest rates?

The strongest argument for a further downward twist in Japan's interest rates, particularly in long-term ones, has nothing to do with international affairs : it is the additional underpinning it would give to business at home. No one expects, in present conditions, that lower borrowing costs would directly induce much additional investment. But they would lighten the peculiarly heavy debt burden of Japanese companies, which, even in more buoyant times, is equivalent to 5 per cent of their sales, against roughly ½ per cent for American companies. Nor would a reduction in the interest costs involved in the government's new dash into bond flotations be unwelcome.

The monetary authorities are well aware of all this. The Bank of Japan's discount rate has been cut five times

The 8-point programme

This is not one tidy, agreed package but rather a list of ideas being kicked around and argued about among various ministries. It should not be confused with tighter exchange controls, a separate matter.

Here are the eight points and their objects :

- Placing of dollar funds from foreign exchange special accounts with foreign banks to enable them to repay their overseas borrowing. Object : a real reduction in the reserves.
- Setting aside of more funds from foreign exchange special accounts for investment in long-term foreign government paper. Some money, put at $100m in February, has already been placed in German bonds. Candidates for purchase now include medium and long-term American government bonds. Object : apparent reserve reduction, higher returns and, possibly, some diversification. (Investments with maturities of longer than one year are not counted in official reserves.)
- Placing of dollar deposits with foreign exchange banks to finance more liberal usance credits for importers willing to stockpile basic raw materials, such as non-ferrous ores. Object: conversion of idle reserves into higher imports (a form of reserve diversification, or hedge, at that) and reassurance of key foreign suppliers. A more far-reaching form of stockpile financing from the reserves pushed by Miti seems to have been vetoed by the Ministry of Finance for the present.
- Establishing a government insurance scheme to cover part of the foreign exchange risk involved in overseas investment or the extension of long-term trade credits denominated in foreign currencies. Object : to facilitate long-term capital outflows. The German system is being studied. Arguments over who should bear how much risk, the government or the premium-payer, remain to be resolved. Legislation would be required.
- "Decentralising" of foreign exchange holdings. Under current regulations—the revision of which is expected to be implemented shortly—resident firms and individuals are required to sell any foreign exchange they earn to foreign exchange banks and other authorised agents for the reserves within one month (although trading companies are allowed six months). Under the new regime they will be allowed to open foreign currency accounts with banks. Existing restrictions on the level of foreign exchange holdings of the banks and their conversion into yen will not be affected, however. Interest rates will be pitched to match corresponding foreign rates; the (higher) Japanese deposit rates will not apply. Transfers between residents' and non-residents' accounts will be prohibited. Object : in the short run, apparent reserve reduction; in the longer run, laying some of the ground work for the transformation of Tokyo into an international money market.
- Requiring banks to deposit part of their funds derived from borrowing abroad with the Bank of Japan. The authorities will have power to enforce higher, variable requirements if, as expected, relevant legislation on reserve requirements now passed by the upper house of the Diet, gets through the lower house.
- Further lowering of interest rates to discourage capital inflows.
- Establishing a foreign currency investment and loan fund to enable the government to lend freely to companies (or itself to use reserves) for investment in desirable overseas projects, such as resource development. Since companies could borrow (rather than "buy" with yen counterpart funds) the exchange needed, such investments would not be inhibited by considerations of foreign exchange risk. Object: to convert idle reserves into long-term capital outflows. Probably a non-starter for legal and doctrinal reasons.

HAWKER SIDDELEY

The 1971 Annual Report, which will be posted to shareholders on 26th May, 1972, will include the following comments in the Directors' Report:—

Trading Results

The total Group net profit for 1971, after taxation and minority interests, amounts to £12.4m (1970: £8.1m), which comprises :—

	1971 £m	1970 £m
Group excluding Hawker Siddeley Canada	11.9	7.6
Hawker Siddeley Canada	0.5	0.5
	12.4	8.1

and the amount of the total Group net profit dealt with in the accounts of the parent company, Hawker Siddeley Group Limited, is £7.1m (1970: £7.9m).

Trading profits of the Group excluding Hawker Siddeley Canada amount to £24.7m (1970: £17.0m), which are analysed as follows :—

	1971 £m	1970 £m
Aerospace engineering	11.0	5.6
Electrical engineering	7.8	5.7
Mechanical engineering and Metals	5.9	5.7
	24.7	17.0

Exceptional Items

The significant changes in world currency parities which took place in 1971 give rise to an adjustment on the conversion into sterling of the book amount of overseas interests of the Group.

This is reflected in a net charge of £1.6m shown separately in the profit and loss account as "Exceptional Items" which mainly relates to this accounting adjustment, reduced by the release by Hawker Siddeley Canada of the balance of a provision for special costs and losses no longer required. This charge does not form part of the trading result for 1971.

Financing

Bank loans, overdrafts and acceptance credits of the Group excluding Hawker Siddeley Canada amounted to £15.9m at 31st December, 1971 (1970: £39.9m), and balances in hand amounted to £13.2m (1970: £1.2m). Net bank borrowings accordingly amounted to £2.7m at 31st December, 1971 (1970: £38.7m).

Net bank borrowings of Hawker Siddeley Canada were £3.5m at 31st December, 1971 (1970: £3.1m).

Comments

The year 1971 and the early part of 1972 has been a period dominated by hesitant markets, inflation, currency exchange difficulties and many demands for heavy wage increases, wherever the company operates throughout the world. In the U.K. the various measures taken to reflate the economy did not produce any notable impact on our markets — there are now some signs of improvement.

Trading in mechanical engineering products generally has been below capacity during the period under review, though our companies working in this area achieved a result in aggregate slightly better than last year.

Our electrical sector has been more buoyant in terms of trading and profitability, in spite of rather brittle markets, particularly at home. Exports in this area did well, off-setting the duller home demand. The 1972 Queen's Award to Industry for export achievement in electrical goods was conferred.

The aerospace sector shows a much improved result compared with 1970. Both Hawker Siddeley Dynamics Limited and The de Havilland Aircraft of Canada Limited, which each had a poor year in 1970, did considerably better in 1971, but forward loading in de Havilland Canada remains a cause for concern. Hawker Siddeley Aviation Limited achieved increased turnover and profitability, although there is still depression in the world demand for civil aircraft. Contracts have been placed with the Group in the U.K. for a new training aircraft project and a new missile project both of which have good long term prospects.

Hawker Siddeley Canada (59% participation) made a marginally lower contribution to the Group profitability than in the previous year, reflecting the effects of the Nixon economic measures, depression in the woodlands industry and industrial unrest; prospects now appear to be improving. In Australia economic conditions were not helpful and our companies generally had a difficult year, though we remained particularly successful in power station work.

Looking to the future, the Group's overall position will be greatly influenced by whether world trading conditions improve, and in the U.K. by the effect on the economy of the conflicting pressures which are so notable a feature of the current scene, and by the extent to which Government budgetary policy proves effective. The Directors feel that the Group is in a sound position and well placed to benefit from more confident trading conditions.

Financial Highlights

	1971 £m	1970 £m
1. **Sales**		
Group excluding Hawker Siddeley Canada	410	379
Hawker Siddeley Canada	62	75
	472	454
2. **Direct Exports** (included in Sales)	95	90
3. **Profit after Taxation** and minority interests		
Group excluding Hawker Siddeley Canada	11.9	7.6
Hawker Siddeley Canada	0.5	0.5
Net profit attributable to the shareholders	12.4	8.1
4. **Earnings per Ordinary Share**	25.2p	16.4p
5. **Rate of Ordinary Dividend**	15%	13%

Interim Dividend of 6% paid 7th January, 1972.
Proposed Final Dividend of 9% to be paid on 23rd June, 1972.

HAWKER SIDDELEY GROUP LIMITED

18 St. James's Square, London, SW1Y 4LJ 01-930 6177

For a copy of the Annual Report please apply after 26th May to the Secretary.
Annual General Meeting—The Dorchester Hotel, Park Lane, London, W1A 2HJ, 21st June, 1972 at 12 noon.

since the autumn of 1970, altogether by 1½ per cent, to a postwar low of 4¾ per cent. The economy is awash in liquidity as a result of the falling-off in company demand for investment funds and the massive influx of dollar funds into Tokyo, particularly since last summer. Two offshoots have been the unusual reduction in the number of bankruptcies and the contribution of idle company funds to the stock market boom. By the end of December commercial bank borrowings from the Bank of Japan, which had still topped $7.7 billion in January, 1971, had been completely unwound—a dramatic change with longer-term implications for monetary management, pointing to a greater reliance on reserve requirements and open market operations as instruments of control.

Market interest rates have fallen in response—the call money rate precipitously, from 8 per cent in early 1971, to just 5 per cent. But the average lending rate of all banks had come down by only a more modest 0.3 per cent to 7.4 per cent by January, although that of the more powerful and competitive city banks had dipped closer to 7 per cent. Moreover, the prime rate on term loans had stuck at 8.2 per cent before coming down to 8 per cent last month. Some further reductions are expected. But the Bank of Japan has, so far, been resisting pressure for a sixth reduction in its discount rate, even though, on April 7th, Miti's Mr Kakuei Tanaka said in public that it should come down by a further 0.5 per cent to 4.25 per cent.

The limitation on any aggressive engineering of further reductions in lending rates is the obdurate opposition of the Ministry of Posts and Telecommunications, backed by an inflation-conscious public opinion, to lowering its rates on postal savings at a time when the highest rate, 6 per cent on 1½-year deposits, is barely able to keep pace with the rise in consumer prices. It is a strong argument in an election year. Yet, while deposit rates are pegged, many of Japan's smaller financial institutions are in serious straits. Their main source of funds is local personal deposits with an effective price tag of 7 per cent (including high handling costs). So lending to the call money market, their main outlet, is loss business. Until the internal quarrel with the postal authorities is resolved, the interest rate policy of the monetary authorities will probably remain inhibited by the fear of unleashing failures among the small institutions.

Growing again

When Japan talks of a recession, it is saying that annual growth in its real gross national product has dropped to 5 per cent (see chart, page 6). On that most un-British definition, Japan has been used to short, sharp recessions, triggered and easily unwound chiefly by deliberate monetary policy. None of the postwar recessions until this one lasted more than 10-12 months. The current recession has now entered its 21st month, and the timing and strength of the upturn is still in doubt, although an increasing number of businessmen in Tokyo are now saying that recovery could be well under way by the summer. Mr Tadashi Sasaki, the central bank governor, recently reported that the current decline had come to an end but that it would be premature to say that the tide had begun to rise.

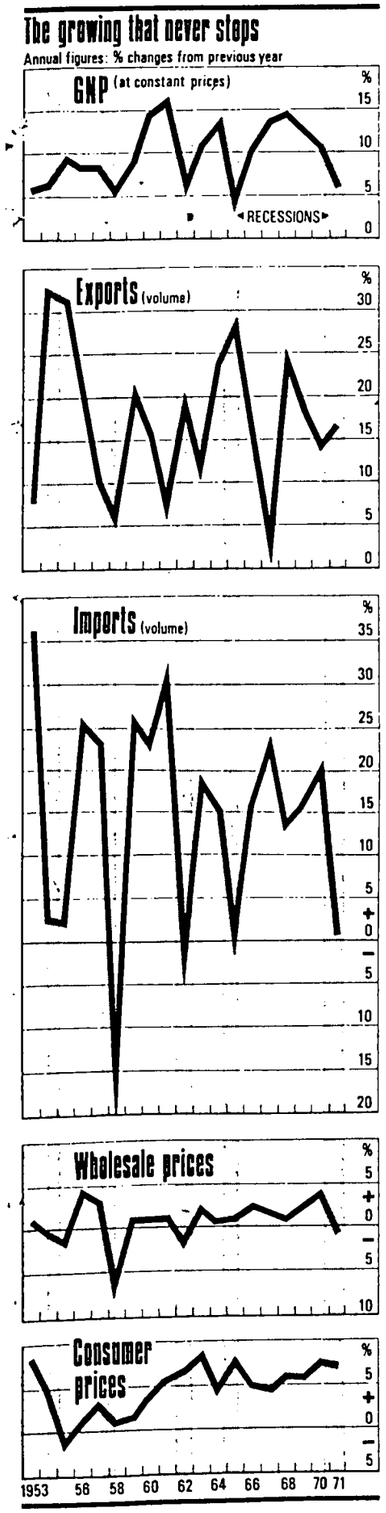
This time round the slowdown has been reinforced by the tailing-off of investment and near-saturation of markets, not only at home but also abroad, for many of the consumer durables that were among the growth leaders of the 1960s; and by last year's upheavals in exchange rates. In short, this has not just been another stocks cycle—though a rebuilding of these should provide a major underpinning to recovery in the months ahead. Private investment has been held back not by lack of funds but by hard-core overcapacity in major sectors such as steel and chemicals, and by uncertainty over the medium-term outlook for demand—not least overseas. It could revive with a whoosh. But Japan's pace of recovery will remain unusually sensitive to further external shocks.

That said, this has been very much a Japanese recession, that is hardly a recession at all. Growth in real gnp in 1971 was about 6.1 per cent according to the first reckoning ; the gain for the fiscal year ended in March could be somewhat lower, but not all that much lower. The labour market has eased. For the first time in years, there are fewer jobs on offer than jobseekers ; the 0.4 per cent growth in employment in 1971 was the lowest recorded ; and pressure on wages has lessened (settlements in the spring round of negotiations seem to be around 13-14 per cent, against nearly 17 per cent last year). For once smaller companies have been able to recruit some of the school-leavers normally snapped up by their larger rivals. But there has been no real shake-out of labour. In part this reflects the reluctance of employers, particularly large corporations, to break the gentlemen's rules of "lifetime employment." Still, observing the social niceties has not yet become unbearably painful. Easy money has at least seen to that.

None the less, in a $250 billion economy with the high growth (and debt) gearing of Japan, the abrupt drop in annual growth rates—from over 10 per cent in the long boom years to 1970 to less than half by the second half of 1971—has hurt. The margin of unused capacity in manufacturing industry may have approached the high of 25 per cent touched in the 1965 recession. A recent survey of 386 listed companies by the Nihon Keizai newspaper suggested that company pre-tax profits dropped a further 11.4 per cent in the six months to March, after having fallen 13.7 per cent in the previous half-year.

Growth and the balance of payments : fiscal years, April-March

	Weight in total 1970/71 %	1970/71 outturn	1971/72 provisional	1972/73 forecast
		% change from previous year		
Domestic growth : (at constant 1965 prices)				
Private consumption	49.6	+ 7.8	+ 7½	+ 6½
Government spending :				
current	7.0	+ 7.5	+ 8½	+ 6
capital (incl. stocks)	8.7	+10.7	+21½	+25
Private investment :				
plant and equipment	22.8	+11.7	+ ½	+ 3
housing	6.0	+ 7.6	+ 5½	+12
stocks	4.6	+24.7	−60	+40
Exports	13.5	+16.5	+16	+ 3
Imports	12.2	+18.1	− ½	+ 5½
Real gnp	100.0	+ 9.5	+ 6	+ 8
Balance of payments : ($ billion)				
Trade balance		4.5	8.6	8.8
exports		19.9	24.8	27.2
imports		−15.4	−16.2	−18.4
Services and transfers		− 2.1	− 2.1	− 2.4
Current balance		2.4	6.5	6.4
Balance on long-term capital		− 1.3	− 1.8	− 2.5
Basic balance		1.1	4.7	3.9
Short-term capital and omissions		0.9	3.3	
Total balance		2.0	8.0	



But what about private investment in plant and equipment ? All the surveys of manufacturers' plans point to a further decline, for the second year running. This would be an unprecedented retrenchement. However, non-manufacturing concerns and smaller firms are expected to spend considerably more this year. And the money being disbursed on public works is beginning to percolate into the orderbooks of the larger private companies. In the end, the plant and equipment expenditure of private companies could rise by 3 per cent in fiscal 1972, compared with 1971's bare 0.5 per cent.

Add it all up and the guess, in the table, is that the Japanese economy will grow by 8 per cent in real terms in the fiscal year which began on April 1st. This guess is shared by the optimists in Japan, although it is just below the stargazing of the authoritative Japan Economic Research Centre (Jerc) which has plumped for 8½ per cent. Other forecasters, private and official, would place the growth rate anywhere within a 6-8 per cent range, with the annual rate rising from 4-6 per cent in the first half of the year to 8-9 per cent in the second half.

To side with the optimists in Tokyo is usually to come out right. This time round one cannot be so sure. It will not be easy to find growth leaders to replace the earlier high-flyers like colour television sets, air conditioners and cars. Indeed, one danger is that the need to do so has not fully sunk in at the boardroom level. Certainly the current aggressive output and export plans of the automobile makers, their refusal to accept voluntary restrictions on their exports and the breakdown in the long negotiations between Ford and Toyo Kogyo, are ominous pointers.

In the short term the answer to any signs that the optimists are wrong should be easy : another supplementary budget, including substantial tax cuts. But there are considerable political and parliamentary hurdles. The row over defence expenditure has delayed this year's initial budget for weeks on end. If Mr Sato steps down after the reversion of Okinawa, his successor could call an extraordinary session and then go to the country on a popular supplementary budget. But Mr Sato may hold on longer.

Nor is that the only snag. There are legal and doctrinal problems : bonds are supposed to be issued only to raise money for public works and related projects, not for "deficit financing," and the Diet would have to authorise an increase in the bond ceiling. And then there are those who would shy from more reflation for fear of pushing up consumer prices, already rising at 6 per cent a year. However, the fact that consumer prices have continued to rise while wholesale and export prices have been falling steadily is more a symptom of the relative inefficiency of the long-neglected and protected distributive sector than of underlying inflationary pressure. Japanese-style stagflation is not the same as British-style stagflation. Not yet. To allow a sensible policy to come unstuck on fears about consumer prices would be silly, even in an election year.

Yet one comes back to the question, can the leopard change its spots ? Tokyo will resist to the last ditch the suggestion that it should anticipate the troubles of renewed uncertainty about exchange rates and unpeg the yen before it is forced to do so. But this may prove a mistake.

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

April 14, 1972

375,000 Shares

Needham, Harper & Steers, Inc.

Class A Common Stock
($.10 Par Value)

The above shares are presently outstanding and are being sold by certain stockholders of the Company. Needham, Harper & Steers, Inc. will not receive any of the proceeds of the sale.

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BUSINESS *Investment*

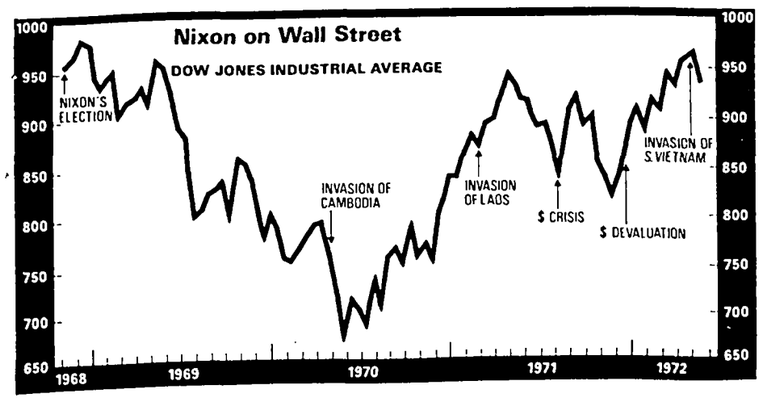
Wall Street beckons, but who wants to leave London ?

With every reverse on the distant plains of South Vietnam prices on Wall Street come tumbling down. As the bad war news flooded in this week the Dow Jones dropped 20 points on three consecutive days, closing on Wednesday at 933. On Wednesday morning a rumour that a seven-day ceasefire was being negotiated in Paris had prices instantly and strongly rallying. But the news was false and down went the Big Board.

This is the time for the foreign investor who has missed out on the Street's recent rise to buy into American stocks. For, despite tough threats from the Price Commission to limit corporate profits further by rolling back prices, doubts about the economy's recovery have evaporated. Corporate profits for the first quarter of the year are now almost all in : they are good and promise to be better in the next quarter. Factory orders for durable goods are well up and business, uncertain of its own recovery even a month ago, has now made up its mind that the future is rosy. Communists, even in the streets of Saigon, will not upset that : the American corporation is in for a good run. The present weakness in Wall Street comes only from a temporary lull in institutional investment and a slight feeling of guilt from the individual who feels that he should not invest at a time when his country looks like suffering its first military defeat. The British investor, with the dollar premium down to only 22%, should feel no such restraint.

In London neither Wall Street's tumble, the docks row, nor even the Stock Exchange's final concession to allow women on to the floor could hold down the Financial Times ordinary index, which reached a record high on Monday of 540.3, and had lost only marginally at Thursday's close of 537.5. With the money supply increasing at an annual rate of 18%, new cash is still flooding into equities.

Much of the money is searching after new issues. The government broker who regulates the flow has his timetable filled until August, which will mean a steady flow until then of five new floats a week. In this bumper time oversubscriptions are reaching ridiculous levels. One company last month, **Lighting and Leisure**, was oversubscribed 193 times, and the average is around 45 times. Investment trusts which normally get a strong reception and fall quickly to a discount have been cashing in on the market mood. Ten major trusts have been floated this year and most of them have gone to instant premiums.



Motors

Tin Lizzy bargains

New York

The canny faithful on Wall Street are now out and about looking for bargains after the market's recent decline. With the three biggest motor manufacturers reporting their first quarter figures last week, the search should not be hard. The motor industry, long spurned as safe but dull, is enjoying a year of surging profits ; but its stock prices are still bumping along in disrepute.

The **Chrysler Corporation** has just reported tripled earnings in its first quarter, and analysts expect earnings for the year to double to $3.50 a share. At $34, it is on a very cheap p/e of 10, and at a time when Wall Street is still blessing burnt-out growth stocks with ratings of 40. Chrysler has had a tough two-year slog of feeble profits and cut dividends, and is therefore regarded as an improbable-looking go-go stock ; it is a better buy for being so.

The motor industry is in for a good year : car production is forecast at something like 5% above last year, and almost back to the 9.3m vehicles put together in 1965. Manufacturers are being helped by the dollar's devaluation, which has undermined price competition from the Japanese and Germans. The new breed of small American cars, the General Motors Vega and Ford Pinto, are now selling well. This should help to win back the 15% slice of the domestic market that importers had captured by last year, and 1972 may well see an average 10% growth in American car manufacturers' earnings. This suggests that the average motor industry share is on



The motor that's the mostest

a prospective p/e of under 11, considerably below the traditional range of 12 to 15. Earnings should be further boosted by a spate of truck sales; truck deliveries are expected to be 2.5m, 25% up on last year.

The Street's main fear about the car industry now is that it may be bitten by the new set of teeth shown by the Price Commission, which has said that companies announcing dramatically improved results must pay for them by price cuts. The commission's yardstick is that companies' profits on sales must not rise above those achieved in the best two years of 1968, 1969 and 1970. This is a formula under which Ford would be most vunerable, and Chrysler least.

Poor **Ford,** which controls a third of the American market, has suffered a number of other much-publicised setbacks, including widespread price reductions last week, dramatic recalls of a record number of cars with mechanical faults, and pursuit by the Justice Department for alleged collusion with General Motors. The stock is therefore $10 down from its recent high of $77. Since analysts are predicting that Ford's earnings should increase from $6.18 a share to $7.25, it is now looking cheap.

The third and biggest of Detroit's big three, **General Motors,** still has one-half of the American car market under its belt. It will show a smaller gain in profits than Ford or Chrysler in 1972, and will probably not recover the premium it has traditionally enjoyed over its rivals. Although it has the highest rating of the three, the shares are not expensive at $78. But its competitors are cheaper.

European breweries

Learning

Germans are the second heaviest, and certainly the most idiosyncratic, beer drinkers in the world. So fond are they of their local brew that it takes 1,800 breweries to produce the 1,980m gallons drunk in Germany each year. Yet beneath the traditional froth, some radical changes are taking place.

The leading Bavarian bank, the **Bayerische Hypotheken-und-Wechsel-Bank,** has announced a new deal which will effectively give it control of the largest concentration of brewing interests in Europe. The Hypo-Bank has acquired a majority stake in the **Dortmunder Union-Brauerei,** which, with its subsidiaries, brews 120m gallons a year. This, together with the Hypo-Bank's other interests, including a stake in **Löwenbrau,** will give it a 17% share of the market. This makes it almost half as big again as **Bass Charrington** and the number three in Europe, **Allied Breweries.**

The massive consolidation of breweries in Britain over the past decade has shown how spectacularly size becomes profit. Dortmunder, therefore, at DM440 a share, looks like a stock with plenty of growth ahead as the scope for rationalisation and new acquisitions is great.

The Hypo-Bank's move gives it a clear lead over its main German rivals **Reemtsma-Cigaretten Fabriken** and the **Oetker** food group. Over the past few years these three groups have been buying as many breweries as they can, with the pace initially dominated by Reemtsma, which was anxious to find a major area of diversification outside its traditional tobacco market.

But the Reemtsma expansion ran into trouble when it failed to obtain more than 26% of Dortmunder. Eighteen months ago a large packet of shares came to the Hypo-Bank through another bank which had an investment in one of Dortmunder's subsidiaries, and this gave the Hypo-Bank its commanding 38%. Reemtsma could do little but negotiate the best terms for a tactical withdrawal. What these terms are no one knows, but it is presumed they give Reemtsma the main outside interest in another of the large German breweries, the **Hannen-Brauerei,** and lots of cash.

What all the groups are trying to achieve is a national organisation with a single management that can make beer in really large breweries (the average brewery in Germany produces only 1m gallons, about one-seventh of its British counterpart). But with backroom bank dealing and no national stock market on which to acquire and consolidate smaller breweries, the process will be longer than in Britain; now is the time, therefore, for the British breweries to expand further in Europe. The next thing to come is national brands. Oetker tried at the top end of the market with its Prinz-Brau, and failed expensively. Meanwhile the little breweries are becoming more amenable to co-operation. The Deutsche Brau-Kooperation ties up 34 breweries, with about 9% of the market between them.

Precious metals

Gleaming

It has been another shining week for gold with the London free market price at a record $50.50 an ounce—just 25% up since the start of the year. Most of the recent rise in the bullion price has been in a very thin and spasmodic market, but one almost entirely without sellers. The demand for gold shares and gold mining finance houses, however, has been growing increasingly. Despite a 38% improvement in the Financial Times gold share index during the past four months, investors in Wall Street and Europe continue to flock into gold equities. The speculator might find this excuse enough to buy these stocks even though recent financial results from the mines have shown that costs have eaten into new profits.

The sudden rise in gold last week stole the headlines from some strange speculation in platinum shares. In the past three weeks **Potgietersrust Platinum,** the major partner in the Rustenburg mine that produces 70% of the free world's platinum, went up 25p to 132p. The two other partners, **Waterval** and **Union,** both put on 49%. The immediate excuse was a report that the American Administration had been inquiring whether South Africa could produce 2m ounces of platinum by 1976, supposedly to meet the American motor industry's requirements for platinum catalysts in exhaust control. But, despite constant rumours from the platinum lobbies, no American manufacturer has yet decided on the use of platinum.

Last summer, amid a blaze of speculation that platinum would be adopted, its free market price rose suddenly and then, when Ford announced it was using the catalyst only experimentally and only in California, flopped back again. Although the free market failed to respond to last week's news and kept the price firmly around £39 an ounce, the stock market's memory seems somewhat shorter. Despite massive cutbacks in Rustenburg's production, platinum is likely to be in over-supply for another five years, and even then the traditional suppliers will have to compete not only with Russia's massive sales but with the development of new mines like those of Impala and **Lonrho.** While it is certain that the price of Potgietersrust Platinum will return nearer to its old high of 376p, it will be a long slog and not one founded on rumours.

The price of silver, the most widely held of the free precious metals, has also a long haul to recover its old heights, but in the past week it has climbed back to 159 cents an ounce, the best level since the dollar's float. Nonetheless, silver remains about the worst investment that a commodity speculator could have made in the past four years, and in the United States, at least, there are so many private investors longing to get out of their silver losses and safely back into equities that there can be little improvement in the price without it being cut back by immediate selling.

Stock exchange rules

A loophole

A brave attempt to assert the rights of shareholders was squashed on Wednesday. This issue was the recent deal between **George Wimpey,** the building firm, and **Oldham Estates,** Mr Harry Hyams's property group. Wimpey has held a 40% stake in Oldham for some time, but has drawn little income from it because of Mr Hyams's policy of keeping properties, like the Centrepoint block, empty. Although the value of the stake rocketed up, Wimpey grew increasingly hungry for a spot of cash.

Three weeks ago, Wimpey made a deal with Mr Hyams to sell to him most of the holding in return for £32m. The decision to sell the Oldham holding was sensible; the manner of doing so was not. Since Mr Hyams is a director of Wimpey, it was doubly important that any deal was not only fair, but seen to be fair. Not only was the deal made at a price lower than most of the City expected, but shareholders were given no information to judge for themselves.

At Wednesday's meeting, Sir Godfrey Mitchell, Wimpey's chairman, agreed he was wrong, but said he had not had the Oldham properties valued independently because it would be expensive. It may be costly to give shareholders the facts, but that is the obligation of a public company. Some shareholders turned up the stock exchange rulebook, but to no avail. Although it lays down that a company which sells a large property or property company must produce a valuation if the value has risen over 20% since acquisition, it does not cover a sale of shares.

It was left to a small firm of stockbrokers, Sandelson & Co, to take up the cudgels. It tried to drum up a counterbid, but time was too short, so it applied to the high court to get a postponement of Wednesday's meeting. The court turned this down. Another action to stop the charitable trusts (set up by the current chairman and controlling 42% of Wimpey) from backing the deal also failed.

So the deal went through by 43 votes to 26 on Wednesday. But the rebel shareholders should not leave it there. Wimpey, like many other companies, has a poor record on disclosing information. City institutions are equally culpable for being too fearful of using their power of challenging boards of directors. If institutions are not ready to give a lead, what hope is there for the private shareholder?

Retailing

Hard sell

British Home Stores has put mighty **Marks and Spencer** temporarily in the shade. Although both have suffered from a poor patch in the clothing trade, BHS, with some 60% stake in it compared with Marks's 70%, has come out on top. Indeed, BHS has produced a startling 40% rise in pre-tax profits in the year to April 1st, taking them to £9.5m, on sales up 15% to £83m. Marks, over the same period, managed only a 7% rise in pre-tax profits.

It is an appropriate flourish to round off the six-year career as managing director of BHS's Mr K. Mackenzie. During his time BHS has cunningly pared back the conventional lines and pushed ahead in products like home-lighting and millinery (surprisingly, it is now Britain's largest supplier of both). Diversification paid hands down last year when demand was more buoyant for household goods and high margin cosmetics than for clothes. BHS also coined good profits on the restaurants it runs in over half its 95 stores.

BHS's margins rose 4.3 points to 13.7% in the second half of the year and this must reflect a relaxation in price containment. So BHS's price leeway in 1973 is likely to be less than Marks's; some of last year's spectacular profit has been snitched from current trading. But 1973 looks bright for both BHS and Marks. Clothing sales must pick up eventually. The market rates this future highly, selling both Marks and BHS on a p/e of 28. This looks justified. But while Marks will maintain its steady acceleration, BHS can hardly be expected to improve on this past year's growth. This counts against it as a current market purchase. And Marks emerges again with the look of the better longer-run investment.

Key indicators: world bourses

	Stock price indices	May 3	1972 high	1972 low	Percentage change on one week	one month	one year	record high
Vietnam knocks Wall Street, but London in new high ground. So, too, is Tokyo. On the continent, Dutch shares came in for foreign buying.	London	535.3	540.3	470.4	+ 1.2	+ 2.9	+39.0	− 0.9
	New York	933.5	968.9	889.2	− 1.4	− 2.2	− 0.7	− 6.2
	Canada	201.6	210.4	187.5	− 1.6	− 1.2	+11.3	− 4.2
	Australia	567.4	584.9	490.1	− 0.4	− 0.4	+13.3	−14.5
	Japan	250.7	250.7	199.9	+ 2.4	+ 5.7	+34.4	−
	H'kong	390.1	395.2	324.0	+ 1.4	+ 9.8	+72.1	− 4.0
	Belgium	109.3	110.7	96 9	+ 0.1	+ 0.5	+ 9.3	− 1.3
	France	80.2	82.2	67.6	+ 0.3	+ 0.9	+ 6.2	− 6.9
	Germany	113.7	116.5	97.1	+ 2.1	− 0.7	+10.7	−19.0
	Holland	132 8	132.8	105.4	+ 4.1	+ 2.1	+ 7.6	− 0.7
	Italy	47.5	49.7	43.9	− 2.3	+ 4.2	−12.7	−59.3
	Sweden	349.9	350.9	308.7	+ 0.7	+ 1.8	+30.8	− 6.8

Stock prices and yields are on pages 125 and 126

Offshore funds

Some are more international than others

The Nixon Administration will probably send legislation to Congress in a few weeks' time to allow onshore offshore funds. Such animals—called foreign portfolio sales corporations—would allow foreign investors to buy mutual funds regulated by the Securities and Exchange Commission, but having substantial, although not complete, freedom from American taxation (from capital gains and estate tax and perhaps from withholding tax). This way was first proposed in an SEC institutional investor study last year, and an SEC intergovernment agency task force has now largely completed the detailed work. With the pressure of legislation going through Congress before the election, there is not much hope of the laws being passed in this session, but they almost certainly will be on the statute books next year.

Whether existing offshore funds would come ashore depends on how they evaluate the trade-off between SEC protection as a selling point and the payment of a certain amount of taxation. The memory of IOS has blighted the prospects of offshore funds sold to the public on a retail basis, and the trend has been away from such sales towards providing a method of international investment for institutions and for rich individuals. The funds for which we show performance figures (the statistics are provided by Seiden and de Cuevas International, the subsidiary of the New York brokerage house) are all, to the best of our knowledge, audited—and the fundholders in them should have little to worry about from the fact that they operate in an unregulated vacuum. But if fund managements again want to go after the mass low-tax paying market, then the new American offshore funds might prove very attractive.

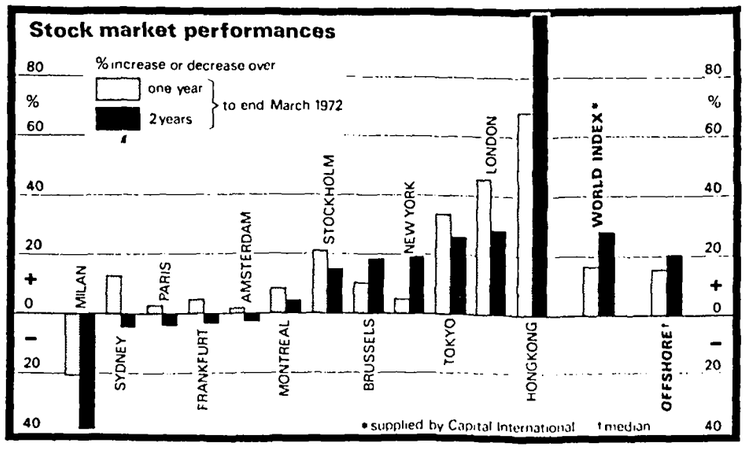
The American market is still the most popular one with international investors, and many funds are set up to invest there. In fact, since so many funds aim to invest in a particular geographical area and do not intend to use the theoretical freedom to invest internationally, we have tried to arrange our tables this time by segregating funds into four categories (some funds, admittedly, have been difficult to classify).

The most spectacular performance is by the funds committed to Japan and other Far East countries (mainly Hongkong, Singapore and Malaysia). The markets and currency realignments have been with them and they have nearly all beaten the relevant indices, more or less handsomely. The American specialists inevitably show up unfavourably with the best of the international funds because of Wall Street's less ebullient performance compared with either London or Tokyo. But far more funds concentrating on the United States have beaten their market than roving ones have beaten the averages of their markets.

Few American funds can be described as high flyers over the past two years, apart from the **Buttress Apollo Fund**. The larger **Frobisher Fund**, in which London brokers Cazenove have a big hand in investment management, stands out for consistently strong performance. It benefited from a courageous early move back into the market; it was fully invested by June, 1970. And subsequently it got things right in the smaller-league growth companies whose performance has led Wall Street up, as it has done in London. Frobisher's managers now hope to repeat the performance in Europe, where 20% of the fund is invested. The nasty fate of **Neuwirth International** highlights how fund management gets harder as the funds get bigger. The fund's excellent performance in 1970 was when it was less than $1m, but the absorption of a couple of funds bumped it up to $7m and pushed down performance to the worst on our listing.

The top "international" funds over the periods involved are naturally enough those which have invested heavily in Britain. The terms of reference of **M&G Island** and **New Court Overseas** commit them to predominantly British investment (so they are not strictly international). They do not show a particularly good performance against the Financial Times Actuaries all-share index. Rather more impressive is the **Slater Walker International Fund**, whose concentration on Britain in 1971 reflects a positive change of tactics after some grim experiences in Japan and Australia which still dim the longer-term figure. The fund's policy not only reflects the firm's bullish view of the British market last year but also a decision to get back to familiar territory. The managers have not, however, remained Britain-bound and now have 30% in Canada and a 10% holding in Europe which will increase.

The Far Eastern investment fraternity has acquired much expertise, in particular the partnership of Jardine Matheson, the Hongkong trading company, and Robert Fleming, the London merchant bank, with brokers W. I. Carr also in the background. Apart from the funds shown in the tables, the Jardine Fleming label applies to a



number of smaller funds which have also performed well. **Jardine Eastern Trust**, formed last February, has grown remarkably in this short time and strikes a novel note by investing purely in the Singapore and Malaysian markets. The **Save & Prosper Sterling Fund** has 11% of its portfolio invested there, though this fund is not managed by Robert Fleming, who manage many of the S&P funds, but by Ivory & Sime. The Singapore market has risen about 50% in the past year, so Eastern Trust's rise of 125% is something of a triumph. Its managers' long-term outlook for the market remains enthusiastic: there is the substantial oil exploration activity in the Straits of Malacca, the encouragement of foreign capital to Singapore, and the general growth of an industrial infrastructure in Malaya and Indonesia. In the short term, however, some marking time is expected.

The Far Eastern grouping also includes several funds with the unusual brief to invest in countries around the Pacific Ocean—the United States and Australia as well as the Far East. The knack here is getting the timing right; and yet the greater freedom of movement these funds have allowed themselves has not invariably paid off. It has for **Fidelity Pacific** but less well for **Transpacific** and **Pacific Seaboard**, whose mistake seems to have been a fit of nerves over Japanese prospects last year and premature enthusiasm for the United States.

As usual, the most dismal performers on our lists are those funds stuck with a problematical specialisation and unwilling or unable to get out of it. **First Investors Mining and Petroleum** stays bottom of the bunch. Other disappointments are again the most diversified funds of the lot—the "funds of funds"—whose job is to judge the expertise of fund managements and back them. The results scarcely justify an extra layer of management fees.

Offshore and overseas funds performances

Growth records of the funds, calculated on net asset value including income, over 12 months to end-March, 1972 (and two years to the same date, where applicable). Only funds over $5m. No real estate funds.

Fund	Managed/ advised by	Net asset value per share Mar 31	Total net assets $m	2-year growth %	1-year growth %
United States					
Frobisher Fund	Friars Admin	$18.06	13.4	+49.8	+42.3
Buttress Equity Fund (Dist)	Butterfield Mgt	$B2.22	8.2	+15.9	+38.1
Centenary Fund	F & C Mgt	$12.16	13.1	+33.3	+31.6
Apollo Fund SA	Butterfield Exec	$16.12	7.7	+92.0	+28.8
American Growth Fund	AGF Mgt	$C6.93	248.5	+24.4	+23.6
Monterey Trust	IFS Inv & Fin	$15.06	6.2	+20.2	+19.6
US Trust Inv	UST Int'l	$15.08	114.3	+25.4	+19.3
Hedged Investors	A W Jones Mgt	$15297.00	22.1	+25.3	+19.1
Convert Fund Int'l 'B'	Smith, Barney	$12.52	9.2	+35.6	+16.8
Convert Fund Int'l 'A'	Smith, Barney	$10.93	8.2	+31.4	+15.5
NA Bank Stock	N Am Fd Mgt	$26.17	9.7	+32.1	+15.4
Netherlands Antilles Mutual	First Nat City Bk	$99.10	75.7	+29.2	+14.7
Standard & Poor's Int'l	S & P O'seas Mgt	$268.44	9.2	+ 8.0	+14.6
Five Arrows	Intimis Mgt	$13.55	97.0	—	+13.9
Trafalgar Fund	Trafalgar Fund Ltd	$126.86	13.5	+24.5	+11.7
BtF Trust	BarclayTrust Frontier Mgt	$12.65	17.4	+34.3	+11.1
American Inv Trust	Schroder Trust	$14.88	18.9	+24.1	+10.0
Dreyfus Intercontinental	Dreyfus Mgt Int'l	$13.99	44.6	+28.1	+ 8.6
Neuwirth Inv	Neuwirth Int'l Sec	$11.74	6.2	+35.7	+ 8.4
First Inv Am	First Inv & Savers	$10.51	12.7	+39.6	+ 8.2
Alexander Fund	Bk of New York	$10.44	18.9	+14.9	+ 7.0
Vermees Fund	R. Labow	$68.00	5.8	+ 3.0	+ 6.5
Apollo Fund/ Tempus	Tempus Mgt	SFr122.02	5.9	+15.7	+ 6.2
Anchor Wall St	Management Int'l	$5.46	10.6	+21.1	+ 4.9
United Capital Inv	United Funds Mgt	$4.81	7.3	—	+ 2.8
BtF Growth	BarclayTrust Frontier Mgt	$8.18	20.0	+10.7	+ 2.6
Energy Int'l	S G Warburg	$11.52	16.5	+34.0	+ 1.9
Int'l Technology	Securities Mgt	$13.38	43.1	−14.7	+ 0.9
Stanhope Trans	Lepercq	$14.40	7.1	+ 9.0	+ 0.8
Hambros Oseas	Hambros Inv	$8.36	10.2	− 9.2	+ 0.4
Shareholders Excalibur	Shareholders Mgt	$9.70	16.8	—	− 5.1
Safe Fund	European Corp'n	$12.47	7.9	−12.6	− 7.2
Neuwirth Int'l	Neuwirth Int'l Sec	$7.21	8.3	+43.6	− 9.3
International					
Slater Walker Int'l	Slater Walker Tst Mgt	$B14.88	5.2	+34.2	+77.9
M & G Island	Kleinwort B (Gnsy)	£1.06	14.9	+38.9	+59.1
Save & Prosper (£)	Save & Prosper Int'l	£5.48	8.3	+ 5.0	+48.9
New Court O'seas	New Ct O's Fd Mgt	£0.63	15.1	+31.4	+48.9
Fidelity Int'l	Fidelity Mgt & Res	$18.43	30.3	+52.6	+42.5
Double Eagle Fd	Investment Mgt	$2261.26	15.7	+66.5	+32.5
Comm Int'l Venture	Canadian Fds Mgt	$C7.34	22.0	+16.6	+30.3
First Eagle Fd	Investment Mgt	$2621.57	13.3	+44.7	+29.3
First Nat City Fd Mgt	First Nat City Fd Mgt	$30.23	27.1	+28.6	+25.5
Tyndall O'seas	Tyndall Bermuda	$ 1.69	23.3	+37.4	+25.2
SEPRO	Sec & Pros Fd Dist	$11.69	31.7	+26.1	+24.9
Australian Cap Fd	Heutsch & Cie	$A1.46	5.6	+14.4	+24.1
Eurunion	Eurosyndicat	$43.46	22.5	+25.9	+23.2
Darling Fund	Darling Mgt	$A21.10	5.6	+ 2.6	+21.9
American Exp Int'l	Am Ex Inv Mgt	$11.07	18.9	+21.5	+20.3
Global Fund	Intercontinental Eq	$ 8.68	5.7	+ 3.6	+20.2
Tyndall Int'l	Tyndall Bermuda	£1.19	14.1	− 9.0	+19.6
Caribico	Investors Divers'd	$120.35	6.3	+34.0	+19.2
Murray Fund	Murray Johnstone	$10.70	14.9	+11.2	+19.0
Guardian Growth	Guardian Mgt	$C9.68	27.5	+26.9	+18.2
Austral Trust	Hill Samuel	$9.28	5.8	−22.5	+17.8
Capital Int'l	Capital Int'l SA	$13.45	13.1	+34.5	+17.8
117 Group SA	Drayton Corp'n	$14.24	14.1	—	+17.4
Growth Equity	GEF Mgt	$C7.31	35.0	+10.5	+16.8
Anchor Unit	Management Int'l	£0.62	5.5	+13.4	+16.7
Atlantic Exempt	M & G (Cayman)	£0.97	33.9	− 3.2	+15.7
Worldwide Special	Burnham & Co	$3617.82	21.6	+13.4	+15.5
Comm Int'l Leverage	Canadian Fds Mgt	$C3.85	47.7	+ 9.8	+14.7
Comm Int'l Corp'n	Canadian Fds Mgt	$C14.48	61.2	+17.0	+14.1
Intermarket Fund 1	Intermarket Mgt	$131.70	14.2	—	+13.6
Patrimonial	Eurosyndicat	$21.98	48.4	+19.3	+13.5
Conv Bond Fund	S G Warburg	$9.53	27.3	+22.4	+13.1
Icofund	SOFIMAT	$10.54	25.3	+ 2.3	+10.8
Finance-Union	Eurosyndicat	$11.29	22.2	+ 7.9	+10.2
Worldwide Secs	Burnham & Co	$45.36	10.4	+11.4	+10.0
Anchor 'B'	Management Int'l	£0.49	10.4	+14.1	+ 9.4
Delta Investment	Delta Inv Fd Adv	$10.17	10.6	+15.3	+ 7.5
Mutual Accum	Mutual Funds Mgt	$C5.76	43.3	+ 9.3	+ 6.5
Mutual Growth	Mutual Funds Mgt	$C5.72	21.2	+ 5.5	+ 5.9
Interfund SA	Interfund Hldgs	$10.48	73.0	− 1.3	+ 5.3
Dreyfus Offshore	Dreyfus Corp'n	$12.00	36.5	+30.7	+ 3.5
Intertec	Cogitec SA	SFr57.92	5.9	+ 1.1	+ 2.8
Formula Selection	Formula Selection	SFr140.68	32.7	+12.8	+ 1.4
Crossbow	Darsec Fd Mgt	SFr7.97	21.6	− 5.5	+ 1.3
Italamerica	Italamerica SA	$9.75	31.9	− 4.1	+ 0.1
Neckermann	Neckermann-Fonds Mgt	D22.16	23.7	+ 0.6	− 2.3
Interitalia	CADIT SA	L6888.00	7.8	−20.4	− 7.7
F I Int Min & Pet	First Inv & Savers	$9.51	6.2	−25.5	− 8.4
Japan					
Jardine Eastern Tst	Jardine Fleming	$38.15	13.1	—	+125.2
Int'l Pacific Sec	Jardine Fleming	$1.87	20.7	+76.4	+78.1
Fidelity Pacific	Fidelity Mgt & Res	$16.51	35.3	+84.5	+77.8
Jardine Japan	Jardine Fleming	$32.95	61.3	+52.7	+69.4
Nippon Fund	Bridge Mgt	$25.69	38.8	+51.8	+66.4
Tokyo Capital	Intimis Mgt	$28.55	27.8	—	+63.7
Jerry Pacific	GT (Bermuda)	$17.16	5.3	—	+62.3
Tokyo Trust	Singer & Friedlander	$20.44	18.4	+47.2	+60.3
Hope Street	Murray Johnstone	$14.68	15.0	+40.9	+58.9
Fleming Japan	Rbt Fleming	$17.82	17.6	+22.1	+47.3
Kleinwort B (Japan)	Creditbank SA	$15.60	13.4	+23.0	+47.0
Tokyo Valor	Bqe de l'Union	$14.81	18.2	+33.2	+42.8
Japan Selection	Formula Selection	$45.81	16.1	+24.4	+42.2
Samurai Portfolio	Gertrust	SFr71.40	16.1	+51.6	+41.4
Transpacific	Bqe de Neuflize	$13.19	13.1	+29.3	+40.6
Pacific Seaboard	Intimis Mgt	$27.02	29.0	+21.9	+29.6
Fund holding companies					
Tyndall O'seas Fds Ltd	Tyndall Bermuda	$13.35	7.1	+35.5	+25.3
Monitor Co	Save & Prosp Int'l	£5.39	6.0	+19.3	+23.6
Fleming Fund SA	Rbt Fleming	$93.74	23.9	+24.6	+17.5
Leverage Capital	Intimis Mgt	$22.70	12.8	+19.7	+16.4
Safe Trust	SAFEMCO	$50.03	5.2	+ 4.7	+11.8
NA Inv Fund	N Am Fd Mgt	$8.84	40.4	+ 8.8	+ 9.1
Chase Selection	Securities Mgt	$11.64	73.2	+ 3.5	+ 8.4
Dreyfus Fd Int'l	Dreyfus Fd Int'l	$13.34	52.4	+17.2	+ 7.5
Haussmann Hldgs	H H Inv Mgt	$5210.00	7.5	+ 5.6	+ 6.8

CHAIRMAN'S STATEMENT

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

RECORD RATES OF BONUS

Mr. E. H. Haynes on implications of Common Market

THE FOLLOWING is an extract from the statement by the Chairman, Mr. E. H. HAYNES, F.I.A., who presided at the 111th Annual General Meeting of the Royal London Mutual Insurance Society Limited which was held on 25th April at Royal London House, Finsbury Square, London, EC2A 1DP.

A result of the unsettled conditions of the past year or two has been a return to public favour of the more conventional methods of saving and from this our own business has benefited substantially. The year ended 31st December, 1971 marked the completion of another triennium for the Society. The growth of the Society's business during this period can be seen from the following table.

Ordinary Branch

Year	No. of New Policies	New Sums Assured £	New Annual Premium Income £
1968	22,638	38,869,000	1,064,000
1969	24,191	42,418,000	1,239,000
1970	25,367	46,745,000	1,406,000
1971	25,746	53,789,000	1,597,000

Industrial Branch

Year	No. of New Policies	New Sums Assured £	New Annual Premium Income £
1968	218,035	33,182,000	1,776,000
1969	223,154	36,562,000	1,979,000
1970	219,725	39,465,000	2,171,000
1971	193,920	40,854,000	2,231,000

In terms of premium income the Ordinary Branch new business written in 1971 showed an increase of over 50% compared with 1968; indeed, the new premium income has more than doubled since 1966. These are very impressive results which reflect the attractions of our policies in a very competitive market and the success of our sales staff in promoting them.

Although the increase in the Industrial Branch new premium income over the triennium was 25%, a figure achieved against a background of radical reorganisation, it is a disappointment to the Board that the momentum achieved in 1969 and 1970 was not repeated in 1971. I am pleased to say that the results so far this year indicate a renewed upsurge in our Industrial Branch production.

Changes of Tax System

It is becoming almost a habit for me to refer to new problems which face us in respect of new or prospective legislation. This year is no exception. The list is formidable. Revision of Corporation Tax, Value Added Tax, entry into the Common Market, all these are demanding our attention.

It was only six years ago that taxation bases underwent a complete change with the introduction of Corporation Tax. Now another major revision of the tax system has been announced.

I welcome these new proposals since the likely rates of tax should result in a reduction in the Society's tax liability, to the benefit of our policyholders. There is however one aspect of the new system affecting Life Offices which merits careful consideration.

It would be a new departure for Life Offices to suffer tax on investment income reserved for policyholders at a rate higher than the basic rate of personal income tax.

The argument of the supporters of Value Added Tax is that this new form of tax is broadly based and is therefore a good revenue raiser. Although there may also be other factors operating in favour of this method of taxation it is not yet generally appreciated that this new system will introduce a vast amount of unproductive work into business organisations in this country. It is already recognised that Her Majesty's Customs and Excise will require a large additional staff to administer this tax. This will only be the tip of the iceberg. Hidden beneath the surface will be the staff required by the business and trading concerns throughout the country who will first have to master the intricacies of the new tax and then operate the new procedures.

Common Market

Our forthcoming entry into the European Economic Community will of course have far reaching implications for us all.

We have been accustomed in this country to conducting our life assurance business in an atmosphere of "freedom with publicity." We have been able to invest our funds to the best possible advantage of our policyholders without restriction, the only constraint being the self-imposed one of the need to ensure the security of the funds entrusted to our care. At the same time, our high professional standards, developed over a long period, have ensured that the absence of statutory controls on the bases used for the valuation of Life Fund liabilities has not detracted from the security afforded to our policyholders. In contrast, in many European countries considerable restrictions exist on both investment of funds and on the valuation of liabilities.

It will be necessary to achieve some degree of harmonisation of the legislation of the various countries in the enlarged community but I would strongly deplore any move to lessen the freedom on which depends the very favourable benefits paid to our policyholders.

Record Bonuses

In the past few years the marked fluctuations in the price of ordinary shares, the variation in yield obtained on gilt-edged stocks and the rapid rise in property values have presented an ever changing problem to be analysed by our Investment Managers. The advice given to the Board by our Investment Managers has enabled the Board to follow a successful investment policy. As a result the valuations carried out by the Actuary as at December 31, 1971, have shown a substantial surplus in both branches. These valuations have been carried out on a very stringent basis to ensure the greatest degree of security for our policyholders and yet the surpluses that have emerged have enabled the Directors to declare the highest bonuses in the history of the Society.

At the end of 1970 the value of equity shares was relatively low and the Board, following the principle that capital profits should be evened out over the years, maintained the previous special final bonus. Now that market values have improved the Board have decided to take credit for a proportion of our capital appreciation by writing up the book value of the Ordinary Branch investments by £6,000,000 and of the Industrial Branch investments by £17,500,000 and transferring these sums to the corresponding Life Funds. As a result of this the Board have been able to extend the scope of the Special Final Bonus in both Branches.

Ordinary Branch

A simple Reversionary Bonus has been allotted to fully-participating policies at the rate of £4.00 per cent. in respect of the year 1969, £4.20 per cent. in respect of the year 1970 and £4.40 per cent. in respect of the year 1971.

The transfer into the Life Fund resulting from the writing up of assets in this Branch has enabled the Board to allow until further notice a Special Final Bonus at the rate of £1.50 per cent. of the Sum Assured and attaching Reversionary Bonus (including the Reversionary Bonus allotted for the three years ended 31st December, 1971) in respect of each year in force as a participating policy prior to 1969, on participating policies which become claims by death or maturity. This Special Final Bonus will be limited to a maximum of £49.50 per cent.

Interim Bonus will be payable during the ensuing year at the rate of £4.40 per cent. per annum subject to withdrawal or modification by the Directors at any time without notice.

Industrial Branch

A Reversionary Bonus has been allotted on the Sum Assured (exclusive of any previous Bonus additions) payable on death or maturity of endowment under policies (other than Double Endowment or Child's Endowment) on which premiums were being paid on the valuation date, at the rate of £2.60 per cent. in respect of the completed calendar year 1969, £2.80 per cent. in respect of the completed calendar year 1970 and £3.00 per cent. in respect of the completed calendar year 1971. On Double Endowment policies the Reversionary Bonus will be at the foregoing rates reduced by 50p per cent. in each of the three years.

As was the case in the Ordinary Branch the sum transferred to the Life Fund as a result of writing up the assets has enabled the Board to make an improved allocation of Special Final Bonus. Accordingly a Special Final Bonus at the rate of £1.40 per cent. per annum of the Sum Assured and attaching Reversionary Bonuses (including the Reversionary Bonus allotted for the triennium ended 31st December, 1971) in respect of completed calendar years prior to the 1st January, 1969, will be allowed until further notice on premium-paying policies which become claims by death or maturity subject to a maximum additional bonus of £46.20 per cent.

General Branch

The premium income for this Branch in 1971 was £2,322,000, an increase of £357,000.

The total income of the Society during 1971 was £43,899,000. The total funds at the end of the year amounted to £287,018,000, an increase of £32,025,000. The benefits paid to policyholders amounted to £22,821,000.

The report and accounts were unanimously adopted.

FINANCIAL NOTICE

BANCO DI SICILIA

Public Credit Institution
with Head Office in Palermo, Italy

CAPITAL FUNDS LIRE 84,095,731,916

Consolidated Balance Sheet as of December 31, 1971

ASSETS			LIABILITIES		
Cash and Due from Banks	Lire	98,543,808,887	Capital and Reserves	Lire	83,452,966,916
Securities Owned	,,	511,796,257,064	Special Reserves	,,	1,157,734,530
Participations and Investments	,,	24,842,052,056	Special Funds	,,	70,619,998,545
Advances and Loans in Lire	,,	1,495,300,421,864	Accounts and Deposits in Lire and Foreign Currencies	,,	1,725,330,208,611
Advances and Loans in Foreign Currencies	,,	176,927,100,472	Notes in Circulation	,,	360,158,520,305
Banking Premises and Real Estate	,,	15,433,378,820	Other Liabilities	,,	53,717,782,673
Engagements on account of Customers for Acceptances and Confirmed Credits and other Obligations	,,	115,300,876,788	Acceptances, Confirmed Credits and Other Obligations on account of customers	,,	115,300,876,788
Credits towards Collector's Office	,,	76,618,960,650	Engagements towards Fiscal Authorities for Taxes Collection	,,	75,531,377,423
Miscellaneous Accounts	,,	298,876,942,097	Miscellaneous Accounts	,,	327,270,214,065
			Profit for the year	,,	1,100,118,842
Total Assets	Lire	2,813,639,798,698	**Total Liabilities**	Lire	2,813,639,798,698
Contra Accounts	,,	1,686,526,183,185	**Contra Accounts**	,,	1,686,526,183,185
	Lire	4,500,165,981,883		Lire	4,500,165,981,883

APPOINTMENTS

The University College of Wales

ABERYSTWYTH

Department of Agricultural Economics

Applications are invited for the post of RESEARCH OFFICER, tenable from 1st October, 1972

Duties will include the supervision of investigational surveys, research and the preparation of papers and reports concerned with economic aspects of agricultural production in Wales.

Applicants should have a good honours degree in Agricultural Economics or Economics, preferably with some experience in research or investigational work in Agricultural Economics and in writing reports.

Salary scale: £1,533-£2,058 p.a.

Application forms, etc. may be obtained from the Registrar, to whom they should be submitted by 31st May, 1972

AGRICULTURAL ECONOMIST

AN FORAS TALUNTAIS (The Agricultural Institute) have a new and challenging post for an Economist at its western research centre, Ballinrobe, Co. Mayo. The Appointee will have responsibility and facilities (including a Univac 1108 Computer Service) to initiate and develop a research programme in the Economic asessment of farming systems based on current research on animal production techniques. Particular emphasis will be placed on the evaluation of alternative development plans for agriculture in the western region.

Appointment up to and including senior Research Officer level (salary scale £3069 x 104 to £3693 x to £3714 under review) depending on qualifications and experience. Marriage and children's allowances, non-contributory superannuation scheme and provision for widows' and orphans' pensions (special pension arrangements can be made for an F.S.S.U. member or a member of a suitably insured pension scheme).

ESSENTIAL: Honours University degree or equivalent in Economics, Commerce, Agricultural Economics, or Agricultural Science (with Post Graduate training in Agricultural Economics). **DESIRABLE**: Post Graduate training and research experience in the Economics of Agricultural Production and planning. Further particulars and application forms obtainable from the Director, An Foras Taluntais, 33, Merrion Road, Dublin 4. Tel: 693222. Latest date for receipt of completed forms Friday 2nd June, 1972. Applications will be treated with strictest confidence and employers will not be contacted without prior permission.

APPOINTMENTS

University College London

SCHOOL OF ENVIRONMENT STUDIES

DEVELOPMENT PLANNING UNIT

Leverhulme Lectureship in Urban Development

Applications are invited for the above post from candidates with qualifications and experience in urban planning, urban geography, housing and building in developing countries. The appointment will be tenable for one year from September 1st 1972 renewable for two further years. Salary within range £2229 to £3117 plus £162 London Allowance according to age and experience. Applications should reach The Secretary, Development Planning Unit, School of Environment Studies, University College London, (TE/29), 10/11, Percy Street, London W.1. before May 15th 1972.

Meat and Livestock Commission

Assistant Economist

(£1,336-£2,223)

Applications are invited from suitably qualified graduates for the post of Assistant Economist in the Commission's Headquarters in Bletchley, Bucks.

Further particulars and forms of application, returnable by 26th May 1972, from the Chief Establishment Officer, Meat and Livestock Commission, P.O. Box 44, Queensway House, Queensway, Bletchley, Bucks.

SIMULATED FLIGHT INSTRUCTORS

Applicants should have had experience on SVC.10 or similar types of simulated flight trainers both on Flight Deck and Console. Salary will be in the scale of £2,450 x 50—£2,600 p.a. with a technical inducement of £800 p.a.

FLIGHT TRAINER INSTRUCTORS

Applicants should have had experience on SVC.10 or similar types of simulated flight trainers both on Flight Deck and Console. Salary will be in the scale of £2,200 x 50—£2,250 p.a. with a technical inducement of £600 p.a.

Applications should be addressed to Voucher No. 2446, Economist, before May 31, 1972.

Government of the North-Central State of Nigeria

MINISTRY OF NATURAL RESOURCES

Applications are invited from suitably qualified candidates for the following post:

AGRICULTURAL ECONOMIST

Qualifications: University graduate with B.Sc. or equivalent in Agricultural Economics and 3 years' experience, or a combination of Agriculture and General Economics and 5 years' experience. Farming experience preferred and a basic knowledge of the principles of economic planning and evaluation of Agricultural resources is essential.

Duties: To collect various data on production and marketing patterns with a view to assessing the economics of production to appraise and evaluate projects to determine their costs in relation to benefits.

Salary: Group 7Y £N3,039 Consolidated.

Notes: £N1 = £1.17 sterling. Income tax is at Nigerian rates and these are substantially lower than those prevailing in the United Kingdom.

OTHER CONDITIONS OF SERVICE

(i) Partially furnished accommodation at a low rental of 8½% of basic salary is provided.

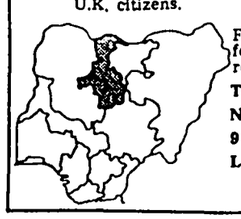
(ii) A tax-free gratuity of £N100 or £N300 per annum depending on basic salary.

(iii) Free outward and return passages at completion of tour for Officer; wife and children passage allowance up to £N230 per tour.

(iv) Loan to purchase a car and allowances for running it.

(v) Leave at the rate of 5 or 7 days for each completed month's service.

(vi) In addition, a tax free supplementation may be paid to U.K. citizens.



Further information and application forms may be obtained quoting ref: NWS/6/72

The Recruitment Attache,
NIGERIA HIGH COMMISSION,
9 Northumberland Avenue,
London, WC2N 5BX.

CHAIRMAN'S STATEMENT

youghal carpets

Steady and significant progress maintained

- Pre-tax profits increased from £796,930 excluding £109,581 for revaluation of patterns to £1,024,911. Final dividend of 27% recommended making 42% for the year (1970 39%). A 1-for-3 scrip issue also proposed.
- Over the past nine years there has been a steady and significant improvement in profits and earnings per share have risen from 2·5p to 14·8p after adjusting for Scrip and Rights issues.
- Trading conditions during the year were generally satisfactory and overall sales increased by 18% to £12,332,000. As a whole, good progress and high activity was achieved.
- In the opening months of 1972 sales and orders are ahead in all plants and the Group looks forward to a further year's successful trading.
- It is believed that entry into the E.E.C. will provide tremendous opportunities for the Group. It is hoped at an early date to make a significant move in the direction of a foothold on the European Continent.

Copies of the Report and Accounts are available from the Secretary, Youghal Carpets (Holdings) Limited, 1 South Mall, Cork, Ireland.

APPOINTMENTS

LONDON GRADUATE SCHOOL OF BUSINESS STUDIES

Lecturer in Marketing

Ideally we are looking for someone who has had formal training in business administration as well as significant industrial experience. The successful applicant will be expected to teach executives and graduates, to design and carry through his own research, to participate in programme administration, and to engage *actively in consulting*. The salary scale for the lecturer grade is currently £1,641 to £3,999, plus a London Allowance of £162.

Applications should include a summary of facts about the applicant's education and experience and be addressed to

Professor K. Simmonds,
London Graduate School of Business Studies,
Sussex Place,
Regent's Park,
London NW1 4SA.

CHAIRMAN'S STATEMENT

SENIOR ENGINEERING GROUP LIMITED

Segl

	1971	1970	1969
	£'000	£'000	£'000
GROUP TURNOVER	10,663	8,224	6,437
GROUP PROFIT BEFORE TAX	1,416	1,284	910
FINANCE EMPLOYED	5,058	4,520	2,996
DIVIDENDS	21%	16%	12.5%*
EARNINGS PER SHARE	4.0p	3.6p	2.4p*

*1969 adjusted for Scrip issue

1971 proved to be yet another record year for the Group despite the poor industrial climate that prevailed throughout the year. Furthermore, the improvements that have taken place in our organisations and our major developments enable us to view the future with reinforced confidence and enthusiasm. The benefits arising from the acquisition of Wild Barfield Limited and its subsidiary companies only affected 1971 for the last 50 days of the year whereas 1972 will feel the advantages for a full year. The current year will benefit to some extent from several schemes that are only now coming to fruition and from the acquisition of Darnall Limited.

The upturn in demand for engineering products has been slow to develop and the first two months of 1972 were adversely affected by the miners' strike. However, the general outlook is improving and all Divisions of the Group entered 1972 with healthy order books along with the capacity to take advantage of better trading conditions to ensure continued growth in the current year. The Group is selling an increasing volume of goods abroad and these sales are expected to expand further in 1972 and subsequent years.

D. D. E. VIVIAN, *Chairman*

SENIOR ENGINEERING GROUP LIMITED,
SENIOR HOUSE, 21, DERBY ROAD, WATFORD

THE LONDON GRADUATE SCHOOL OF BUSINESS STUDIES

Lectureships in Accounting and Finance

The London Business School invites applications for two lectureships in accounting and finance to be filled in the autumn of 1972. The holder of one of these posts will be expected to teach courses in financial statements on the M.Sc. Programme and the other to teach management accounting on the same programme. Both should also be capable of teaching other aspects of financial control and show a keen interest in developing this field along modern lines.

The School is also interested in appointing a lecturer, or possibly a senior lecturer, in CORPORATE FINANCIAL MANAGEMENT. The holder would be expected to teach courses on the M.Sc. Programme and on executive programmes. He should show some positive evidence of his interest in research in some aspect of the subject.

Application forms can be obtained from Professor H. B. Rose:
The London Business School,
Sussex Place,
Regent's Park,
London, NW1 4SA.

LECTURERS — ECONOMICS

Lecturer/Senior Lecturer

The London Business School requires a Lecturer or Senior Lecturer in Economics, with main interests in the practical applications of micro-economics to business problems. Experience in business is most desirable. The appointment would be for three to five years initially.

Lecturer

The School also requires a Lecturer in Economics for a two year period, who may be less experienced in business. The holder of this post would spend part of his time engaged in case development. Those appointed will be encouraged to undertake some consultancy work.

Salaries for these posts will be in the ranges:
Lecturer—£1641-£3999, plus L.A. of £162.
Senior Lecturer—£3852-£4734, plus L.A. of £162.

Membership of the F.S.S.U. as usual applies. For further particulars, please reply to:

Chairman, Economics Department,
London Business School,
Sussex Place,
Regent's Park,
London NW1 4SA.

APPOINTMENTS

Stevenage Development Corporation

Assistant Research Officer £1644-£2199

An Assistant Research Officer is required in the Social Relations Department of this New Town Development Corporation. The Department is responsible for social and economic research and advice to the Corporation on the social aspects of planning and community development.

Applications are invited from economists or other social science graduates with relevant experience. An interest in the application of research techniques to problems of town planning and development would be required.

Further details may be obtained from the Senior Administrative Officer, Stevenage Development Corporation, Swingate House, Danestrete, Stevenage, Herts., to whom applications should be sent not later than 31st May, 1972.

University of Keele

Lecturer in International Relations

Applications are invited for the post of Lecturer in International Relations in Department of Politics. Salary in scale £1,641-£3,999 per annum. Application forms and further particulars may be obtained from the Registrar, The University, Keele, Staffs. ST5 5BG, to whom they should be returned not later than 26th May, 1972.

University of Auckland
NEW ZEALAND

Chair in Economics

Applications are invited for the above-mentioned Chair from candidates with appropriate academic qualifications and professional and research experience in any of the major fields of Economics, particularly Economic History or Economic Theory.

Two of the three established Chairs are held by Professor C. A Blyth and Professor G P. Brase. The advertised position is to replace Professor A. R. Bergstrom who has recently taken up a Chair in the United Kingdom.

Professorial salaries are at present established within the range $NZ11,698-$14,947 p.a. having regard to the qualifications of the successful candidate. In the case of new members of staff coming from overseas, the current practice is to pay salaries from an approved departure date.

Further particulars and information about superannuation, travel and removal expenses and application procedure available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on *5 June 1972.*

University of Cape Town

Senior Lecturer/Lecturer in Economic History

Applications are invited from candidates with good academic qualifications and experience in Economic History. Special qualifications in African Economic History and/or Economic History of Developing Countries would be an additional recommendation, in view of the institution of a special course in African Economic History and a link-up between the teaching of Economic History, Comparative Economic Systems and Development Economics.

The salary scales are:

Senior Lecturer R6,300 x 300-6,100 per annum; Lecturer R4,800 x 300-6,900 per annum.

In addition a vacation bonus is payable in accordance with Treasury regulations. The starting salary will be determined in accordance with the qualifications and experience of the person(s) appointed.

Applicants should state their age, nationality, marital status, academic qualifications, publications and special interests, and should give the names and addresses of at least two referees, preferably those able to evaluate the applicant's academic merit.

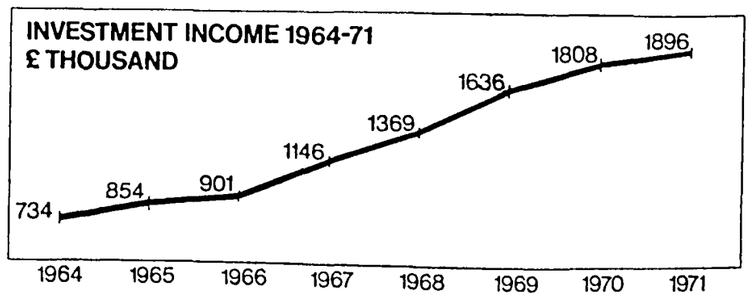
Two copies of the application should reach the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (from whom memoranda giving the conditions of service, including transport expenses on appointment, and information on the work of the Department may be obtained) not later than *15 June 1972.* A third copy of the certificate, should be sent direct by airmail to the Registrar, University of Cape Town, Private Bag, Rondebosch, Cape Town, South Africa, by the same date.

The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

CHAIRMAN'S STATEMENT

Artagen Properties Limited

	1967	1968	1969	1970	1971
Net rental income	£775,402	£948,461	£1,213,348	£1,388,939	£1,543,151
Ordinary dividend	9·5%	9·835%	11%	12·5%	14%
Earnings per 25p share	2¼p	2¼p	3¼p	3¾p	4½p
Market value of properties			£24·2m	£26·95m	£32·3m
Net asset value per 25p share				105½p	118p



Points from the Statement by the Chairman, Mr. D. E. Webb, F.C.A., at the 105th Annual General Meeting on April 26th 1972:—

Progress continued in 1971. An office development in Wolverhampton was started and others in Melbourne and Brussels will start in 1972. New development sites and industrial purchases were made and the total expenditure made, committed and authorised amounted to £11,000,000. The dividend was raised to 14% and £166,264 placed to revenue reserve. Capital reserves rose by £442,876. Between the 5th April 1965 and the 5th April 1972 the share price increased by 467%.

Copies of the Report and Accounts for 1971 may be obtained from the Secretary at: 160 Brompton Road, London, SW3 1HS.

APPOINTMENTS

University of Liverpool

Lecturer in the Department of Economics

Applications are invited for the post of Lecturer in the Department of Economics tenable from 1 October, 1972. Preference will be given to applicants with major interests in either economic theory, mathematical economics or econometrics, although specialists in any main areas of economics will be considered. The initial salary will be within the range of £1,641-£1,935 per annum, according to qualifications and experience, on a scale rising to £3,999 per annum.

Applications, together with the names of three referees, should be received not later than 22 May, 1972, by the Registrar, The University, P.O. Box 147, Liverpool L69 3BX, from whom further particulars may be obtained. Quote ref. RV/E/13847.

The Royal University of Malta

Applications are invited for the following posts:
(a) CHAIR OF ECONOMICS
(b) CHAIR OF PHYSICS
(c) LECTURER IN ENGLISH LANGUAGE, with a special interest in Linguistic and language laboratory techniques
(d) LECTURER IN CHEMISTRY. A Physical Chemist or Physical/Inorganic Chemist is required
(e) LECTURER IN MATHEMATICS. Specialism required is functional analysis.

Appointees to posts at (a), (b) (d) and (e) will be required to lecture to students pursuing studies in degree courses; and selected applicants to the other posts will be required to lecture to Junior College and/or degree students. They will also be expected to work in the research field of the respective department. Salary scales: Chair £3,465-£4,015 p.a. Lecturer £1,870-£2,640 p.a. (including overseas allowance).
Also, a cost-of-living increase of 75p per week is paid. FSSU. Passages provided for appointee, wife and children under 15 years of age, up to a maximum of £75 per head on appointment and final termination of contract. Detailed applications (6 copies) naming 3 referees by 26 May 1972 to Inter-University Council, 90/91, Tottenham Court Road, London W1P 0DT, from whom particulars are available.

University of Auckland
NEW ZEALAND

Senior Lectureships/ Lectureships in Economics

Applications for the above-mentioned posts will be welcomed from candidates in any of the recognised branches of economics, including in particular Economic History and Monetary Theory.
The present salary scale for a Senior Lecturer is $NZ7,278 rising to $8,379 p.a. In exceptional cases the Council may extend this scale up to $9,358. For a lecturer the scale is $NZ5,589 rising to $7,149 p.a. Commencing salary within the appropriate scale will be determined in accordance with qualifications and experience. In the case of new members of staff coming from overseas, the current practice is to pay salaries from an approved departure date.
Further particulars and information about superannuation, travel and removal expenses and application procedure available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).
Applications close on *5 June 1972.*

London School of Economics
(UNIVERSITY OF LONDON)

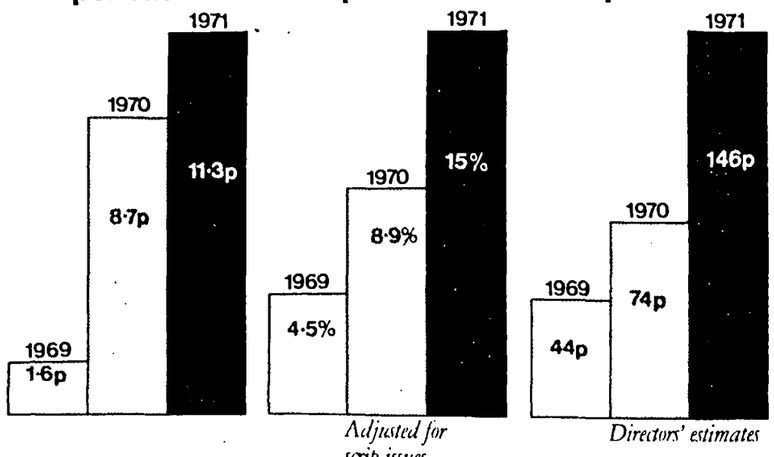
Research Officership, Department of Geography

Applications are invited for immediate appointment to a Research Officership in the Department of Geography, in connection with a project investigating the suitability of fitting two-dimensional mathematical functions to various spatial data series in order to achieve transformation from one area system to another. The project, sponsored by the Department of Environment, has been set up to assess the possibility of using such procedures for obtaining comparable data over space and time for planning purposes. The appointment is open to graduates in mathematics, statistics, econometrics or operational research and preference will be given to candidates with some postgraduate training and computer programming experience. The appointment will be for 10 months' duration and will be on the salary scale for Research Officers of £1641 x £147—£2082 a year plus £162 a year London Allowance. In assessing the starting salary consideration will be given to age, qualifications, and experience. Applications should be received not later than 22nd May, 1972 by the Administrative Officer (Room H610), The London School of Economics and Political Science (TE/6), Houghton Street, London, WC2A 2AE, from which application forms should be obtained.

CHAIRMAN'S STATEMENT

Drakes

Continuing Growth



Adjusted for scrip issues

Directors' estimates

Highlights from 1971 chairman's statement

* Pretax profits up 92% from £428,000 to £821,000
* 1 for 2 scrip issue after sub-division of shares into 10p
* 1972 dividend to be at least maintained on increased capital
* Continued progress forecast in increasing investments, in property and quoted securities.

Copies of the accounts available from Drakes Ltd., 36 Bedford Row, London WC1R 4HJ.

APPOINTMENTS

Econometrician

Power-Gas Limited, international process and engineering contractors to the chemical, petro-chemical, oil, gas and non-ferrous metallurgical industries, wish to appoint a qualified economist or statistician within their central Market Information Services Department in London.

Responsible to the Head of the Department, he or she will be concerned with long and short-term market evaluations and the quantitative analysis of factors affecting future process plant investment to determine market opportunities in existing and new fields of operation. It is possible there will be involvement with overseas affiliate companies.

Aged under 30, applicants must have two to three years' experience in the application of statistics to industrial marketing operations and planning, and preferably have some knowledge of the chemical or petro-chemical industry.

This is a new appointment and one in which there will be every opportunity to contribute substantially to the future growth of the Company. A working knowledge of German would be useful but is not essential.

Salary and conditions of service are first-class and assistance will be given with relocation expenses where appropriate.

Please write in confidence giving full personal and career details to the Personnel Manager, Power-Gas Limited, 8, Baker Street, London W1M 1DA.

POWER-GAS

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1972

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UNIVERSITY OF LONDON

Political Science

Applications are invited for a lectureship in the Department of Economics, tenable from 1 October, 1972. An interest in one or more of the following fields would be an advantage—Modern Political Analysis; Political Behaviour; the Politics of Eastern Europe; the Politics of Non Industrial Societies. Salary scale £1641–£3999 p.a., plus £162 London Allowance. F.S.S.U. participation. Application forms available from the Registrar, Queen Mary College (TE/6) Mile End Road, London E1 4NS, to be returned by 26 May, 1972.

COUNTY BOROUGH OF BRIGHTON

Borough Treasurer's Department

FINANCE ASSISTANT

(Economics)

Young part-qualified accountants or economics graduate with some practical experience required for section dealing with economic appraisal, cost effectiveness studies and the use of cost benefit techniques.

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Salary £1653/£1932 (more for partly qualified accountant) with automatic progression as qualifications are gained to final maximum of £2766. Commencing salary according to qualifications and experience. Other conditions include day release, removal expenses, lodging allowance and staff canteen.

Applications giving full details of experience and names of two persons to whom reference may be made to Borough Treasurer, P.O. Box 4, Town Hall, Brighton, BN1 3JR, by 17th May, 1972. Please quote ref 759.

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APPOINTMENTS

Economists and an O.R. Analyst

Posts in the newly formed Civil Aviation Authority

Last month the Civil Aviation Authority was established as a public authority outside the Civil Service. Its main tasks are the regulation and forward planning of the air transport industry; the licensing of air services; the control of the airworthiness of aircraft; the planning of the future pattern of airports; and the operation of the National Air Traffic Control Services.

The ECONOMIST posts—there are six of these—offer work that lies mainly in the micro rather than macro-economic field. Applicants will need to be well versed in the principles of industrial economics, and able to apply them to a wide range of novel problems. A specialised knowledge in one or more of the following areas would prove particularly useful, pricing, cartel and regulation theory and practice, transport modelling techniques; O.R. techniques; a branch of applied science or engineering.

Available posts with salary scales (including London allowance): Senior Economic Adviser, £5,175—£6,475*; Economic Adviser (2) £3,653—£4,883; Senior Economic Assistant, £2,476—£2,984; and Economic Assistant (2) £1,530—£2,325. The level of appointment depends on qualifications and experience.

**The Senior Economic Adviser salary scale is currently under review.*

The SENIOR O.R. ANALYST post is within the Directorate of Operational Research and Analysis. The work will be concerned primarily with system modelling problems of operational safety and with the design and analysis of aircraft noise surveys. Applicants will need several years O.R. or related experience, and a thorough knowledge of applied statistics and probability theory.

Salary scale £3,653—£4,883 including London allowance.

Write for an application form and full details, stating the post that interests you, to: The Civil Aviation Authority, Personnel Branch, Room 513, 129 Kingsway, London WC2B 6NN. Please quote reference no. EJ 67/080/C. *Completed application forms must be returned by 25th May.*

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Prices, 1972 High	Prices, 1972 Low	Ordinary stocks	Price, May. 3, 1972	Change on week	Yield May. 3
500	418	Tube Investments	450p		4·2
28¼	23⅛	US Industries	$25⅝	-⅛	2·4
121	82	Vickers	107p*	-2	
141	93	Weir Group	136p	+2	4·0
123	103½	Thos W Ward	117p	+5	3·6
		Food, pharmaceuticals			
87½	69½	Assoc British Foods	86p	+1*	2·1
83	68	Assoc Fisheries	78p	+2½	4·8
126	94	Avon Products	$115½	+3¼	1·1
326	281	Beecham Group	326p	+31	1·9
192	139 1	Beghin	Fr 186	+4·4	5·6
108	73	Brooke Bond 'B'	99p*	+9½	3·0
132	87½	Cadbury Schweppes	127p	5	3·2
333	187	Cavenham	326p	1	1·1
69¼	57½	Colgate-Palmolive	$61⅝	-1⅛	2·4
5·56	4·80	Col Sugar Ref	$A5·20	-0·06	
162	115½	Fitch Lovell	148p	+4	2·0
36¼	27½	General Foods	$29¼	+⅛	4·8
51¾	38⅝	General Mills	$47⅜		2·0
545	437	Glaxo	529p*	-3	1·9
47½	40⅝	Heinz	$45¾	+⅞	2·2
194750	176500	Hoffman La Roche	Fr S 194750	+750	0·5
47⅜	42¼	Kraftco	$44⅜	-⅜	3·8
2135	1605	L'Oreal	Fr 2128	+124	1·1
3095	2595	Motta	L 2966	33	
3905	3000	Nestlé	Fr S 3900	+130	1·8
47⅜	36⅜	Pfizer	$38	+⅛	1·6
93	76½	Procter Gamble	$93	+4¾	1·6
251	155	Ranks-Hovis	241p	+13	3·3
373	270	Reckitt & Colman	352p	-3	2·7
5150	4180	Sandoz	Fr S 5060	+110	1·2
89	60½	Spillers	99p*	+4	3·5
38¾	30½	Swift	$30¼	+⅛	2·3
209	179	Tate & Lyle	197p	+1	5·1
185	138¼	Unigate	162p	-4	2·6
394	318	Unilever	383p	-2	2·9
143 6	79 4	Unilever NV	Fl 142 1	+0·7	4·4
371	244	United Biscuits	371p	+7	2·2
		Motors, aerospace			
56	39½	BLMC	40½p	+⅛	4·9
26½	19	Boeing	$20⅝	-1⅜	1·9
55¼	46¾	Caterpillar Tract	$52⅜	-1⅜	2·7
36	28	Chrysler	$34⅛	+⅛	1·8
96	79·1	Citroen	Fr 92	+⅛	
434	323	Daimler-Benz	DM 434	+27	2·0
199	167	Dunlop	184p	-1	4·4
2440	2068	Fiat	L 2325	-33	5·1
27	24⅛	Firestone Tire	$24⅛	1	3·3
76⅜	67⅛	Ford	$68¾	+⅜	3·8
32	22⅜	General Dynamics	$31⅜	+⅛	
84⅜	76¾	General Motors	$77⅛	+⅜	4·4
33¼	29⅛	Goodyear	$30⅜	+⅜	2·8
402	317	Hawker Siddeley	385p	1	3·9
379	254	Honda	Y 310	+2	2·7
210	155	Komatsu	Y 210	+9	4·0
15⅜	10	Lockheed	$12¼	+⅛	
438½	383½	Lucas	402p	+6	2·5
15⅛	11⅜	Massey Ferguson	$C 13½	-⅛	
45⅜	34¼	McDonnell Douglas	$40⅜	-1⅜	1·0
1520	1229	Michelin 'B'	Fr 1480	+20	1·4
500	246	Nissan Motor	Y 486	+6	1·6
36⅜	30⅜	N Am Rockwell	$31⅞	1	4·5
379	242	Peugeot	Fr 373	+28	2·8
1839	1540	Pirelli-Spa	L 1780	+2	6·2
231	200	Smiths Indust	208p		3·0
207	186	Steyr-Daimler-Puch	Sch 207	+1	4·3
630	405	Toyota Motor	Y 612	+12	1·3
39¼	28⅛	United Aircraft	$36⅛	-1⅞	5·0
163·8	133⅛	Volkswagen	DM 156½	+3½	2·9
273	226	Volvo	Kr 248	4	1·6
73½	57	Westland	62p	+3½	4·8
120	92	Wilmot-Breeden	119p	+4	3·0
		Office equipment, photographic			
228	180	Canon	Y 202	+4	3·7
121	93¼	Eastman Kodak	$115½	-1	1·1
427	358	Fuji Photo	Y385	+27	1·9
1750	1600	Gevaert Agfa	Fr B 1625	+10	3·7
182	150	Gestetner 'A'	179p	+7	1·7
381	349	Nippon Optical	Y 380	+19	2·0
2065	1439	Olivetti	L 2045	-20	3·4
262	228	Ozalid	258p		2·4
140½	86¾	Polaroid	$140½	+9⅛	0·2
1100	825	Rank 'A'	1025p	-50	1·1
145⅝	120½	Xerox	$136¾	+2¼	0·6
		Paper, publishing			
110	99	Borregaard	Kr 106		
197	151	Bowater Paper	169p	-3	3·0
124	110	Bunzl Pulp	116p	-3	3·9
34½	27½	Crown Zellerbach	$31⅝	-⅛	3·8
179	149	DRG	169p*	-9	4·2
28	23¼	MacMillan Bloedel	$C 25	+⅛	
20⅝	15¼	McGraw Hill	$18⅛		3·2
315	207	News International	308p*	-2	3·0
224	174	Pearson Longman	224p	+8	2·5
325	274	Reed Int	320p	+3	3·9
135	78	Thomson Org	135p	+4	5·2
		Property			
135	96	Capital & Counties	114p	-18	2·3
615	530	Hammersons 'A'	605p	-10	1·0
230	181	Land Securities	209½p	-20½	2·1
147	107½	LMS	140p	-5	1·6
274	225	MEPC	258p	-11	2·0
234	180	St Martins	211p	-13	1·4
314	293	SG Immobiliare	L296½	-5½	3·4
398	259	Star (Gt Britain)	348p	-35	2·6
845	735	Stock Conversion	800p	-40	0·8
219	150½	Trafalgar House	214p	-4½	1·9

Prices, 1972 High	Prices, 1972 Low	Ordinary stocks	Price, May 3 1972	Change on week	Yield May 3
		Transportation			
49½	39⅝	American Airlines	$44⅛	-1⅛	
294	229	Brit & Comm	294p		2·8
15⅝	14¼	Canadian Pacific	$C14⅞	-⅛	
382	318	Furness Withy	340p	+4	4·4
23¼	18⅛	Greyhound	$18¼	+⅛	5·4
2200	1580	Japan Air Lines	Y 1860	+10	2·2
131½	115	KLM	Fl 119·5	-5	
78 8	63 7	Lufthansa	DM 73	-½	3·4
174	138¼	Ocean Steam Ship	145p	-6	5·2
17⅞	13⅛	Pan American	$14¼	-⅜	
266	186	P & O Defd	251p	-8	4·8
730	575	Swissair (Bearer)	Fr S 700	-3	4·3
56⅛	39⅜	TWA	$47⅛	-4½	
54	39⅛	UAL	$49	-1¼	
		Stores			
293	216	Boots	293p	+29	1·9
350	260	Brit Home	336p	-4	2·5
305	225	Burton Group	260p	-5	2·3
350	234	Debenhams	320p	-29	3·5
185½	119 8	Galeries Lafayette	Fr 167½	-1½	
390	341	Galerias Precdos	%355	+10	3·2
334	255	Grattan Ware	340p	+6	2·2
22	18	Great Atlantic	$19¼	+⅛	6·8
340	259	GUS 'A'	330p	-5	2·1
296	223	House of Fraser	284p	+2	2·9
2100	1460	Innovation	Fr B 2090	+80	4·3
110½	82·3	KBB	Fl 110	+7·6	3·3
409	330	Karstadt	DM 396	+5½	2·5
295	243	Kaufhof	DM 292½	+10	3·5
622	484	La Redoute	Fr 594	+2	2·0
272	227	La Rinascente	L 263½	-4½	3·0
31⅜	27⅛	Marcor	295p*	-8	2·8
308	277	Marks & Spencer	295p*	-1½	2·6
471	410	Mitsukoshi	Y 463	+7	1·9
2-30	1-70	Myer Emporium	$A2·30		
136	107	Neckermann	DM 133 2	-1·6	2·2
172	114	Nouvelles Gals	Fr 160	+5	2·3
80½	67½	JC Penney	$73	-4¾	1·4
186	130 7	Printemps	Fr 173 9	+5 4	2·1
397	281	Provid Clothing	395p		2·8
242	162	Sears 'A'	225p*	-12½	1·5
116¼	97⅜	Sears Roebuck	$106⅞	-5⅛	1·8
830	643	WH Smith 'A'	830p	+10	1·7
87	75½	Tesco Stores	82½p	-2½	3·3
176	138½	United Drapery	173p	+10	3·0
47¼	39⅝	Woolworth	$39⅝	+⅛	
		Textiles			
40	33⅜	Burlington	$37		3·8
174	132	Carpets International	173p	+1	3·9
80	68	Coats Patons	75p	+⅛	4·7
103 1	80	Courtaulds	134p	+1	5·1
60	48½	Dollfus-Mieg	Fr 102½	-0·6	4·2
1813	1245	Snia Viscosa	L 1351	-27	
31¼	25⅞	Stevens, JP	$30⅞	+⅜	5·0
78	71	Teijin	Y 77	-1	7·8
115	95	Toray Ind	Y 110	-3	7·7
57½	43	Woolcombers	50p		
		Tobacco			
348	286	Brit Amer Tobacco	312p	+7	4·0
214	172	Gallaher	214p	+14	4·9
121	94½	Imperial Tobacco	121p	+4	4·3
76½	58¼	RJ Reynolds	$74⅛	+⅛	3·2
		Utilities			
47⅛	42⅜	AT & T	$42¾	+⅛	6·1
855	790	Chubu	Y 840	+2	6·0
840	780	Chugoku	Y 830	-10	6·0
27½	25⅛	Cons Edison	$25⅛	-⅛	7·2
2875	2600	EBES	Fr B 2840	+30	5·5
2300	1995	Intercom	Fr B 2275	+35	5·3
836	780	Kansai Electric	Y 835		6·0
191	171½	RWE	DM 171½		4·7
845	795	Tokyo Electric	Y 840	-3	6·0
105	89	Tokyo Gas	Y 97		6·2
		Investment trusts			
279	234	Alliance Trust	251p	9	2·4
181	146½	Atlas Electric	177p	-4	2·2
175	137	BET Deferred	175p	+13	3·2
98½	86	British Assets	91½p*	-4	1·7
180	151	Cable Trust	173p	-4	2·4
192	157	Foreign & Col	180p	-3	1·6
189	154	Globe Investment	183p	-5	2·2
167	133	Industrial & Gen	157p	-9	2·7
71	58¼	Mercantile Inv	66p	-3½	3·2
253	225½	Robeco	Fl 250	+1·3	4·7
194 3	167	Rolico	Fl 191½	+1½	1·6
122	100½	Witan Investment	118p	-1½	1·5
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 407	-5	3·5
1393	1009	BSN	Fr 1298	-4	2·4
203	142	Bookers	200p		3·3
230	171	British Match	192p	+7	4·9
75½	66	British Oxygen	70p	-1½	4·3
132	111	British Ropes	127p	+12	3·5
77	53½	Cope Allman	60½p	-1	4·7
271	194	Dalgety	246p	-6	4·1
244	188	De La Rue	240p	+3	4·7
27½	21¼	Engelhard Minerals	$26⅛	-1	1·5
44¼	28	Gulf & Western	$41½	+⅜	1·4
95½	67¼	Halliburton	$90	-2⅜	1·2
482	388	Hays Wharf	435p	-10	1·7
1062½	818	Hudson's Bay	818p	-32	2·6
64½	53⅜	IT & T	$53⅛	-1	2·1
540	404	Inchcape	495p	-5	2·4
416	345	C Itoh	Y 400	+18	1·5
14⅜	10¼	Ling-Temco-Vought	$10⅛	-1⅜	
26¼	16½	Litton Industries	$17	+⅛	
148⅝	129¼	Minnesota Mining	$140½	-⅛	1·3

Prices, 1972 High	Prices, 1972 Low	Ordinary stocks	Price, May 3 1972	Change on week	Yield May 3
266	202	Mitsubishi Shoji	Y 250	+8	2·8
305	219	Mitsui	Y 286	+3	2·4
285	240	S Pearson & Son	273p*	-4	2·3
36⅜	30	TRW	$34⅛	+⅛	3·0
27	23⅛	Tenneco	$24⅛	+⅛	5·4
36¾	30¼	Textron	$33¼	-1¼	2·7
174	137	Thomas Tilling	171½p	+2	2·4
245	204	Turner & Newall	236p	-4	4·6
		Oil			
614	545	Aquitaine	Fr 588	+3	3·1
610	498	BP	532p	+39	4·0
434	363	Burmah Oil	432p*	+45	3·8
229½	205	Cie Petroles	Fr 223 2	-4·8	5·4
93½	83·6	Gelsenberg AG	DM 87		
30	24⅜	Gulf Oil	$25⅛	-⅛	6·0
56⅜	50¼	Mobil Oil	$51⅜	+⅛	5·1
4690	3650	Petrofina	Fr B 4615	+5	2·4
30⅝	25¼	Phillips Petroleum	$27⅝	-⅛	4·7
125	111½	Royal Dutch	Fl 116	+1·9	6·2
359	298	Shell Transport	313p	+21	4·7
60⅝	54¼	Standard Oil (Calif.)	$56⅜	+1⅜	4·9
70½	63	Standard Oil (Indiana)	$62⅛	-1⅜	3·7
77⅛	69½	Standard Oil (NJ)	$71⅛	+1⅛	5·5
87¼	80	Standard Oil (Ohio)	$82⅛	-1⅛	3·3
36	29⅛	Texaco	$30½	-⅛	5·2
		Gold mines - finance			
340	255	Anglo-American	338p	+21	2·6
295	220	Charter Cons	263p	+6	2·7
235	206	Cons Gold Fields	233p	+15	3·2
1012½	790	General Mining	990p	+15	4·4
1525	1100	J'burg Cons	1500p	+100	2·9
740	535	OFSIT	740p	+50	5·5
635	505	Rand Selection	615p	+25	3·6
250	150	Union Corp	248p	+23	2·7
		Mines, metals			
22½	17¼	Alcan	$C21⅝	-⅜	
70	37⅜	Alcoa	$51¼	-2	3·5
2260	1875	Alusuisse	Fr S 2114	+84	2·8
32¾	27⅛	Amer Met Clim	$29¼	-⅛	4·7
20¼	15⅛	Anaconda	$19½	-⅛	
205	152	CAST	183p	+7	2·4
298	223	De Beers Defd	294p	+9	2·5
150	120	Delta Metal	145p*	-2	3·4
99½	79¾	Falconbridge	$C79½	-5¼	
35¼	29¾	Inter Nickel	$31⅛	-2	3·2
375	288	Johnson Matthey	372p	+12	3·4
29⅝	23¼	Kennecott	$23⅝	-⅜	7·3
109	70	Lonrho	87p	+4	3·2
3·90	2·35	MIM Holdings	$A 3·30		2·7
353	275	Metallgesellschaft	DM 337	+10½	
169 6	135	Pechiney	Fr 159	-⅛	7·5
75	52⅛	Penarroya	Fr 67	-2½	4·5
132	79	Potgietersrust Plat	129p	+10	(n)
22½	17⅛	Reynolds Metals	$20⅛	-⅜	3·0
248	196	RTZ	234p	+10	2·6
234	175	Roan Cons	234p	+6	(n)
645	540	Selection Trust	640p	+30	2·4
1600	1426	Union Miniere	Fr B 1525	-25	4·9
5·24	2·10	Western Mining	$A3 06	-0·08	0·6
220	182	Zamanglo	200p	+5	(n)
		Plantations, etc			
340	210	Consolidated Tea	220p	-5	
307	267	Guthrie	307p	+5	5·2
48	40	Highlands & Low	46½p	-⅛	6·4
70	43	Jokai	66p	-2	3·8*
164	118	Longbourne	143p	-5	(n)
38	30	Plantation Hldgs	38p		5·3

Money Market Indicators

Slight hardening in the American short-term Treasury bill rate. Little change in Eurodollar rates.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4½%

Deposit rates	
7 days' notice:	
Clearing banks	2¼
Local authorities	4¼–4⅝
3 months' fixed:	
Local authorities	4⅝
Finance houses	4⅝–5
Interbank rate	
7 days'	4¼
Treasury bills	
3 months'	4·27
Eurodollar deposits	
7 days' notice	4
3 months'	5

Eurosterling deposits (*in Paris*)

2 days' notice	4¼
3 months'	5⅛

New York

Treasury bills	3·60
Certs. of deposit	4·55
Sterling: Spot rate	$2·6114
Forward discount (3 months')	0·125 cen
Forward cover (3 months'): Annual int. cost	0·19%
Investment currency: Investment $	21¼% prem

Covered arbitrage margins (3 months')	In favour of Last week %		This week %
Treasury bills	London	1/32	London
Eurodollar/UK local authority loans	N. York	1/32	N. York
Eurodollar/Eurosterling	Neutral		London

Uncovered arbitrage margins (7 days')			
Eurodollar/UK local authority loans	London	⅛	London
Eurodollar/Interbank	London	⅛	London





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April 29, 1972



I'm calling

The Government's call for public support against the railwaymen has brought an early success for the Industrial Relations Act, but it is no more than a first step in the essential process of bringing Britain's unions under the rule of law—and the Government still needs to be resolute, page 15.



One almost cut off

Willy Brandt survived as west Germany's chancellor on Thursday by a margin of two, and his eastern policy is still open to criticism, page 17.



One wrong number

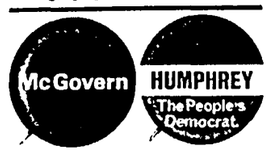
President Pompidou miscalculated in France's referendum on Sunday, which is a dent in his reputation as Europe's cunningest politician, page 19.

One line busy

Italy isn't talking to anybody until it has its election on May 7th, and discovers how strong its far right has become, page 34.

Willie's province

Mr Whitelaw is wooing the Catholics to little effect so far, and the Protestants are getting more and more worried. There are three possible policies if things go on going wrong, page 20.



George and Hubert

The divided Democratic party has two new front-runners in the race for the presidency, page 49. A Kennedy in the wings, page 53. Mr Nixon has plenty of trouble himself over Vietnam, pages 31, 32 and 50.

After splashdown

With only one more moon flight left, Apollo 16 is not the breakthrough that it might have been had the Americans really been planning to develop the moon, page 78.

Taxes without tears

It's bad enough having to pay them, so let's at least make tax collecting easier by putting everything together under a single new Board of Taxation, page 80.



About turn

What have Britain's armed forces got that isn't tied down in Germany or Ulster, and what's their job? A survey after page 60.

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Letters

Price restraint

SIR—Your commentary on the CBI's price restraint policy (April 22nd) gives a misleading, and in parts untruthful, account of a serious issue.

The reasons why the CBI decided to defer for three months any decision on an extension of price restraint beyond July 31st were twofold—first, because by the end of that time it should be possible for industry to form a better assessment of the early effects of the budget measures on the economy; but second, and more important, because a continuance of price restraint must be conditional on a greater degree of moderation in pay claims and pay settlements.

These reasons were clearly spelled out at our press conference and in our press release following the CBI council's meeting on April 19th; and they were elaborated in a speech I made in Cambridge the following day. Both in our press release and in my speech it was made clear that the CBI was deeply concerned to play its part in securing a further reduction in the rate of inflation, and that if there were a good prospect of trade union response there would be a widespread willingness among the CBI members to sustain a further period of price restraint beyond July 31st next.

For reasons that I cannot fathom you elected to ignore this latter consideration. You further suggest that we have proposed (presumably to the Government) "splitting the difference": "if industry agreed to sign on for another six months, the Government should then agree to a slow thaw for the next six." No such proposal has been made. You also imply that there was some kind of pre-budget compact between the Government and us under which in return for substantial tax concessions to industry we would keep price restraint going until mid-1973. There is no truth in that either.

You refer to profitability. Yes, it has improved in some sectors of industry—as indeed it badly needed to improve. But you fail to take into account the acute threat to profitability in other sectors, particularly engineering, of extortionate pay pressures backed in some instances by industrial action, or the general risk of an upward twist in pay pressures following the coal mining and rail disputes.

All in all, you do scant justice either to the difficulties facing industrial management at this time or to the CBI's endeavour to take a positive and constructive line in the continuing fight against inflation.—Yours faithfully,

London, SW1 JOHN PARTRIDGE

Violence

SIR—It was extremely heartening to read your article, "A term to violence" (April 8th). I was glad that you twice reaffirmed that "democracy is a matter for the ballot box." My mail shows that there exists an extraordinary number of educated people who regard the secret and universal franchise as a minor and perhaps even an expendable part of the democratic process. I am still being assured that classic Athens was a democracy, in spite of the disfranchisement not only of the slaves and the foreign residents but also of the women. It has also been seriously claimed that the United Kingdom was a democracy "after 1832." May I suggest that it was not a complete democracy until Baldwin brought in the flappers' vote in 1928?

I urge this partly because I believe it to be true, but also because it counters the stirring and emotive argument I hear so often, which runs: "Our forefathers fought for their freedom: their violence paid off, and we shall fight, too." Granted. Those tough forefathers (and foremothers) defied the law. They did so to establish a democratic process suitable to this country, including universal franchise by secret ballot, free speech, majority rule, and representative parliamentary government.

We have now had this desirable process for some 40 years, and we are already in danger of losing it by allowing the rule of law, which alone sustains it, to be eroded by illegal violence and intimidation.—Yours faithfully,

JOHN CHAPMAN
Deputy director,
London, WC2 Freedom under Law

SIR—Mr Norman Moss (Letters, April 15th) includes among causes of violence "the vastness and complexity of our society, which makes it difficult for the ordinary member to feel that he can affect it or have any say in its administration." It is, indeed, unfortunate that this idea persists, because it lends attractiveness to the instant demonstration as a means of solving problems.

It is a pity that young people are not taught how to seek out, and take part in the proceedings of, the immense variety of small groups which work to improve society in less dramatic but more solidly effective ways. To cite just one example, in the Conservative party there are small discussion groups of members all over the country. These groups report their opinions on political topics, and the reports are studied in summary by the minister concerned with the subject. Constituency opinion exerts a very real force for political change, as anyone who has worked in these groups will know.

One does not have to be rich, erudite, or powerful to play an effective part in forming opinion within a group: neither is youth any bar to effective expression. The more intelligent people who wish to work effectively for social change have realised that the instant demonstration has become such a blatant sham as to be entirely counterproductive.—Yours faithfully,

DAVID SOMERSET
London, W2

SIR—May I give Mr Beale (Letters, April 15th) a short lesson in political philosophy? Democracy is a system in which members of a community have the right (or duty?) to attempt to persuade their fellows by peaceful means that a particular policy or course of action is desirable. Mr Beale seems to forget this. Having rejected, quite rightly, any attempt to impose policies on an unwilling population, he goes on to assume that any policy or action which does not fall into this category (including presumably democratic action) is evasive or negative. Really, Mr Beale, if you reject dictatorship and democracy, what do you want?—Yours faithfully,

MICHAEL COPLAND
Cookham, Berks

Capital investment

SIR—Your article on "How not to depreciate" (April 15th) appears to assume that most investment decisions are made by taxation accountants whose primary interest is the finest interpretation of year-to-year taxation and allowances changes. This is just not so—it is only at the extreme margin that differences between the 40 per cent and 50 per cent corporation tax rates will affect investment decisions in terms of the allowances receivable to the extent postulated in your article.

What concern industrialists like myself are (1) the market for the goods to be made, and (2) the profit and cash flow attainable from their sale.

The Chancellor's measures, together with other Government moves, have been designed to raise confidence in the future and thereby the level of industrial activity. With our entry into the European Economic Community and the run-up to a general election occurring simultaneously, many people, including myself, believe that demand will push steadily upwards over the next two to three years—in fact we are probably at the beginning of a real boom in our economy.

The present time is most favourable for investment because (1) capital goods are relatively cheap as demand has been low and deliveries offered at this time are short, and (2) money is also cheap and readily available.

In any case, the 50 per cent corporation tax rate for 1973-74 is only indicative and the resulting rate could be lower. Probably, the only real effect of the 1973 potential change will be that some marginal delivery times/invoice dates could be adjusted at the last moment in order to maximise taxation allowances. Further, what partly matters is to get more demand into the capital goods industries and this again would occur with effect from receipt of orders and not post delivery dates.

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London, SWIX 7JG.

I consider the Government's proposals to be realistic and likely to bring the required results.—Yours faithfully,
West Bromwich E. M. WORLEY

Inflaccounting

SIR—In the table accompanying your article on inflaccounting (April 8th), the tax charge remains the same even though the adjusted profits have fallen. Would it not awaken the Government to the effects of inflation if the tax payable by companies was also reduced?—Yours faithfully,
Scarborough, Yorkshire W. ARMSTRONG

Ireland

SIR—May I make the following suggestions for solving the Irish question by the introduction of legal practices that are common in the neighbouring democratic countries of western Europe:

(1) Citizens of the Republic of Ireland should be made aliens under British law. What other state allows the citizens of another country uncontrolled entry and voting rights?

(2) "Community schools," attended by Catholic and Protestant children, should be introduced, if necessary by holding a referendum to ascertain the views of the population. This presupposes that subsidies to Catholic schools will cease. This has been successfully accomplished in the Federal Republic of Germany despite the opposition of the Catholic church.

(3) Civil servants and local government employees should be required to take an oath of loyalty to the constitution.

(4) The police should be armed and given the authority to shoot at escaping suspects just as in other western European countries.

(5) If registration of one's place of residence were introduced (as in the rest of Europe), this would aid the police in their inquiries and bail could then be refused to accused persons not having a permanent place of residence.

(6) Similarly, the introduction of an identity card would make police investigation easier.

(7) Prosecutions in court should be conducted by members of a public prosecutor's office, just as in other countries. As these would be civil servants, they could not cripple the machinery of justice by refusing to act for the Crown (as some Catholic lawyers did in Northern Ireland).

(8) Pre-trial investigations could be carried out under the supervision of an examining judge in chambers, while the accused is detained on remand. This would obviate the need for emergency laws in Northern Ireland, as under this system (used by our European neighbours), it may take years to conduct investigations and bring an accused person to trial.

You have often been critical of the "muddle through" attitude in Britain, but has there to be civil war before a thorough look is taken at Britain's constitution and legal framework?—Yours faithfully, D. GIBBONS
Bavaria

SIR—I wish Mr D. W. Mountain (Letters, April 8th) would explain how, in the "overwhelmingly Catholic" counties of Fermanagh and Tyrone, at the general election of June, 1970, for the Westminster seat taking in most of those counties, the votes for the candidate adverse to partition exceeded the Unionist vote by only 1,450 out of just under 64,000 votes cast.

As for Londonderry and its county, the Unionist had a majority of just under 5,000 votes over all opposition in 1970. By what rule does this constitute a case for including Londonderry in the republic?—Yours faithfully,
Ripley, Surrey DESMOND FITZPATRICK

Marketing in Europe

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Ecology

SIR—If this letter is published it will probably be headed "Ecology." This does not bother me since I understand that while *The Economist* may be prepared to swallow ecology it might strain at theology in its correspondence columns. But surely this is what the neo-Aristotelians and neo-Thomists are on about? The world is finite. The end of all things is at hand. This is nothing new. It is today's version of the memento mori without which no self-respecting hermit's cell was adequately furnished.

One can infer from the death's head that the only rational way of behaviour is to eat, drink and be merry. But there are others who will be grateful to the contemporary school of environmentalists for their timely reminder that it remains equally rational to promote a more equal distribution of the world's goods while there is yet time. The concept is ethically neutral. We make of it what we will.—Yours faithfully, L. W. NORWOOD
Welwyn Garden City

National parks

SIR—You describe the Government's proposed arrangements for the administration of national parks as "a happy mean" (March 25th), falling presumably somewhere between the independent planning authorities on the Peak Park model on the one hand, and the county council committees, which are the current norm for most of the parks, on the other.

Yet, as you state, the Peak has "become a model authority for conservationists" with "enough autonomy to flex its muscles" and "has certainly justified its existence."

If all this is true, would it not be right to give all national parks the same form of administration? The Government's refusal to do so leads us to think that the arrangements they do propose are not "a happy mean" so much as a concession to the county councils association.—Yours faithfully, CHRISTOPHER HALL
London, W1

Vietnam

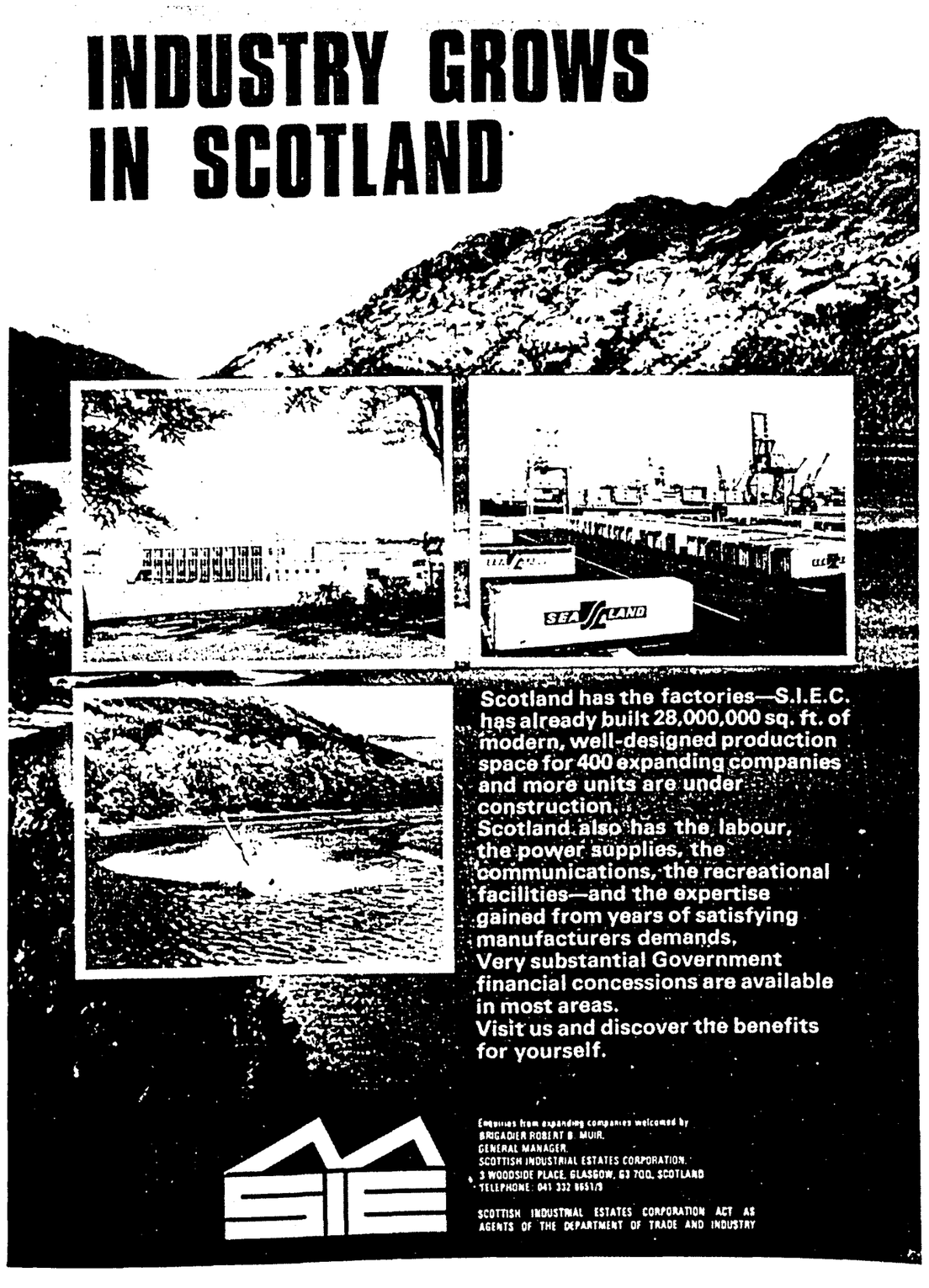
SIR—You contend (April 8th) that the current North Vietnamese offensive has "pushed hardest and risked the most" since the Tet offensive of February, 1968. As an American civilian who worked in South Vietnam from 1968 to 1970, allow me the observation that the communist offensive of May, 1968, was militarily larger and a more direct attack on South Vietnam's major population centres than the more heralded Tet offensive. And their more decisive defeat in May largely explains the communists' reduced level of operations in the past four years.—Yours faithfully, DOUGLAS C. JONES
Minneapolis, Minnesota

Nationalism and communism

SIR—Unfortunately I have not had the opportunity of reading the article to which Mr R. K. Kindersley of Oxford refers in his letter (February 19th).

Nationalism in the Ukraine was supported by the old Russian generals during the civil war in Russia. Among those who helped the Red Army against General Wrangel were Ukrainian troops, quite apart from the fact that a great number of Red Army soldiers were Ukrainians. The real Ukrainian nationalists had to choose between war with Russia without any sufficient western support and peace with Russia even at a heavy price.

I think Mr Kindersley looks at the problem of nationalism and liberalism too simply. The question is more complicated than he can imagine.—Yours faithfully,
Sofia ILIA MIHAILOV





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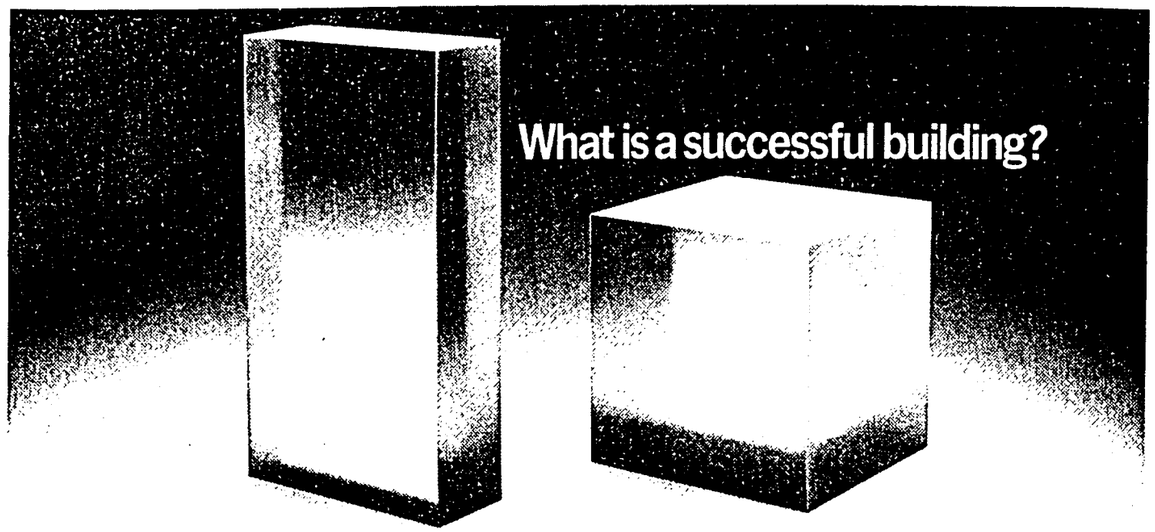
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Accounts. The events of 1971 in the world of commerce and industry could not fail to have their repercussions on a company whose business is primarily concerned with the consequence of losses from bankruptcies and liquidations. The failure of Rolls-Royce Limited, followed by that of Upper Clyde Shipbuilders Limited and the less-publicised but important insolvency of Lines Brothers Limited, made substantial demands on the company and its reinsurers. In these circumstances, your directors are glad now to submit accounts showing that your company has maintained its progress.

Gross premium earnings during 1971 amounted to £5,442,111 and exceeded those for 1970 by 18.9 per cent. The company's retention of premium after reinsurance and brokerage deductions was £2,082,083, an increase on the previous year of 28.1 per cent. However, gross claim payments at £3,178,413, not unexpectedly, showed a bigger increase amounting to £1,098,904 on the previous year. Our share of these payments, net of reinsurance recoveries, was £643,334 compared with £522,373 for the previous year. The inflationary trend which contributed to this more severe claims position also affected our management expenses, which rose by £269,717 to £1,095,584.

The 1969 underwriting account, to which part of the Rolls-Royce losses attached, closed at 31st December 1971 with a credit balance of £228,695, which has been transferred to the profit and loss account. The credit balance on this account is £47,191 less than that of the preceding year.

The 1970 underwriting account has had to bear the major brunt of the spectacular losses to which I have referred, as well as others of importance in the wool and building trades. I mentioned these last year but it was not then possible to quantify or even to know of all losses that would affect the 1970 underwriting account and, as a precautionary measure, £50,000 was transferred to its credit from the profit and loss account. The prospect is that in the final outcome this will prove to have been unnecessary. The present balance on the account of £492,258, which includes the £50,000 previously mentioned, is better by £53,636 than the corresponding balance on 1969 underwriting account a year ago. While there are hopes of recoveries from the realisation of Rolls-Royce Limited and other estates, no credit has been taken in the company's accounts for these recoveries.

Premium earnings on the 1971 underwriting account are running at 14.4 per cent above the 1970 level. This is partly attributable to increased premium rates, partly to new business and partly to the inflationary tendencies that continued throughout the year. The balance on the account of £175,817 compares with £170,052 (which includes the transfer of £50,000) on the 1970 underwriting account at the end of its first year. I am hopeful that we may see some abatement in the volume of claims and that this will result in a better outcome to this account than we have experienced in the recent past.

The profit and loss account, to which the underwriting profit from the 1969 underwriting account of £228,695 has been transferred (1970—£275,886), is also credited with franked investment income of £39,490 and interest and other income £84,822. The total credited to profit and loss account is thus £353,007, against which is debited corporation tax of £138,000, leaving a balance of £215,007 to be carried down. The addition of £343,219 brought forward from last year gives a disposable balance of profit of £558,226, compared with £623,219 at the end of 1970. Your directors recommend the payment of a dividend at the same rate as last year, namely 30 per cent at a gross cost of £180,000.

Australia. Conditions in Australia, following the collapse of the mining share boom, have not made our operations in that Dominion any easier. In 1971 premium income increased satisfactorily by 30 per cent to £280,000 and claims have been fairly moderate but management expenses, as in the United Kingdom, have continued to escalate.

General. In my statement a year ago I explained how the revival in consumer expenditure had produced a marked effect on our own figures in the latter half of 1970. The higher purchasing power of the public, which was further boosted by the relaxations announced in the March Budget and in the Chancellor's 'July package', continued to exercise a major influence on our business in 1971. Despite this, there was little evidence at the year-end, either in national figures or in our own experience, that the effects of higher consumption had worked their way back beyond the consumer-orientated industries into the investment goods sector. Indeed, even today, industries such as machine tools, steel and heavy engineering still find themselves in a generally depressed condition.

As in the previous year, these developments were reflected mainly in our claims and collection experience. In brief, 1971 was a year of fewer, but substantially larger, failures. I have already referred in my comments on the accounts to the sharp increase in the value of claims paid in 1971. However, this rise in value concealed a fall of almost 26 per cent in the number of failures notified to the company. On our collection side, the trade pattern was very much the same as for failures. There was a fall of nearly 17·per cent in the total of cases notified to the company for collection and a drop of 9 per cent in their value.

The major insolvencies named in my opening remarks, together with many other somewhat smaller failures which occurred in the course of last year, led to a high demand for our cover and to a record level of new business put on to our books in 1971. Rolls-Royce, Upper Clyde and Lines Brothers held an obvious and a special message for engineering and its associated industries and, inevitably, it was in this sector that a large part of the new business was added. However, companies in a wide range of other trades and industries were not slow to realise the dangers of involvement in a major failure and they, too, sought credit insurance protection for the first time last year.

New business and higher prices led to an increase of more than 11 per cent in our turnover of insured transactions in 1971, when total business underwritten in London and Melbourne amounted to £3,545m. Of this, nearly £300m involved risks on buyers domiciled outside the United Kingdom, the main areas, apart from Australia, being North America and Western Europe.

Britain's signature of the Treaty of Accession to the Community this January brought home to many businessmen the imminence of our entry into Europe. Your company already underwrites a large volume of business on European buyers, particularly those of the 'Six', and we shall take every opportunity of expanding our turnover in this area. Through our membership of the International Credit Insurance Association we have excellent sources of credit information in each of the countries of the Community and the flow of status enquiries is already growing noticeably. This, I might add, is taking place in both directions, with enquiries similarly being made of us on behalf of European exporters who are developing their sales to the United Kingdom and are insured with ICIA or Berne Union members.

The Outlook. The past year has seen stagnation in many parts of the economy, with a resultant waste of national resources in terms of both capital and manpower. The growth of the Company's business over this period has been impressive, but it has owed very little to any underlying growth in manufacturing output. Looking ahead, in addition to a continued improvement in consumer expenditure we shall, I trust, see a revival in due course at the heavier end of industry. Whilst the effects of higher consumption can further ease our lot on the claims and collection side of our activities, the growth of insured turnover and premium income should not be dependent, as in recent years, on new business effort and rising prices alone but must be based, in addition, on a positive expansion of national production.

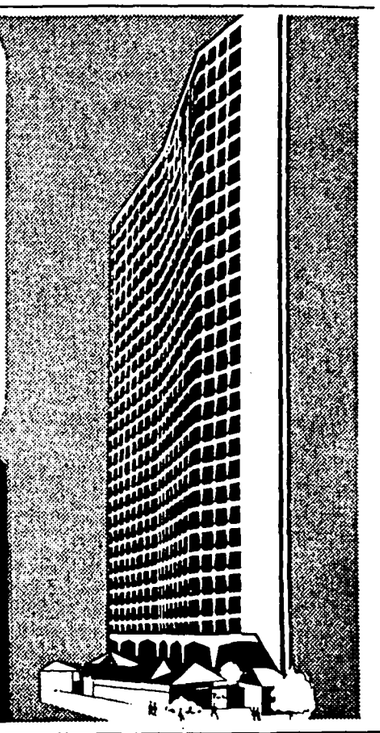
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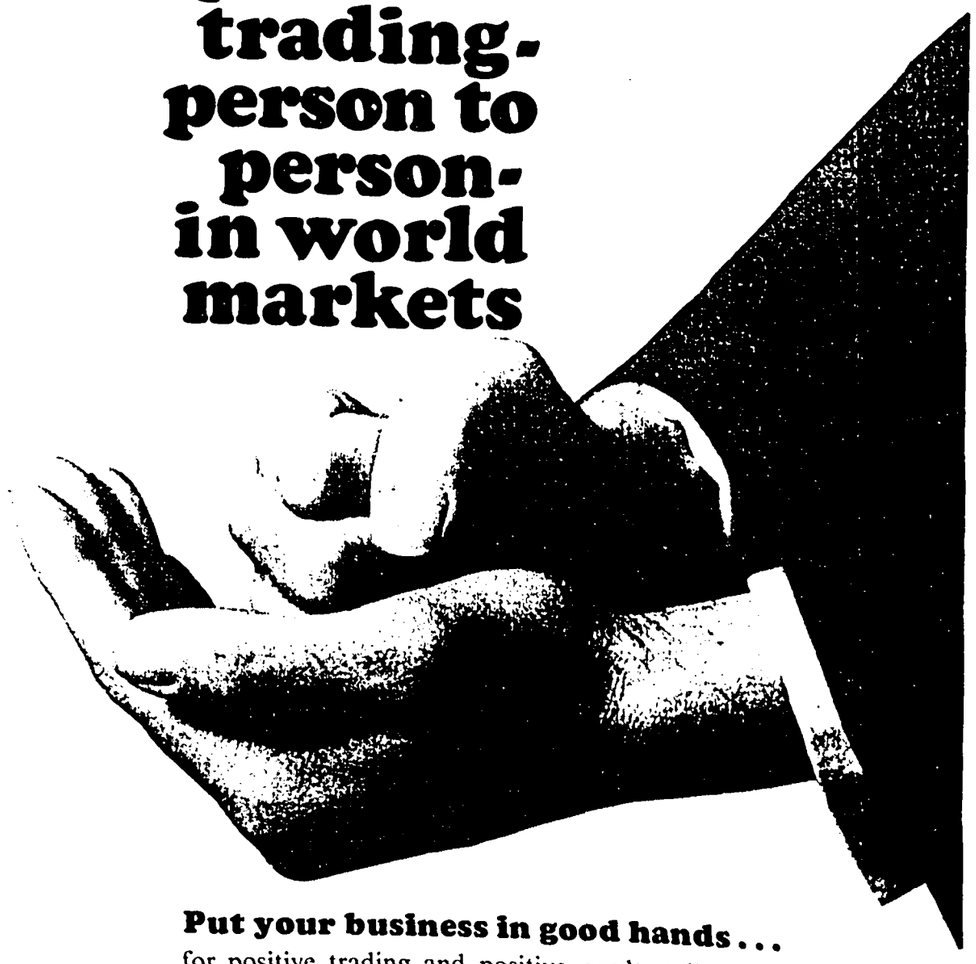
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CBM 105

The Economist

April 29, 1972



Under one law

This is a crucial moment in Britain's social history. It requires firm handling and an absence of angry hysterics. It also requires frank recognition of some home truths, which is a process at which the British are very bad. The key point is that during the past two decades British trade unions have served the whole British people very badly. During that period the average British trade union official has not merely been in an unproductive job, but actually in an anti-productive one. The main net product of the recent life's work of Mr Feather, Mr Jones, Mr Scanlon and their colleagues has been to cause a diminution, below what would otherwise have been achieved, in the real standard of living of almost every British man, woman and child—and especially of the poorest Britons, such as old age pensioners.

The main purpose of going through a little temporary discomfort by resisting the unions now must be to reform this absurd state of affairs. Economically, the slowing of Britain's growth caused either directly by the trade unions' restrictive practices, or indirectly by squeezes made necessary by their cost-push inflation, must in the past two decades have robbed from the average wage earner a much larger sum than has been gained for him by any small net redistribution of our retarded national income that the unions have brought about. Politically, the union leaders in the past decade have pushed what should be the more progressive of Britain's two main political parties towards a reactionary protectionism in industrial affairs, and have intermittently tried to prod it towards the lunatic left in international affairs. The parliamentary Labour party, through both Mr Gaitskell's and Mr Wilson's day, has bravely resisted the prodding on foreign affairs but has too often felt obliged to respond to the protectionist push, thus giving the British electorate a choice only between two domestically conservative parties which both basically regard industrial change as their enemy. Administratively, the muddle in which the unions have sunk the management of their own affairs has been the worst feature of all—or at least it was the worst until in the past few weeks some trade unionists have started to pretend that they do not have to obey the law.

The reason for this decline of British trade unionism has not been any original sin among either ordinary or leading British trade unionists. It has come about because even a band of archangels and geniuses could not properly operate a supposedly democratic organisation if it is not subjected to the checks and balances on which any effective democratic system must depend. In the lower ranks of "elected" union officialdom (delegates to union conferences, shop stewards, etc) there is not a natural democratic check, because most people very sensibly do not want to spend their spare time on such chores. Anybody sufficiently ambitious to pick up local union power can therefore generally get it. Politically, this leads to a heavy over-representation in shop stewards' committees of communists and others who would not win even 3 per cent of the vote in ordinary democratic elections. More important, there is over-representation of those who are willing to break their promises and their contracts without a moment's compunction, who resort to threats, force, bullying tactics and some individual intimidation in order to bolster protection rackets that are mainly in protection of their own power but are sometimes more corrupt even than that. One of the two checks that a democracy should impose on this dangerous situation is a tight legal supervision over it, exercised both through the law of the land and through the enforcement of union rule books.

Not war-war, nor jaw-jaw, but law-law

Neither check has been in fashion in Britain in recent years. Until last year, the law was kept out of the trade unions' many messes because politicians were too scared to put it in. Union rule books are not enforced by union leaders, except that condign punishment is meted out to a few idiosyncratic people who do not take part in strikes with which they disagree; no discipline is exerted against those who equally break union rules by initiating unofficial and breach-of-contract strikes, and far too little against those who run even the worst rackets. The other

check against uneconomic actions, offences and illiberalism by shop stewards should be resistance by employers, led by the public sector. Instead, the public sector has generally led by running away.

By the mid-1960s it was therefore clear that the problem would need to be tackled either by cajoling union leaders to take up their proper job of advancing living standards instead of reducing them, or by introducing new laws as a check and balance on a trade union movement that is now often utterly out of hand. The path of co-operation was tried during the Labour government when Mr George Woodcock and other union leaders signed a "declaration of intent" that they would seek to keep down wage claims to equal the rise in national productivity, but then promptly supported wage claims demanding three times as much; and when Mr Vic Feather and other trade union leaders bought off Mrs Barbara Castle's proposed law by "a solemn and binding undertaking" to try to reduce strikes, but then felt obliged to allow both strikes and inflation to double. There was therefore an overwhelming democratic case for last year's Industrial Relations Act, even although it was much less stringent than it should have been.

Cooling is not the crunch

The past two weeks have seen the two opening tests of this very mild act. The less important one was the cooling-off order against the railway unions which had broken their pledged word not to disrupt railway traffic in support of a pay claim until that claim had been through all stages including compulsory arbitration. The unions' argument that they were not disrupting traffic by a work-to-rule (even although it caused half the trains in Southern England not to run) was indicative only of the sheer deception, especially self-deception, that has now become orthodox in British trade union affairs. By Tuesday, after some initial flouting on the Southern Region, the court's order—which some people had said would be resisted to the end—was being obeyed in the proper British manner.

Unfortunately, cooling-off orders are probably the least useful tools provided by the new act. They can offer as big an incentive to the Government to cobble together inflationary awards while they last as they offer to the unions to reach reasonable settlements during them. They are most worth while when there is some mechanism that can be used during the cool-off to stop the strike without further inflation: which leads to consideration of the weapon that was not used.

Civil servants at the Department of Employment last week persuaded Mr Macmillan not to call a secret ballot of railwaymen on whether to settle now. Officials observed that secret ballots in America usually support official union action. This is because American unions are professional bodies which research among their members before calling for action, which have a definite purpose behind such action, and which deploy public relations departments to explain that purpose to their members during a strike. This is very different from the average trade union conscript into a British strike. The railwaymen of Britain are not in nature separate from the rest of the ordinary people of Britain, who told the National Opinion Poll in Tuesday's Daily Mail that 43 per cent thought that Mr Heath's Government was not tough enough towards trade unions, 33 per cent thought the Government's attitude about right, and only 18 per cent thought it too tough.

Brinkmanship without reform?

However, the much more serious test of Britain's decent democratic life is the blacking by Liverpool dockers of container lorries sent in by certain small family firms, which the dockers are preparing to drive out of business. If Heatons and the other family firms were driven out of business, they would earn a place in the liberal and social history of Britain's resistance to bullies beside that of the Tolpuddle martyrs. But this is a sort of martyrdom which the Government and society simply must not allow to occur. A group of dockers—who have rendered part of their own industry uneconomic by their restrictive practices, high wage demands and notorious pilfering—is trying to black a competitive form of packing which is more efficient and more difficult to pilfer from. The court has twice declared the blacking to be illegal, and imposed £55,000 of fines on Mr Jack Jones's Transport and General Workers' Union; but the blacking was still going on this week. Mr Jones says that his members' action is not his fault, but he has not disciplined or dismissed from membership those who are organising it, as he would discipline anybody who disobeyed strike calls.

The frightening point is that this protection racket in the docks might temporarily be a legal action if the TGWU was a registered union. This illustrates the second danger now. The Government is pleased that the unions are beginning to discontinue some of their boycott of the act. If more of the unions start to register, the Government will be delighted. But it will actually be better for the country if some of the more obstructive unions are silly enough to remain unregistered for a while, so that the bigger sticks can be used against them. The only real purpose of getting unions on to the register is so that their internal rules can gradually be amended into more respectable form, on pain of a threat of de-registration again; some of the worst unions could not afford to have a registrar examining the way in which some of their officials run their affairs, which is one reason why they are staying unregistered.

The Government should keep sight of this sole object of registration. It should not desert from that object by one whit in order to make things easier for those who give it the propaganda victory of joining the club. The purpose of the pain which the public is suffering now is to bring about trade union reform. It is not just to increase the number of trade union leaders who are willing to talk to Conservative ministers at No. 10 Downing Street. After Wednesday's tea party there it was announced that Mr Heath, admittedly in guarded terms, had agreed to study a Trades Union Congress proposal for establishing an "independent conciliation service" that would seek to bring about even more instant inflationary settlement of industrial disputes. The path to all our present hell has been paved with precisely such bad conventions.



The one who almost fell

Willy Brandt survived on Thursday by the skin of two teeth, but his tiny majority does not remove the doubts about his eastern policy

It slipped through Rainer Barzel's fingers, as he himself quite possibly feared it would. The Christian Democrats' motion to remove Willy Brandt from the chancellorship, and put Herr Barzel there instead, failed on Thursday by a margin of two votes to get the absolute majority of 249 in the Bundestag that the German constitution requires. It would not have been a comfortable chancellorship even if Herr Barzel had picked up those extra two votes. He would have acquired the government of a divided country on the strength of the German equivalent of the defection from Mr Heath's backbenches of four assorted Ulster Unionists and obscure Tory anti-marketeers. It would have been an unstable achievement: you can do many things with defectors, as you can with bayonets, but you cannot count on sitting on them. But it is likely to be even more uncomfortable for Herr Barzel that he has failed. The decision to try the coup against Herr Brandt was taken against the judgment of some senior Christian Democrats, including perhaps his own. It brought out trade unionists on strike in several German towns on Wednesday. It probably makes it harder for him to rally the votes he wants in order to defeat Herr Brandt's treaty with Russia. And if he fails in that his leadership of the party could well be in danger.

The charge of miscalculation that will be made against him is based on the hard fact of Thursday's vote, and it is no reply for him to say that his bid for the chancellorship was entirely constitutional, and that it reflected a real division of opinion in Germany on a matter of fundamental importance. Yet in fact, if Herr Barzel had made it, the result would by no means have been as unwelcome in Germany as some accounts have made it seem. The evidence of public opinion, such as it is, suggests that the Brandt government is not as popular as Herr Brandt himself continues to be.

Why Barzel tried it

Of course, it is not mainly dislike of Herr Brandt's eastern policy that has put the wind of public opinion back into the Christian Democrats' sails. The opinion polls continue to show that a majority of west Germans, like a majority of other people elsewhere, believe in something called a "relaxation of tensions" as a policy in itself, which can be brought about without getting down to the problems that cause the tensions, and that a majority of them support Herr Brandt's treaty with the Russians as the tranquilliser that produces painless relaxation. Herr Brandt still has that going for him. It was things much closer to home that gave the Christian Democrats those extra votes in Baden-Württemberg on Sunday (see page 32), and made them think they could very likely win a general election.

The increase in the German cost of living is running at little more than half the rocketing British rate, but even that is unfamiliar enough to seem outrageous to many Germans, and it has been enough to make the government shelve several of the reforms it promised to the voters in the 1969 election. It does not help the Social Democrats to point out that their inflation is no worse than the inflation in most other western countries: housewives are not international statisticians. And on the other two domestic issues in Germany—the near-recession of last year, and the law-and-order issue—the Social Democrats have probably suffered because they are Social Democrats. A Christian Democratic government would probably have been quicker to reinflate away from the recession because it would not have been so nervous of being accused of financial irresponsibility by its opposition. And the party of liberal good intentions is always under a handicap when it faces urban guerrillas and student toughs: too many of its own younger members have a sneaking sympathy for the revolutionaries, and too many of the nervous middle-aged majority have stopped believing that liberal good intentions are the way to deal with the problem anyway.

But if it was these things that tempted the Christian Democrats' executive into making their challenge to Herr Brandt—even pushing Herr Barzel into it against his own preference, according to some stories—it is foreign policy that remains the central issue between the parties. The opposition to Herr Brandt's Ostpolitik has always been stronger in parliament than it has been in the country as a whole. The majority of the defectors the Christian Democrats counted on to make the difference between success and failure on Thursday were led to think of defecting by their worries about eastern policy. Those who actually turned against the government when it came to the vote may have been glad to do so in the week of the budget debate, on a subject where they could be surer that public opinion was flowing their way, rather than wait for next Thursday's vote on the ratification of the treaties with Russia and Poland; but it was the Ostpolitik, more than anything else, they were striking at when they voted.

This is the one matter in German politics that revolves around a major question of principle. And if Herr Barzel had actually bulldozed his way into the chancellorship this week—or if he still succeeds in beating Herr Brandt in the votes on the treaties—it is the one matter which would make it necessary for Germany's allies to re-examine their own policies. The Christian Democrats are just as committed to the search for unity in western Europe as Herr Brandt is, and their apostasy on eastern policy makes them all the more anxious to demonstrate that they are. Herr Strauss might be a bit more nationalist

than Herr Schiller has been in manipulating the exchange rate of the D-mark to Germany's advantage, but even here his instinct to win a nationalist point would be held in check by his perfectly genuine belief in the need for western solidarity. There is nothing else in a change of government in Bonn that need cause concern to Germany's allies. It is the Ostpolitik the argument is about.

The fog-making words

And the trouble with the Ostpolitik is that the original aims of a new policy towards eastern Europe have been distorted by the rhetoric Herr Brandt has allowed to accumulate around his own particular version of that policy. It should have been made a rule, from the moment when a new approach to the Russians first seemed possible, that such words as "detente" and "relaxation of tensions" should be outlawed from the discussion. They are fog-making words, because they encourage people to think that tensions have an existence of their own, separate from the conflicts of interest that give rise to the tensions. That is why the Russians like these words, and use them so much, but it should also have been a reason why other people should have avoided using them. If there is to be a real change for the better in the relationship between the two parts of Europe, it is necessary to treat the problem as something more serious than an overtight violin string.

This means that the search for an accommodation with the communist part of Europe has to take into account two things that the Russians and most people in the west have in common, although there is an important qualification even about one of these. It also has to take into account two things which they very conspicuously do not have in common.

One thing that the communist Europeans and most western governments would agree about is that there is something to be gained by more economic co-operation between them ; although in the west the amount to be gained looks much smaller than the communists sometimes claim (see page 46). The other is that both sides might as well come out and say publicly that the political systems that have grown up in the two parts of Europe since 1945 are not going to be changed by force ; the important qualification here being that a lot of people in the west do not want to say this in a way that rules out the eventual reunification of Germany if that is what a majority of east Germans continue to want. But from this point on the interests of the two sides diverge. The Russian interest, it is quite clear, is to weaken the links between the United States and western Europe, and to encourage the west Europeans to cut down their defence spending, so that the Soviet Union will become unmistakably the predominant power in Europe. The western interest is to help the smaller countries of eastern Europe to get more freedom from the Russians so that, even though they remain communist, they will be better places to live in. No doubt these two aims are almost mirror-images of each other. The one difference is the difference between what most west Europeans feel about having the Americans around, and what most east Europeans feel about the Russians.

The criticism that Herr Brandt has exposed himself to is that, starting from the things most people would agree about, he has gone beyond them in two ways. He has moved a good deal closer to accepting the permanent, enforced division of Germany than many Germans would like—for instance, by agreeing to that Russian word *nyerushimi,* which means something very close to "unchangeable," in the references to Europe's frontiers in his treaty with the Soviet Union. And he has probably made it easier than he need have done for the Russians to pursue their aim of detaching America from Europe in the next stage of the negotiations. By helping to get the west caught on the hook of the "security conference" the Russians have been dangling in front of it for so long, he has made it possible for the Soviet Union to hope that this next stage will take place in just the sort of forum it wants.

The objection to the security conference is that at best it will be a bore, a sort of mini-United Nations Assembly in which tired politicians exchange tireder platitudes, and at worst it could be something more dangerous. It will not be easy at such a conference for the western countries to raise the sort of subject they want to talk about—freer travel for east Europeans, for example—because it is unlikely that any of the smaller east European countries would risk Russia's anger by agreeing to put it on the agenda. It will be much easier, the western countries being the undisciplined lot they fortunately are, for the Russians to raise the subjects they want. If the conference became an annual affair, as the Russians seem to want it to be, it could become a sort of neon sign erected over the middle of Europe, flashing out the Soviet advertisement "Peace ! Peace !" at regular intervals, long before the conditions of genuine peace have been established.

The argument's about the means, not the end

It should be, and is, the aim of any rational western policy to pursue a reconciliation with the communist part of Europe ; that is a word that does mean something. The signing of a written agreement with the Russians about the security of west Berlin, in place of the informal understanding that has kept the peace there for the past 10 years, is a desirable part of such a policy. So would be a series of meetings at which several countries at a time, east and west of the dividing line, could get down to practical negotiations about the things that actually could benefit all of them: more trade, easier frontiers to cross, the knitting together of electricity grids, perhaps even some mutual disarmament. If there were no Ostpolitik it would be necessary to invent one. The risk in the one that Herr Brandt happens to have invented is that it may have paid too high a price, too early, in German hopes of self-determination, and accepted a machinery of negotiation that is a better vehicle for Russian propaganda than for the settlement of real problems. Herr Brandt remains at the wheel of the Ostpolitik as a result of Thursday's vote ; but the direction in which it should be steered is still a matter of primary interest to people outside Germany.



The one who only skidded

It was his own fault that President Pompidou took something of a tumble on Sunday, but he did himself no lasting damage

President Pompidou slipped on a banana skin on Sunday. His referendum on Europe sounded a brilliant idea when it was first announced : a question which most Frenchmen would reply yes to, and one which would divide the opposition. Throughout the campaign the second of these hopes was amply fulfilled, as the Communists and Socialists spat like alley cats at each other. Yet the outcome was much worse for M. Pompidou than the opinion polls or anyone else had foreseen. Almost 40 per cent of the electorate stayed at home—the highest figure in French history—and, still less expected, another 7 per cent, though they voted, voted neither way. Just 36 per cent of French voters ultimately answered yes to the expanded Europe M. Pompidou was offering as a bait.

Two conclusions cannot be drawn from these figures. One is that it was any kind of rejection of Britain or of Europe. It was not. An opinion poll today would probably show rather more opposition than two months ago to what the Communist party represented as the Europe of the bankers. But it would still probably show a good two-thirds of Frenchmen in favour. Some of the noes, and most of the abstentions, were a vote against M. Pompidou, his government and his policies. This, essentially, was what he was seeking approval for, and it was this, essentially, that the Communists campaigned against and the Socialists and others refused to support. And in part the noes and abstentions were also a vote against the whole referendum gimmick. Ask a silly question, and you can expect, from Frenchmen perhaps even more than other men, a silly answer. There were many voters who would have judged M. Pompidou's question a perfectly sensible one in the autumn of 1969, but who saw no reason why, for patently electoral reasons, they should be asked to give their approval to a policy long since accepted, and known to be accepted.

The danger is inside

The other conclusion is rather less obvious. Neither M. Pompidou nor the parliamentary majority that backs him has suffered a fatal blow. The pavement is never as hard as at the moment you hit it. M. Pompidou has got a bruise where he sat down but there is no evidence he has suffered anything that could prevent this able and agile politician from picking himself up again. The contradictions between Socialists and Communists remain. As M. Pompidou's supporters cruelly pointed out during the campaign, how credible is a joint programme of government—even if they ever agree on one—between two parties that fall to blows the moment a major item of foreign policy is brought before them ?

But the referendum does indeed serve one sharp warning to the government. It would take several lines to list the scandals—most of them genuine scandals—that have surrounded its past 12 months with a distinct whiff of greasy palms. Two ministers have come under attacks that elsewhere might well have caused their superiors to ask whether they proposed to bring a libel action, and if not why not. Anyone who read a recent court judgment involving a junior minister and a matter of planning permission could well wonder not that he offered his resignation but that, even just 10 days before the referendum, it was not accepted. Yet the most symptomatic affair was one where corruption has not been alleged, that of M. Chaban-Delmas, indelibly labelled as the prime minister who, however legally, "paid no income tax." That hurt the prime minister's party, and it made many people bring up a deeper criticism: that too much of the benefits of France's very remarkable economic progress has gone to people who were already doing very nicely anyway. It has in fact stuck to a great many other hands as well: France, for instance, appears to have more cars, per head, than anywhere else in Europe. Yet the feeling that too many members of the government have been acting as if they did not have to take public opinion into account has gone so far that if any alternative government were in sight there is little doubt that the widespread time-for-a-change feeling would have this one in desperate trouble.

It has only a year to prove that it can change. Although he was its principal victim, President Pompidou can be expected to draw the conclusions for internal policy of his referendum that backfired. But what conclusions will he draw for Europe ? The charge that he asked his electorate to approve the future perspectives of the common market without saying what they were is a thin one : he has said quite a lot in the past nine months. He could nevertheless profitably say it again, and louder. He could not, on Sunday's evidence, profitably change it much. He has no mandate to rush forward into swifter

How the other ones went

M. Pompidou has not actually lost a referendum—as de Gaulle did in 1969—but he has fared worse than his predecessor did in the four previous ones. In round figures, M. Pompidou on Sunday pulled in only 10.5m yes votes against 5m noes and 13.6m abstentions and blank or spoiled ballots. This compares with the following yes-to-no figures, with abstentions, blanks, etc. in brackets, on the earlier occasions (figures for metropolitan France only) :

1. September, 1958, on the constitution of de Gaulle's new **Fifth Republic** : 17.7m to 4.6m (4.3m).

2. January, 1961, and April, 1962, both on the **Algerian settlement** : 15.2m to 5m (7m), and 17.5m to 1.8m (7.7m).

3. October, 1962, on the **popular election of the president** : 12.8m to 7.9m (6.8m).

4. April, 1969, when de Gaulle made a referendum on **regional and senate reform** into a personal vote of confidence : 10.5m to 11.9m (6.2m).

Even in 1969 de Gaulle got 36.7 per cent of the registered electorate to vote yes : on Sunday M. Pompidou got only 36.1 per cent of it.

European integration. Yet neither variety of the nationalist drums that both he and the Communist party beat during the campaign brought much obvious reward: the no votes, 17 per cent of the electorate, were only fractionally more than the Communist candidate got during the last presidential election. M. Pompidou has no reason to hang back.

His European partners, when they turn up for the Paris summit meeting in October, might not be too sorry to find him—although there is no great likelihood that they will—a little bit chastened. The theory that France more or less single-handed both built today's common market and brought Britain into it is not self-evident to everybody. Nor is the conclusion that Paris is its natural political capital. M. Pompidou, a president elected for seven years, has institutional, political and, let it be said, intellectual reasons for standing slightly higher than his partners. He would be easier to work with if Sunday's skid on his own banana skin has made him, and more obviously his subordinates, less aware of it. And Mr Heath, having found the same banana skin under his feet, could be pardoned if on Sunday night he experienced one brief moment of *Schadenfreude*.

Yet only one. Speaking European is still something less than natural for the British, for all the efforts Whitehall and Westminster are making to learn. The understanding that has grown up between Mr Heath and M. Pompidou since 1970 has brought Britain some notable benefits and can bring more. It can also bring benefits to Europe, provided both men, neither known for his humility, remember that they are in a community of 10 states, not two or even three. In that respect the other states of Europe—especially the smaller ones, but perhaps split Germany as well—can be pardoned if they too felt a certain *Schadenfreude* and it went on just a little longer.



What is Willie up to?

Mr Whitelaw cannot be said to have failed yet in Ulster, but the demands to know what British policy is really driving at are growing. There is still a choice if the Government wants to make one

Despite his disappointments, Mr Willie Whitelaw is still trying to win Catholic hearts and minds in Northern Ireland, a war in which the army (and Mr Brian Faulkner's government) signally failed. Many people believe, and many Protestants in Ulster actually hope, that Mr Whitelaw will fail too. The first month of direct rule has not brought an effective split between the IRA and the Catholic population; there have been brave, or bravish, words from Archbishop Conway, Mr John Hume and some of the women of Andersonstown, but the IRA's ability to operate in the province has not been visibly diminished. Mr Whitelaw has great patience, and he has not run out of opportunities to appease: he is steadily letting out the interned, he has now lifted the ban on marches, he has granted an amnesty to those, including Miss Bernadette Devlin, who have marched despite the law. He has made it clearer than clear that he does not want to send the troops into the Bogside and the Creggan estate to put down the republicans, gunmen or otherwise, who are in control there. But an increasing number of people fear that he is not going to get anywhere with the Catholics, whatever he does.

The quickest thing in Ireland is the disappearing moment of hope: it would be absurd to conclude, anywhere else in western Europe, that Mr Whitelaw's policy was doomed to failure after just a month, but in Ulster the idea has an awful plausibility. Mr Lynch's government in Dublin has barely responded to the Heath initiative; the Social Democratic and Labour party in the north believes that its constituency wants peace but it has failed to rally it; the young men of the IRA have won more time and tolerance from the Catholic community for their pursuit of a united Ireland; and the spread of communal rioting into new areas seems to have begun. It is entirely probable that neither Mr Heath nor Mr Whitelaw knows yet what their policy is really aiming at. It could actually be much nearer to what Senator McGovern and Senator Kennedy want than they realise. It could be totally different. But the Government now gives the appearance of operating without particular regard for a number of Protestant susceptibilities: it seems to believe, and it may be right in believing, that the Protestants have no real fight in them whatever it does. But it is not just Mr Faulkner's ministers who think that Mr Whitelaw, wittingly or unwittingly, is following a policy that will lead to such a deterioration of relations between the communities that Northern Ireland could end up in an unmanageable confusion in which Britain would find itself powerless.

The solution the Protestants fear

Mr Heath and Mr Whitelaw have three policies open to them, and although they are stoutly resisting the demands to clarify what they mean to do, they had better be prepared for trouble before very long. Many Protestants are now convinced that the Government is actively working for the solution in which they will be handed over, by hook or by crook, to the republic. This policy requires the Government to resist any thought of integrating Northern Ireland with the three countries of Britain; it requires action by Mr Lynch to liberalise his constitution; it also probably requires the British taxpayer to subsidise social security benefits in the new Ireland both north and south. The Protestants believe that, even if the Government is not following this policy deliberately, the eventual deterioration in Northern Ireland will be so great that this Government or a future one will wash its hands of it all and be upheld by the British public in that decision. That might mean a civil war in Ireland, but it would be one for which the Protestants would be poorly organised. It goes without saying that it is what the IRA's strategy is aiming at; and the IRA has succeeded up to now. That is why Northern Ireland's Catholics still sympathise with the gunmen and bombers and Mr Lynch still tolerates them on his side of the border.

Between independence and integration

The second possible policy for the Government is to wash its hands of Northern Ireland in such a way that a coherent Protestant community would have the real opportunity of carving out a state for itself, much as the Israelis did in 1948. This still looks very fanciful both politically and economically, but it is much on the lines that Mr Bill Craig hankers after. Some Conservatives in Britain might consider this a less dishonourable way of getting rid of the Ulstermen than any other. But Mr Craig has not made the headway he would have liked since direct rule because of two things. First, too many Protestants have business interests to go along with the idea of a sort of Rhodesia on the edge of Europe, with no British support to call on, disliked by the international consensus and under constant guerrilla attack from the south. Second, most Protestants think their best course is to work for full integration with Britain (and they believe they have paid their way for that in both war and taxation), will go on hoping for it, and will still not believe it when the Government refuses anything of the kind. Mr Craig is confident that enough Unionists will become so disillusioned with Mr Heath and Mr Whitelaw that his hour will come, but it still seems a good way off.

The third British policy is precisely what Mr Faulkner, the Rev. Ian Paisley and a majority of Protestant Ulstermen do now want: to be taken on as full citizens of the United Kingdom. They believe there never will be another parliament at Stormont and that the first recognition of that will be when the hints start coming that the year of direct rule is to be extended. So they see their best chance of escaping both Mr Lynch and Mr Craig as being taken on the strength as British, not Irish. The way in which Mr Heath shies from this one whenever it is put to him is pretty eloquent, but the cause may not be entirely hopeless inside his party. If, indeed, Mr Faulkner had sat on in No. 10 a month ago and not emerged before announcing that he had applied for full union, he might have got a majority of Tory MPs putting their names to just such a resolution; the Conservative conference could yet find more voices raised in this cause on Ulster than for backing Mr Smith's Rhodesia.

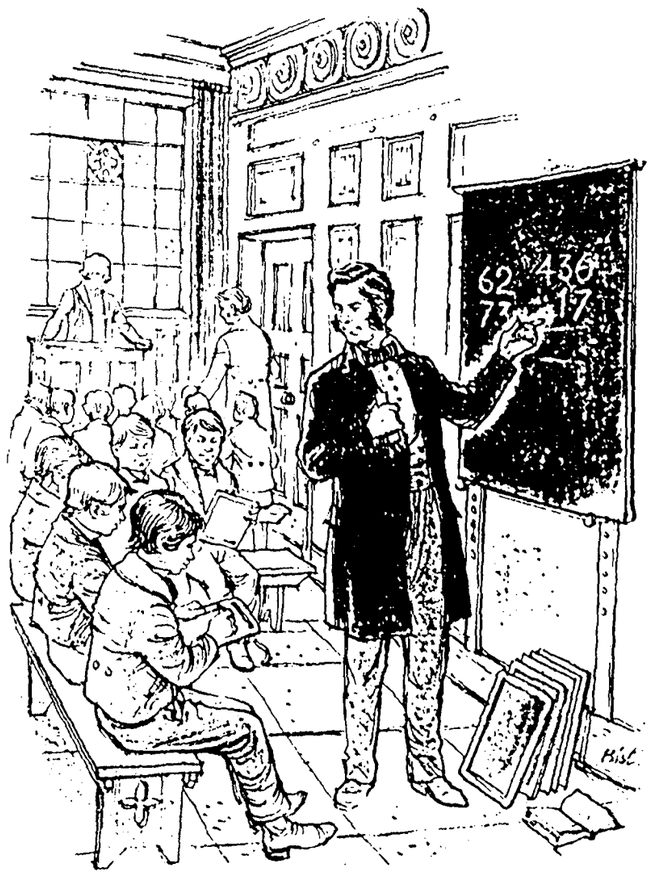
The trouble for the Government is that it knows full integration would never be tolerated by Ulster's Catholics or by any government in Dublin. But the Unionists have begun to insist on a straight answer to their question, just as the white Algerians kept on putting the identical question to de Gaulle. There is, of course, one difference: the Ulster Protestants are still a majority in what has been their province. They could be even more of a majority. The British Government may, or may not, have decided that the casualties which a reoccupation of the Bogside and Creggan would entail are politically unacceptable. But if Mr Whitelaw's mission does not make remarkable progress in the coming weeks, it is increasingly hard to see these areas ever returning voluntarily to the United Kingdom. The day could conceivably come when, if the Catholic community had put itself totally out of court, the casualty list in the Bogside might be politically acceptable. But that is not what Mr Heath or Mr Whitelaw are at all anxious to spell out.

So if the Government is prepared to cede territory to the republic (although whether the Bogside would accept Mr Lynch's police is another matter), its first referendum in Northern Ireland might include some form of local option: that is, that areas contiguous to the republic could opt to join it, even although the majority of the population of Northern Ireland did not. This would very likely reduce the Catholic proportion of the population in the new province to little over 20 per cent, an appreciably more manageable proposition. It would, however, leave the Catholics in Belfast, an unassimilable enclave. It would then have to be considered if they should be offered the prospect of settling in the south, and being provided with new homes and jobs at the joint expense of the British and Irish governments. No British government would like such an approach, but if circumstances were to force a resort to integration, a change in the border and the resettlement of some parts of both the Protestant and Catholic communities would almost certainly have to accompany it.

The least Lynch can do

De Gaulle never answered the white Algerians openly until it was too late for them. Mr Heath will not be so fortunate: the time is approaching when the Government will have to take a first view of Mr Whitelaw's chances of success. The arguments for letting him go on as he is will almost certainly carry the day. But the Government will not be able to duck the debate in the party for ever. It ought not to duck, either, the problem of its relations with Mr Lynch. The British nationalist calls begun by Mr Powell have rather more support than the Government is acknowledging. They will get louder if Mr Lynch goes on doing nothing very particular. If the Government's idea is not to quarrel with the republic but to appease it, then some arrangement will need to be reached which actually sustains the concept that Britain and Ireland have, and need to have, a special relationship. The only common ground that looks at all promising is the economic relationship of the two islands, especially after their joint entry into the common market. Once Mr Lynch has got his referendum out of the way, he would do a lot for himself in Britain (and in the business community in Northern Ireland) if he were to start talking and working again for the common economic interests of Ireland, north and south, and Britain. No new tie, however small, should be neglected now. Every connection of self-interest and remaining respect will be needed between Britain and Ireland in the months ahead if the storm is to be ridden out.

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BRITAIN

The Labour party sells itself Short

With the minimum of fuss or surprise, Mr Ted Short has been elected deputy leader of the Labour party, filling the vacancy created by Mr Roy Jenkins's resignation. In the second ballot, the results of which were announced on Tuesday evening, Mr Short romped home against Mr Michael Foot by 145 votes to 116. As was expected, most of the 61 votes collected last week by Mr Tony Crosland went to Mr Short, who picked up 34 against Mr Foot's 6, while 21—presumably believing they had not been given much of a choice—did not vote this week.

It is said that votes cast for the deputy leader are no indication of what might happen in a leadership election, and precedent supports the argument. But Mr Short would be less than human if he were not quietly elated by the fact that he got five votes more than Mr Jenkins did last year; if he makes a success of the deputy leadership—which basically means if he does not upset anybody very much—it would not be surprising if he came to see himself as a possible "unity candidate" if Mr Wilson decided to call it quits in a year or so. The fact that Mr Short at 59 is three years older than Mr Wilson might, in those circumstances, work in his favour, for a sizeable section of the parliamentary Labour party might well then be looking for a stopgap leader. And he would probably do that job rather better than, say, Mr Callaghan.



Short: romped home

This week's result has also been seen as marking a decline in Mr Foot's position in the party: he dropped 10 votes compared with his total against Mr Jenkins last year. In a sense that is true, for Mr Foot's conduct of Labour's official anti-market battle on the floor of the Commons—and in particular his readiness to collaborate with Mr Enoch Powell and his friends—has not enhanced his standing with Labour MPs. But then, Mr Foot owes his present inflated status in the parliamentary party to the common market issue. On a straight left-right-and-centre vote in the party Mr Foot would come nowhere near his present figures.

Metropolitan police

End of an empire?

The new boss who intends to make changes is wise to make them quickly, and that is a maxim the new commissioner of the metropolitan police, Mr Robert Mark, has followed. Mr Mark took over only last week, but during the past few months since his appointment was first announced there have been rumblings—and one or two senior resignations—within the metropolitan force. The rumblings, at any rate, are now proved to have been justified, in so far as the changes Mr Mark introduced this week are every bit as sweeping and radical as some feared and others hoped they would be.

The purpose of the reforms is twofold: to increase the efficiency of the metropolitan police and to counter public disquiet about the force. Most of that unease concerns the activities of individual detectives against whom there have been allegations of corruption; two men were recenty convicted and sent to prison. No police force is without its own villains, but the temptations and the opportunities for corruption in the metropolitan force have been magnified by the existence of the CID as, in effect, a private empire. Once a man was accepted into the plainclothes branch he could reckon to stay there for the rest of his working life. Men who showed themselves skilled at particular sorts of detective work were likely to be kept in one spot for long stretches. Not surprisingly, the CID men looked upon themselves as an elite and looked down upon their uniformed colleagues as a lesser breed.

From now on the force will no longer be composed of coppers and detectives but simply policemen. There will be much more switching in and out of uniform, much more variety of experience. The work of crime detection will come much more directly under a unified control. Most significantly, the 23 divisional commanders will be responsible for dealing with all crime in their divisions. Theoretically, that has been so since 1968 but, in practice, a division's detective chief superintendent has bypassed his uniformed commander and dealt directly with the four CID area commanders at Scotland Yard. Those area commanders—who heard at very short notice this week that they were being switched around—may have felt a sense of demotion, especially when they were told they were to work in future under the direction of four uniformed deputy assistant commissioners. Some feelings of resistance and resentment within the CID will be understandable. The compensation for these changes is that they open up wider career prospects—for all policemen, and not just the detectives who form 15 per cent of the total force.

The setting up of a new department, operating 24 hours a day, to deal with complaints against the police is a positive step which could do much to ease



Mark: reforming cop

the kinds of suspicion which have accompanied the drawn-out, secret investigations of the past. Yet the new branch will still be staffed by policemen, and the commissioner would earn even more applause if he were to devise some means of independent participation in its investigations.

The reputation of the metropolitan police has become somewhat tarnished lately. CID men have been in the habit of blaming this upon the inferior quality of the man in uniform. If this were ever justified in the past, the detectives who presently find themselves wearing uniform will have a splendid chance of improving the image of the force. But, in fact, no one who has seen other police forces in other countries at work will doubt that London still has much to be thankful for. The policeman who goes wrong is still very much the exception and that, considering the pressures and the difficulties under which the police operate in the capital, is tribute enough.

Lancaster

Red rose

It is depressing that Mr Charles Carter, vice-chancellor of Lancaster university and for many years a by-word for good industrial relations, consultative government and all the other skills now necessary to university administration, should have run into the same sort of sticky squabble that swamped Sir Walter Adams at the London School of Economics and Dr Albert Sloman at Essex: his only comfort must be that since his university is outside south-east England he has suffered less publicity.

The stand he has taken with his student body is on unassailable ground: from time immemorial students have ducked lectures and skimped their work, but if they elevate this to an act of policy they can hardly expect the university to disregard this and go on handing out public money to them. Mr Carter is plain-spoken but by no means inflexible; by mid-week a good number of students had been allowed to collect their grants for the summer term without first signing the undertaking he had proposed, which remained as a sort of Damocletian sword. And Mr Carter has sensibly welcomed the appointment of the Labour chairman of Blackburn education committee, Mr Tom Taylor, who has been involved with the university for many years, to inquire into the dispute. Neither move dissuaded the students from deciding to reimpose the lecture boycott on Wednesday night.

The battles among the staff of the university's English department, which is at least one of the roots of the students' action, is outside Mr Taylor's terms of reference. The case-history of the dismissed lecturer, Dr David Craig (who appears to be able to call on a remarkable degree of student support) is tediously intricate, stuffed with personal jealousies, academic squabbles and other "incidents" which serve to make one wonder why on earth, if he gets on so badly with the head of his department, he should want to stay at Lancaster at all. The dossier prepared by the Council for Academic Freedom contains a good deal of evidence from both sides. The result is so full of misunderstandings and contradictory recollections as to make one despair of academia and does not inspire sympathy for Dr Craig.

The most important element in the dispute is the report of the external examiner on last summer's final examinations for Dr Craig's modern literature course. The papers:

> revealed a strong and disturbing tendency to give stereotyped answers and to use a restricted range of source material . . . clear evidence of an undue orientation in the teaching towards political rather than literary themes and of uncritical acceptance by students of particular doctrines.

Particular candidates were "unduly favoured by particular examiners." In a small university, like Lancaster, where all too many students are examined by their own lecturers, there is always the danger that the external examiners will read too few scripts and accept internal verdicts far too readily. When they do exert themselves, everyone—including Dr Craig—must accept their criticisms.

Housing

Defying the bill

Rent allowances for furnished tenants came a step nearer when Mr Julian Amery said on Monday that they would be introduced once a workable scheme could be agreed with the local authorities (who are willing in principle)—but not before April, 1973, at the earliest. Amendments which would have incorporated them at the report stage of the Housing Finance Bill were defeated. The bill remains substantially unchanged from its original form, and Labour's opposition to the principal of charging "fair rents" to council tenants has shifted from Parliament to the municipalities, where it has become a main plank for the local elections. But most local Labour parties are still unsure how far to carry their campaign and many are split on the issue. It may be quite enough for election purposes to play up the council rent increases which must take place on October 1st, in the first stage towards fair rents, without actually refusing to implement them when it comes to the point. Sanctions are heavy: a council acting illegally against the provisions of the bill, once enacted, would risk a takeover of housing functions by the central government's housing commissioner, the withdrawal of subsidies, and fines on individual councillors and officers of up to £400.

The Labour groups of Liverpool and Birmingham, who are expected to gain control next week (see page 26), have voted to defy fair rents, but in England only a few other, small councils have gone so far. There is an interesting situation in London, where elections are not due this year, but where Labour already holds 21 boroughs. At least five of these Labour groups have said they will not carry out the statutory rent increases, and one, Greenwich, has a council resolution to that effect.

While councils are rightly hesitant to take illegal action, legal avoidance of another aspect of the bill is already widespread among both Tory and Labour councils. That is the obligation to pay rent surpluses to the Exchequer, which after certain allowances will keep half. Ways of sopping up surpluses to avoid this range from a trust fund for council estate amenities (Coventry), to special programmes of council house repairs and repayment to the rates of past expenditure which could be attributable to the housing revenue account.



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BRITISH CALEDONIAN go places in style

Local elections

Control of the cities

The Tories are now a little more hopeful about the outcome of next week's local elections (Scotland polls on Tuesday, English and Welsh boroughs on Thursday, and the districts from Thursday to the following Wednesday). Provided that attention is focused on the way the votes go, rather than the seats, the Tories may get some comfort from the results after all, for this week's National Opinion Poll in the Daily Mail has confirmed the recent pro-Government trend, and put the Labour lead at only 2 per cent. But the ruling Tory groups in almost all of Britain's biggest cities must be bracing themselves for loss of power. Labour now controls only 4 of the 15 largest provincial cities (see table) ; next week it should almost certainly control at least 12.

The table shows the outcome, in terms of the ruling party's majority, of two projections from last year. The column showing the outcome of a 6 to 8 per cent swing to Conservatives is the one to watch, for the opinion polls indicate that there has been a 7 per cent swing to the Government since last May's municipal voting. Local variations and the odd personal vote for a retiring councillor may affect those figures a little. But if the party majorities in those towns next week are clearly more favourable to Labour than given in the table, the Opposition will be doing better than its current opinion poll rating ; if the Tories keep Labour majorities below these projected figures, the opinion polls may be underestimating the Government's present strength.

But the critical swing column shows just what the local Tory leaders are up against. The critical swing compared with May, 1971, is the best result for the Conservatives in the key marginal ward which would nevertheless produce a Labour majority on the city council. In eight cities, swings well into double figures are required—results which are pretty inconceivable. Take Bradford, for example, which looks the city where Labour is most likely to falter. There, Labour must keep the pro-Tory swing to 8.8 per cent to be sure of a majority, but because of a couple of Liberals the Conservatives would still need a far larger swing—18.7 per cent—to retain their own majority. However, for the next two years a few cities (Cardiff, Newcastle-on-Tyne and some smaller boroughs) will probably stay Tory controlled because of earlier abuses of the aldermanic system.

Edinburgh is the city most affected by party splits and minority parties. Whereas in Aberdeen, Dundee and Glasgow the old Progressives have more or less peacefully given way to out-and-out Conservatives, a clash between the two parties in two Edinburgh wards could decide control. Last June the Liberals gained Corstorphine ward by 1,914 to 1,704 Progressive and 1,221 Conservative. Yet Corstorphine's one retiring Progressive councillor is being challenged by the Tories. If, as seems fairly likely, Liberals win the balance of power in Edinburgh it could be on this dispute. But Labour, which has never controlled Edinburgh, might just make it—the Progressives are challenging one Conservative councillor in Colinton where last year a similar split brought Labour within 93 votes of victory.

Elsewhere the Liberals are reducing their national effort yet again, although they are challenging for control of Barnstaple (in Mr Thorpe's constituency) for the first time. In Liverpool Liberals talk optimistically of holding the balance of power which they now almost have. But, as the table shows, it will be surprising if Labour does not win a clear majority.

	Present composition					Party majority		
City	Cons & Allies	Labour	Liberal	Others	Now	6-8% swing to Cons	No swing	Critical swing
Birmingham	53+27	58+10	6+2	–	Con 4	Lab 20-24	Lab 28	12.8% to Con
Bradford	30+10	26+8	1+1	–	Con 4	Lab 2-6	Lab 14	8.8% to Con
Bristol	Citizen 42+19	41+9	–	ex-Lab 1	Cit 10	Lab 14	Lab 18	16.5% to Con
Cardiff	30+19	26	–	Plaid 1	Con 22	Con 6	Con 4	5.6% to Lab
Coventry	26+15	27+3	–	ex-Con 1	Con 10	Lab 8	Lab 12	18.6% to Con
Edinburgh	Prog 26 Con 9 Ind 1	28	4	ex-SNP 1	P & C 3	None : Lib hold balance		7.6% to Lab
Glasgow	Con 27 Prog 17	66	–	SNP 1	Lab 21	Lab 37-39	Lab 49	NA
Hull	22+14	41+6	–	+1	Lab 10	Lab 30	Lab 36	NA
Leeds	45+16	41+14	4	–	Con 2	Lab 14-16	Lab 18	16.4% to Con
Leicester	25+13	23+3	–	–	Con 12	Lab 10-12	Lab 14	13.8% to Con
Liverpool	Con 50+28 Prot 4	57+12	9	–	C & P 4	Lab 16-18	Lab 22	15.1% to Con
Manchester	18+6	81+27	–	–	Lab 84	Lab 74	Lab 84	NA
Nottingham	27+9	27+8	–	+1	Con Mayor	Lab 14	Lab 16	18.9% to Con
Sheffield	23+4	57+23	1	–	Lab 52	Lab 62-64	Lab 64	NA
Teesside	Con 33+20 Ind 3+1	42+5	–	–	C & I 10	Lab 12-14	Lab 16	16.8% to Con

Present composition is broken down in each party into councillors followed by aldermen. Vacancies being filled this May are assigned to the defending party ; the Labour total in Liverpool includes one council seat to be filled later at a by-election.

A library for the world

Since its beginnings in 1896 the British Library of Political and Economic Science—better known as the London School of Economics library—has grown at a phenomenal rate. The reason why is clear. When Sidney and Beatrice Webb founded it a year after the LSE itself, there was no good British library for the study of social, economic and political science. So it followed that the library became the obvious repository for many great collections—such as that of the Royal Economic Society and the material assembled by the Webbs for their studies of trade unionism—and it has since constantly expanded to meet the needs of the teachers and students at the school.

With well over 2m items it is now the largest library in the world devoted exclusively to the social sciences. Its bound volumes (12,000 in 1902 and 70,000 in 1913) now number 575,000. One enormous source of increase is government publications from most important countries ; the library received 5,800 such documents last year, plus a further 2.5 tons of documents from the United States alone.

This wealth has, not surprisingly, created staggering problems of space. Only about 70,000 books are actually displayed on open shelves, all the rest being kept in a rabbit warren of rooms in the bowels of the school. The overcrowding is such that as new books come in less-used ones are sent off to a repository at Egham, Surrey. All this means that it often takes time for the panting library staff to dig out the required volume, and its task is not helped by the absence of lifts—a sorry state for what the recent Dainton committee on national libraries recognised as the biggest specialist collection in London.

But space difficulties are not confined to books. The library is the main laboratory of LSE's 1,000 graduate students, besides its undergraduates. As a national library it is also extensively used by academics and businessmen as well as by politicians, the civil service and the press. Many more outsiders would, no doubt, use its facilities but find the sight of chairless students, reduced to studying on the floor during part of the term, a little daunting.

Now the governing body is in the throes of preparing to launch an appeal for the grand sum of £2.5m towards a new library. This decision was precipitated by an amazing stroke of luck when W. H. Smith and Son, the booksellers and stationers, decided to sell their headquarters and distributing centre at Strand House, bang next door to the LSE. Strand House has not only the advantage of proximity, it is also built to house books and so has the specially strengthened floors which libraries need if the weight of books is not to break through the floorboards. With 158,000 sq ft of usable floor space, Strand House could take nearly twice as many readers as the present library and, almost more important, provide quick accessibility to books by using all the most modern cataloguing methods. More books could be grouped by subject matter on open shelves. This transformation would, according to Lord Robbins, chairman of the LSE governors, make it " the most splendid centre for research, study and information, not just for the common market, but for the English-speaking world."

But it could be quite a haul before this dream is realised. The actual cost of buying Strand House is £3.78m, of which London University, with the approval of the University Grants Committee, is paying £1.98m to purchase the actual building. Over and above this, £1.8m must be found to buy the site and at least another £0.7m to convert the building. The deadline of October, 1973, has been set for raising the £1.8m. At the moment businesses and foundations are being approached both in Britain and abroad, particularly in the United States ; about half of the school's post-graduate students have always been from abroad. By the autumn the school hopes to have a sizeable sum before approaching as many of its 40,000 alumni as it can track down. And there are some most impressive names among them.

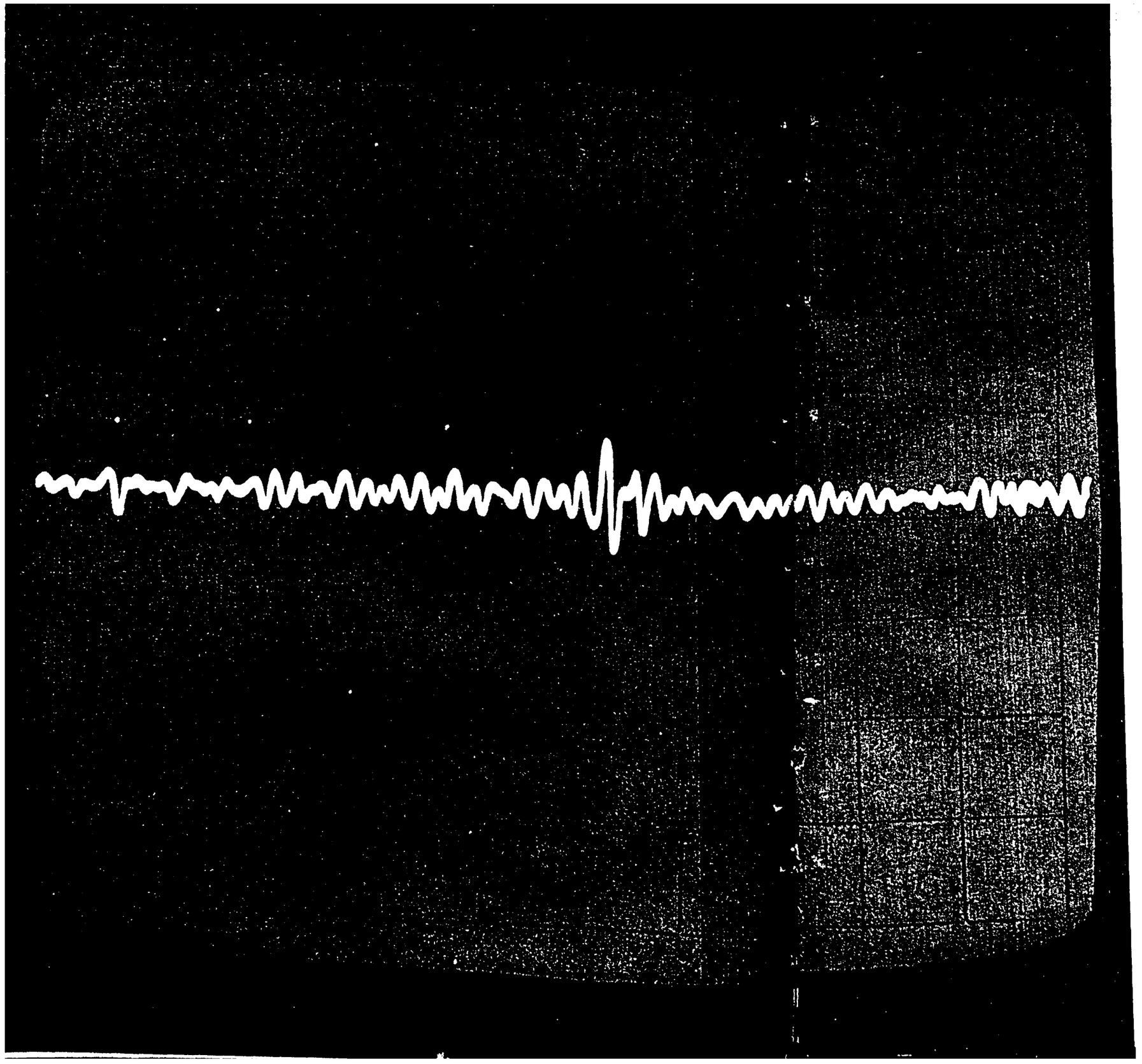
When it comes to fund-raising in Britain, however, the LSE does come up against some difficulties. For although its name is highly respected and opens all doors in most foreign countries, its image in Britain is something different. In fact, in some quarters and by some perfectly intelligent businessmen, the school is regarded as a hotbed of communism, a simplistic view, particularly considering how many reputable moderate and right-wing economists the school has fostered in its time.



Target £2.5m

Being founded by the Webbs, the school was understandably associated with the Fabian movement. But the red-hot image dates first from the years between the wars when Harold Laski taught there (side by side, incidentally, with such opposing stalwarts as Friedrich Hayek, Frank Paish and Arnold Plant), and that image has been resuscitated in another way by a series of student demos and sit-ins in the past five years or so. Not that the demos were particularly dramatic by the standards set later at other British universities. But they had the notoriety of being the first and, as the school sits at the end of Fleet Street, every disturbance was played up in the national press.

The school's governors are very aware of this, and in their appeal are stressing the national and international importance of the library to scholars all over the world. They have the backing of a glittering list of sponsors, among them Mr Heath, Mr Wilson and Mr Thorpe, top civil servants like Sir Douglas Allen at the Treasury, businessmen like Sir Arnold Weinstock, academics like Sir Isaiah Berlin and Sir Roy Harrod, and many foreign dignitaries, including Dr Arthur Burns, chairman of the board of governors of the Federal Reserve System in America, the Canadian prime minister, Mr Trudeau, and so on. This is by far the biggest appeal the school has ever launched, but with so much at stake it would be a national setback, echoing far outside LSE, if it were to fall short of its target.



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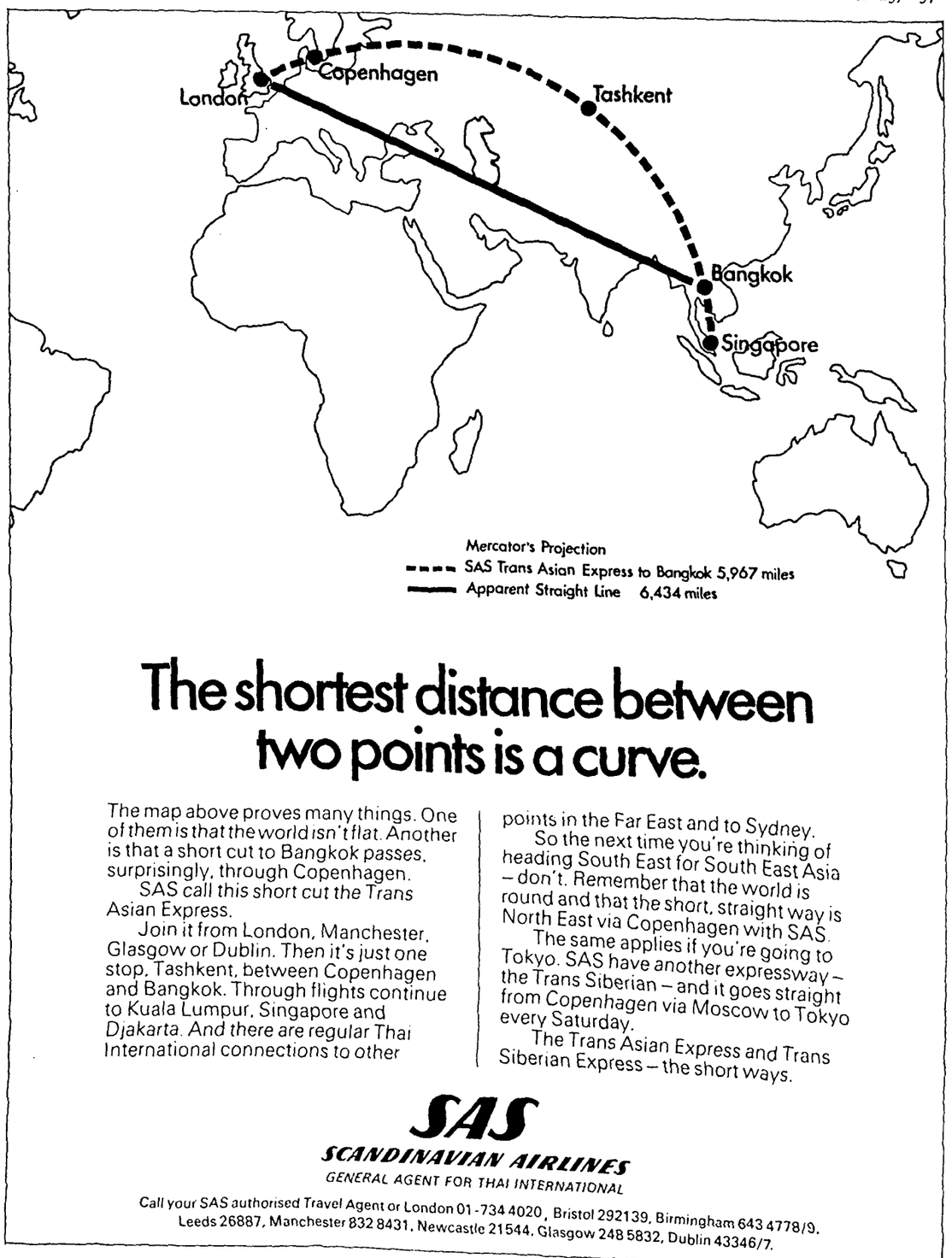


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THE WORLD *International Report*

Why keep a dog and bark yourself?

That maestro of the well timed tantrum, the late Nikita Khrushchev, staged a spectacular one in 1960 that enabled him to cancel a four-power summit and a visit to Russia by President Eisenhower—two fixtures that had become particularly embarrassing to the Soviet leader because of the way his row with Mao was hotting up. Mr Brezhnev, who is not so good at staging tantrums, and Mr Kosygin, who is quite hopeless at it, must be thanking their marxist gods that their current script does not call for them to try to imitate Khrushchev. He was capable of acting the furious injured innocent in 1960 even when filled with secret joy at the fact that his generals had at last found out how to stop those pesky American U-2s flying across Russia. The men who deposed him in 1964 could at least put up a better excuse than his if they now wished to get out of entertaining Mr Nixon, whose bombers have, after all, been making Haiphong harbour rather hot for Soviet shipping; but they have bottled up their anger so easily that one gets the idea that there was no fizz in it anyway.

They have, of course, gone through the motions of organising a show of spontaneous Soviet popular indignation at the bombing of the Haiphong and Hanoi areas, but a listener to Russia's domestic broadcasts this week might have been excused for wondering which side Moscow thought the Americans were on in the conflict in south-east Asia. The Soviet commentators found remarkably little to say about Vietnam, but they found time to announce that salesmen from Boeing had arrived in China, and to suggest that Mao might intend to buy some B-52 bombers. And official Moscow was as discreet as official Washington during Mr Kissinger's visit to the Soviet capital from April 20th to 24th. That visit was the forerunner to a broadcast to the American nation on Wednesday night (see page 52) in which President Nixon said that he would go on withdrawing troops from Vietnam, though at a slower rate, while the bombing of the north would also continue. And the Americans and North Vietnamese agreed to reconvene on Thursday the Paris peace talks.

If the present offensive had been more swiftly successful, the Russians might have thumped their chests a bit louder. The sight of the North Vietnamese losing so many of the tanks that Moscow had provided must have been a disappointment to them, particularly because Hanoi's discovery of the limited value in this war of heavy Soviet weaponry is a point in China's favour in the continuing Chinese-Soviet contest for influence in Indochina. But anyway it hardly seems necessary to search for subtle reasons for the Russians' decision to play the role of non-barking dog at this stage. "Why keep a dog and bark yourself?" is more their slogan. They equipped North Vietnam for this major offensive. They are not now in a position to give Hanoi orders; but they could have hindered its launching of this attack and they chose not to do so.

The Chinese-Soviet quarrel, which in 1960 made Khrushchev find an excuse for not receiving Eisenhower in Moscow, in 1972 obliges Mr Brezhnev and Mr Kosygin to receive Mr Nixon. But they naturally want to negotiate with him from a position of strength, if they can shape one. The word "linkage" may have become fashionable only in the Kissinger era, but the concept is as old as diplomacy; and if the Americans have thoughts of offering Russia deals over arms control, "European security," or whatever, in exchange for helping Mr Nixon to extricate himself from Vietnam with dignity and win his election, the Soviet leaders for their part must want him to arrive in Moscow on May 22nd in a mood to make concessions—for which purpose Vietnam is their best available lever.

They may still hope that by the time he arrives the North Vietnamese will already have reduced Saigon to terrified paralysis and destroyed Mr Nixon's hopes of strolling triumphantly into a second term as the man who got America out of the war without letting the communists win it. But anyway—unless the North Vietnamese lose during May the ground they have gained during April—the Russians have a barrel to get Mr Nixon over.



If only Nixon had anti-war protesters as tidy as this back home

Into the midriff

FROM OUR SAIGON CORRESPONDENT

Everyone knew it was coming, yet it still caught them unawares. The North Vietnamese build-up for a drive against Kontum had been under surveillance and B-52 bombardment for many weeks, and softening-up attacks by communist units against South Vietnamese fire-bases were a clear signal that the third front of the current offensive was about to be opened. Yet last Monday, when Hanoi's tanks rumbled out of the mountains and down the road into the 22nd division's forward headquarters at Tan Canh, the defenders were still taken by surprise. Not a very good performance.

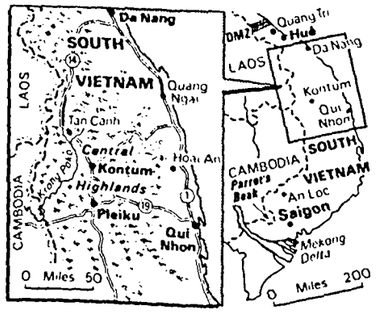
After the fall of Tan Canh an assortment of South Vietnamese rangers, airborne troops and infantry hastily threw up a new defence line behind the swollen river farther south, hoping to stem the North Vietnamese advance towards Kontum city. In their assault on Tan Canh, the North Vietnamese unveiled another nasty addition to their armoury of sophisticated heavy weapons: a deadly accurate rocket, guided by a mile-long wire trailing in its wake, which devastated the command post of the 22nd division's headquarters. The attacking force is also believed to have four armoured battalions in the area. With a total of 80 tanks, of which only a quarter were used in the Tan Canh operation, communist strength around Kontum is put at some 15,000 troops, including heavy artillery and sapper units. The South Vietnamese forces were clearly outnumbered after the earlier withdrawal of some units to reinforce the defences of Saigon.

The communists had planned and executed their attack well. Strategic roads leading into the highlands were cut, thus preventing the arrival of South Vietnamese supply convoys. Then the North Vietnamese forced the evacuation of a string of fire-bases on Rocket Ridge, which stands between Kontum and the borders of Laos, Cambodia and South Vietnam where the North Vietnamese were massing. To add to the surprise, they bypassed several other government positions and swept straight into Tan Canh. According to instructions to the communist forces broadcast over Radio Hanoi, the objective of the Kontum offensive is to trap government units and prevent them escaping.

It all sounds vaguely like Dien Bien Phu 18 years ago, and no doubt the comparison will be thoroughly laboured in the days ahead, with encouragement from Hanoi, which hopes the parallel will be complete. But Kontum is not Dien Bien Phu. Even if the provincial capital does fall, which is quite on the cards, it need not be the end for South Vietnam. It has always been regarded as difficult to defend, and apart from the fact that it is a provincial seat there is little point in wasting good units of the South Vietnamese army defending it against impossible odds. Still, President Thieu seems rigidly determined not to lose a single provincial capital, and he may thus play right into the communist trap. American advisers give Kontum an even chance, provided the weather lets air power into the area.

On Wednesday the communists renewed their attacks against Quang Tri in the far north, and on Thursday mortars brought down from the hills to the north-west were firing into it. Last weekend the besieged provincial capital of An Loc, 60 miles north of Saigon, came under renewed assault and exceptionally heavy bombardment. By the middle of this week the South Vietnamese commander there believed the worst was over. Defence chiefs in Saigon, however, were concerned about North Vietnamese gains in the Parrot's Beak salient of Cambodia, which extended the communist front north-west of Saigon to about 100 miles in length. A tank column was spotted for the first time trying to penetrate the Mekong delta west of Saigon.

The failure of intelligence agencies to give warning of how many North Vietnamese tanks were deployed along South Vietnam's borders has cast some doubt on intelligence estimates of overall communist capabilities, notably the assessment that the North Vietnamese cannot sustain their present drive for more than about a month. The crucial question remains. Just what more do the communists have stashed away in their border sanctuaries that the electronic sensors did not sense?



Germany

The wind from the south

The challenge to Willy Brandt's government this week would almost certainly not have taken place had his Social Democratic party and its Free Democrat partners fared better at Sunday's elections in Baden-Württemberg. Baden-Württemberg was a singularly unpromising ground for Herr Brandt to meet the challenge of Herr Rainer Barzel, the pugnacious Christian Democrat leader. The Baden-Württembergers tend to be prosperous, conservative people who like to vote for straightforward right-wing parties like the Christian Democrats or right-wing liberals among the Free Democrats.

As the table on page 34 shows, the Social Democrats' slice of the vote has remained fairly constant over the past 12 years at just over a third—with the exception of the rather disastrous 1968 election. The Free Democrats felt the benefit of being out of power just then and picked up, but generally over the past decade they have been in a decline. Last Sunday they ended with just over half of their share of 1968. The Christian Democrats may have gained some votes this time through the abstention of the extreme right-wing National Democrats. But at least some of their extra votes must have come from the other parties and from younger voters. Why?

The Ostpolitik issue may have been the main reason, but in a roundabout way. Herr Brandt and his colleagues put the emphasis of their campaign on this issue because the opinion polls suggested that the majority of west Germans are in favour of policies that are likely to lead to a relaxation of tension in Europe. But Herr Barzel's campaigning on such issues as tax reform, inflation, regional policy, crime in the cities and unrest at the universities seems to have brought in the actual votes. The Christian Democrats may have been helped by the last-minute publication in some papers of the purported extracts from the 1970 negotiations with the Russians—one of which, for instance, quotes the chief German negotiator, Herr Egon Bahr, as comparing west Germany's relationship with east Germany with its relationship with west Berlin.

But even if those extracts did not in the end frighten the public as much as the perpetrators of the leak had hoped, they seem to have provided new



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It may take a bit of a wrench, but it's time we started showing our foreign competitors that we've got our heads screwed on the right way.

Work together and we'll make it together

Percentage shares in Baden-Württemberg

	1972	1968	1964	1960
Christian Democrats	53.0	44.2	46.2	39.5
Social Democrats	37.5	29.0	37.3	35.3
Free Democrats	8.9	14.4	13.1	15.8
National Democrats	—	9.8	—	—
Communists	0.5	—	—	—
Others	0.1	2.6	3.4	9.4

ammunition for the government's critics within its own ranks. Explaining his resignation from the Free Democrats last Sunday, Herr Wilhelm Helms claimed that he was appalled by the government's amateurish approach to the negotiations with the communists. In the end it was that resignation rather than the Baden-Württemberg election that started this week's scramble in Bonn.

The mechanism which helps west German politicians sort out who is the ultimate winner of a head-on confrontation like the one in the Bundestag on Thursday is not at all simple. Article 67 of the constitution lays down that no chancellor defeated in the Bundestag can be dismissed by the president of the republic until the Bundestag has elected his successor by an absolute majority. This is to encourage those who want to change the government to act with a greater sense of responsibility than the politicians did in the years before Hitler.

Article 68 of the constitution makes it difficult for the chancellor to order a dissolution of the federal parliament—something that a British prime minister, for example, can do entirely at his own discretion. The Germans do not seem to want to trust their chancellors to that extent. So article 68 lays down that a dissolution can be ordered by the president, at the chancellor's suggestion, only if a motion of confidence in the chancellor has been rejected by the Bundestag and if a successor has not been elected—in other words, when there is a total parliamentary deadlock that can seemingly be resolved only by a general election. But if, within 21 days of the motion being put, a successor to the chancellor should get the necessary majority, that right to dissolution lapses automatically. Provisions like those explain some of this week's elaborate manoeuvres in Bonn.

Italy

Challenge from the far right

The main question-mark hanging over Italy's general election on May 7th is the extent of support for the Italian Social Movement (MSI). In 1968, with 1.4m votes and 24 seats in the chamber of deputies, this extreme right-wing party—often labelled neo-fascist—represented 4.4 per cent of the votes. This set the party back from the 5.1 per cent it got in 1963 to its level in 1958. But in local elections last year, under the leadership of Signor Giorgio Almirante, the party made substantial gains, mainly at the expense of the Christian Democrats.

There are several reasons why the MSI has increased its appeal over the past four years. Chief among them is the urbane personality of Signor Almirante, who first rose to public prominence as a fascist in the 1940s. His chief aim has been to make the MSI appear a safe, respectable party. The appearance of respectability has been greatly strengthened by the addition of Admiral Gino Birindelli—formerly a Nato naval commander in southern Europe—to the party's ranks. But Signor Almirante, by linking up with the Monarchists for the election, has also increased the strength of the party machine.

In general Signor Almirante has shown a great capacity to appeal to right-wing extremists while presenting a very plausible image to the bourgeois discontents who feel that the Christian Democrats can no longer protect them from anarchists, insatiable unions, turbulent students, disobedient children, rapacious officials, bad drivers, thieves, robbers, hippies and similar *canaille*. The self-styled National Right—the MSI and the Monarchists—is a reaction to 10 years of inefficient centre-left government during which the democratic parties have frightened the middle classes and disgusted the workers by "threatening" reforms which they had neither the strength nor the will to apply. The financial and moral support which the middle strata of the business community once gave to the Liberals and later to the Christian Democrats now goes to the MSI.

In particular, the MSI, with its election platform entirely devoted to the problem of restoring order and authority, appeals to the smaller industrialists of northern Italy who find it hard to survive the unions' wage claims, and are terrified by the new aspect of the workers' demands. And the fact that the three major trade union federations have made progress, albeit with much difficulty, towards their promised unification is another factor which causes part of the industrial world to support Signor Almirante.

Greece

The sixth could be harder

FROM OUR SPECIAL CORRESPONDENT IN ATHENS

It was not the happiest of birthdays for the Greek government. Nor did the fifth anniversary of Mr Papadopoulos's revolution bring much joy to the Greeks last Friday. The confident expectations that the country's ruler would mark the occasion by announcing a further relaxation of martial law, an amnesty for at least some of the 270 political prisoners or even the first steps towards his often promised democracy were unfulfilled. Instead the Greeks were told that they had the best of all possible worlds: Greece was an oasis in a troubled world because it was governed in a manner geared to its national needs.

While the nation's leaders were giving thanks in Athens cathedral some 100 Athenian students defied the ban on outdoor demonstrations, chanted for freedom and democracy and sang songs by Mr Nikis Theodorakis. All Theodorakis's works are still prohibited. The police quickly broke up the party and arrested 15 people—who were later released.

But the real blight on the anniversary celebrations was the Mangakis affair. Professor George-Alexander Mangakis, a world authority on penal law, was sentenced to 18 years' imprisonment in April, 1970, for sedition and handling explosives. On April 15th an Athens court suspended the sentence for eight months on health grounds. That same evening Professor Mangakis and his wife were driven to the American air base outside Athens and, seen off by the west German ambassador to Greece, Herr Limbourg, boarded a private German plane for Germany. So far, so good. The event seemed to be the happy outcome of a secret arrangement between the Greek and German governments on the same lines as the agreement between M. Servan-Schreiber and Mr Papadopoulos in April, 1970, which resulted in the release of Mr Theodorakis.

But that was before Mr Pattakos, the first deputy prime minister, stepped in. On April 18th he accused both American and German officials of "an unprecedented act of gangsterism" in organising the escape of a political prisoner. The unfortunate Herr Limbourg suffered a heart attack and the Greek government demanded that he

Continued on page 41



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Continued from page 34

be recalled to Bonn. The result is that Greek-German relations, which stood a chance of being improved by Professor Mangakis's release, have taken a turn for the worse and Mr Papadopoulos's ability to conduct any diplomatic dealings adroitly must again be questioned.

Mr Pattakos had some reason to be irked, since as recently as on April 14th he was telling his fellow Cretans that before the revolution foreign ambassadors had only to wiggle their little fingers to make a Greek government fall. Now they could wiggle their whole bodies and nothing would happen. But just why the deputy prime minister kicked up a fuss remains a mystery. All that is clear is that Herr Limbourg would never have acted as he did unless both the German and Greek governments had agreed that Professor Mangakis could leave.

Whatever Mr Pattakos may say about the reassertion of Greek sovereignty Greece still needs friends, particularly in western Europe. The virtual freezing of Greece's treaty of association with the European common market has deprived the Greek regime of badly needed long-term loans from the European Development Bank and has prevented the gradual harmonisation of Greece's agricultural policy with that of the Six. Greece is due to become a full member of the EEC by 1984. It cannot afford to shrug off the implications of failing to achieve this goal. The need to restore its badly damaged reputation in Europe is but one of the pressures on Mr Papadopoulos to make some move on his political front.

Another could be the mood of the Greeks. It is not in the Greeks' temperament to tolerate inaction: they thrive on movement and change. Over the past five years the majority of Greeks have reaped considerable material advantages; acquisitiveness is a new facet of Greek society. This, the regime trusts, is changing the thirst for movement into a desire for stability. But boredom with Mr Papadopoulos and his professedly transient regime can generate hostility.

Which way can Mr Papadopoulos move? His own 1968 constitution, which envisaged a strong executive, a weak parliament, a figurehead monarch and the army keeping a watchful eye on the touchline, looks more and more unworkable in view of the hostility of King Constantine and almost all the former politicians. Many constitutional difficulties stand in the way of legally changing Greece into a republic; nor is it by any means certain that Mr Papadopoulos could muster a majority of the country to back him against the king. There is much speculation that Mr Papadopoulos may be forced to stage another coup—this time against his own constitution—and declare the country a republic overnight.

Mr Papadopoulos keeps his own counsel. Even those closest to him have little idea of the ways of his mind. But unless he makes some fairly dramatic move before he celebrates his sixth year of power he may find it getting harder to hold his country together.

Finland

Forever Urho

While ministries rise and fall in Helsinki, President Urho Kekkonen goes on for ever, or thereabouts. Mr Kekkonen has been installed at the presidential palace ever since 1956, and although he is now in his 72nd year he clearly has no intention of ending his career when his third six-year term expires in 1974.

In Finland the presidency is a serious business. Philosophical Finns may shrug off their long succession of disappointing experiences with unstable coalitions, minority governments, and caretaker (or "president's") ministries; but the shadow of 1974 already looms across the land. In January, after parliamentary elections had left the balance between the parties in much the same unsatisfactory state as before, the question of what to do about 1974 was publicly broached even before any serious attempt was made to form a new government. The visible broaching was done by Mr Ahti Karjalainen, the former prime minister who has been closely associated with the president during his years as a Centre party leader. It was widely assumed that he was acting for Mr Kekkonen when he suggested that all the parties should consider the idea of extending the president's term beyond 1974.

On April 18th Mr Kekkonen seemed to confirm this belief when he formally announced that, in response to many appeals, he would be willing to retain the presidency after 1974 if a majority of the electorate agreed. Mr Kekkonen made it clear he would not be willing to be a candidate in an ordinary presidential election; he would have to be "drafted," which means that the constitution would have to be amended or at least reinterpreted. The idea of this kind of constitutional gimmickry disturbs many



He's still going strong

Finns, however much they appreciate Mr Kekkonen's diplomatic skill and his services as a safety-net at times of political instability.

The Social Democrats have in Mr Mauno Koivisto, who was prime minister from 1968 to 1970 and is now deputy prime minister and finance minister, a known candidate for the presidency who, according to a recent opinion poll, enjoys wider popularity than Mr Kekkonen. The president has not previously faced such a formidable challenger as Mr Koivisto, and evidently he would rather not do so in 1974.

Rumania

Towards the fold?

President Ceausescu's latest party purge, announced last week, suggests a further bid to play down Rumania's differences with Russia. Some of the dismissals look reasonably straightforward: two provincial party bosses, for instance, have been sacked on charges of corruption. The Bucharest party chief, Mr Dumitru Popa, also sacked, is accused more vaguely of "serious shortcomings." That too could mean corruption but there have been suggestions that Mr Popa incurred the president's displeasure by his failure to improve the supply of consumer goods in Bucharest. Even in Rumania, rigid in economic matters compared with some other east European countries, consumer satisfaction is now taken very seriously.

The most significant change is not a sacking but a shift: Mr Paul Niculescu-Mizil, who was the president's close adviser on relations with other communist parties, has been made a vice-premier. Mr Ceausescu

has explained this as a move aimed at strengthening the government. It must in fact be demotion. There have been reports that Mr Niculescu-Mizil had become an impediment to Rumania's improvement of relations with Russia and east European countries, including Hungary. He played a prominent part in the development of Rumania's relations with China and may have become embarrassingly exposed in inter-party polemics : last July it was he personally who replied to a Hungarian attack on Mr Ceausescu's trip to China.

But even if the president is trimming his sails, there is nothing to suggest that he has abandoned his insistence on Rumania's right to independent action. His invitation to Mrs Golda Meir to visit Bucharest is confirmation of this. Maybe he is hoping, for reasons of his own, to act as some kind of mediator in the Arab-Israeli conflict. On the other hand it is always possible that he is exploring future relations between Israel and the communist countries with full, though discreet, Russian support. Mrs Meir's visit may supply some clues to Russian, as well as Rumanian, intentions.

Ireland

Europe's next referendum

FROM OUR DUBLIN CORRESPONDENT

On May 10th the Republic of Ireland will give judgment by a referendum on its government's decision to take the country into the European common market. The ruling party, Fianna Fáil, has had its task made easier by the fact that the main opposition party, Fine Gael, is supporting entry, although it is critical of the terms that have been negotiated. The only other party represented in the Dáil, the Labour party, is officially opposed to entry and would prefer association or a trade agreement with the European Economic Community, but many of its leading members are pro-European. The main anti-market campaign is being carried on by the two wings of Sinn Fein (the political branch of the IRA), the Irish Congress of Trade Unions, and some minor protest groups.

The government has avoided the difficulties that might arise from an attempt to amend individual articles of the constitution, especially those that relate to the jurisdiction of the state and the sovereignty of parliament, by framing one comprehensive amendment. This says sweepingly that no provision of the constitution shall



FitzGerald lends lustre to Fine Gael

invalidate any law or measure made necessary by the obligations of belonging to the common market, or "prevents laws enacted, acts done or measures adopted by the communities, or institutions thereof, from having the force of law in the state."

The referendum campaign has been spotty and muted. Perhaps, after 11 years of argument, most people have made up their minds. The majority attitude seems to be that entry is the lesser of two evils, that it offers some positive advantages, and that if Britain goes in Ireland has little choice but to follow.

The opponents of entry argue that entry means that 30,000 to 35,000 industrial jobs will be lost ; that several industries, including clothing, food, leather, paper, engineering and meat exports, will be seriously harmed or ruined ; and that small farmers will be put off the land. They add the familiar complaints that food prices will be sharply increased, the sovereignty of parliament reduced, and Irish culture undermined. They also say that if both the republic and the United Kingdom join, the Irish border will be made permanent and aspirations for Irish reunification will become futile. Some of these arguments, emotionally expressed, could be particularly effective if British-Irish relations deteriorated again to the nadir they reached with the burning of the British embassy in Dublin in February.

The pro-market campaign, which began by concentrating on the economic advantages of membership, has had to change its approach to counter the anti-marketeers' arguments. A short-term loss of 30,000 jobs is now said to be inevitable whether Ireland joins or not, but it is claimed that entry will mean a net gain of 50,000 jobs by the end of 1978. Living costs are expected to go up by only about 1 per cent each year. The fear voiced about loss of sovereignty is met by the argument that Ireland's real power to determine its future will be enhanced, not diminished, by entry ; whereas for the republic to remain outside, while Britain went in, would make the division of Ireland permanent.

A big majority in the referendum could tempt Mr Lynch to go to the country in June. A general election is anyway almost certain within 12 to 15 months (the last one was in June, 1969) and, with a tricky time in Anglo-Irish relations ahead, Mr Lynch would like to obtain a more solid parliamentary position. Certainly Mr Liam Cosgrave, the leader of Fine Gael, is taking no chances. He has decided that this is the time to get rid of his frontbench dead wood, and he has brought into his shadow cabinet several younger and more liberal backbenchers.

In the reshuffle Mr Garret FitzGerald has become the party spokesman on finance. Energetic and liberal, Mr FitzGerald is associated with a more socialist-inclined position than Fine Gael traditionally represents. Among those promoted from the back benches are such active newcomers to politics as Mr John Bruton (agriculture) and Mr Patrick Cooney (justice). For the first time in years, Fine Gael now looks like an alternative government. Its front bench appears more impressive than the mediocre cabinet Mr Lynch had to put together after four of his ministers had been sacked or resigned during the 1970 arms smuggling scandal.

Burma

U Nu bows out

After 10 years of military dictatorship, Burma now has the trappings of civil government. On April 20th all but one of the senior members of the ruling Revolutionary Council gave up their military ranks and General Ne Win took the title of prime minister. On Sunday a draft constitution providing for an elected People's Congress was announced.

But this looks no more than a cosmetic job; it is largely just a shedding of uniforms. Nor will there necessarily be anything very democratic about the single-party People's Congress. It is true that Ne Win's

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Nu's left—with the stuffing

Burmese Socialist Programme party has been vastly expanded since the time, only two years ago, when it numbered 18,000 out of a population of 28m. But the party still seems wedded to the army. When the party congress first elected its central committee last summer 120 out of 150 seats went to soldiers.

The new constitution tinkers with Burma's most pressing problem : that of its ethnic minorities—almost a third of the population—which have been warring against the lowland Burmese since independence in 1948. Three new states are created for the Mons, Chins and Arakanese, and the constitution lays down that there should be "no exploitation of one national group by another." But the states do not get any real autonomy.

It was the right moment to tackle the minorities problem. The Chinese-backed "White Flag" communists have in the past stirred the minorities to revolt, in particular the Kachins in the north-east near the Chinese border. But since Ne Win's cordial visit to Peking last summer Chinese support has become less obtrusive. With promises of autonomy the former prime minister U Nu found some support among the Mons and Karens near the Thai border for his revolt against the man who toppled him in 1962. But on April 7th he resigned from the National United Liberation Front, saying that he could not accept that "the right to self-determination of the nationalities includes the right to join or withdraw from the union."

U Nu was too pacifist a Buddhist to become another Fidel Castro. But his resignation will take the stuffing out of a revolt which was not going very well. Bridges were blown and trains ambushed. Yet the rebels could hold no towns, and their greatest threat to Rangoon came in the form of leaflets dropped by air—ironically on the very day that U Nu threw in the towel. But until Ne Win hands out more autonomy, Burma will never be completely rebel-free.

Egypt

Fighting sleep

President Sadat cannot be charged with lassitude. To fight the "induced sleep" which Mr Hassanein Heikal, the editor of Al Ahram, says is enveloping the Arab-Israeli conflict he spent a couple of weeks talking hard to his own people and has now zoomed off to Moscow for a word with Russia's leaders before they greet President Nixon next month. While it is generally expected that the Middle East will rate low on the Russian-American agenda, the Egyptians are deeply suspicious lest the two powers reach some sort of deal limiting the supply of arms to the area, thus ensuring that the sleep continues undisturbed.

Since the Russians are already withholding the long-range aircraft and ground-to-ground missiles that might enable Egypt to wake things up, it seems improbable that Mr Nixon's visit to Moscow will make much difference either way. And even less likely that Mr Sadat's visit will. After his last two trips to Moscow, in October and February, the Egyptians made sure that it was general knowledge that he had asked for, and been refused, such weapons. The suggestion that he is now making a third bid seems for domestic consumption : the continuing restlessness in Egypt prods him into showing that he is at least still trying.

The publication on Tuesday of a laconic comment by Mr Sadat that Egypt was getting French and British weapons through a third source seems similarly directed. The president could hardly suppose that this disclosure would push the Russians into doing what they do not want to do; indeed, he said himself that he could not crack a whip at the Russians. It is entirely possible that Libya may be passing on some of the Mirage-3s that it is getting from France, but these are not the magic machines that the Egyptians believe would make everything different. A trickle of western supplies, supplied directly and indirectly, may help to delude the Egyptians into feeling that they are not dependent on Russia ; against this must be set the estimate, published in Cairo at the end of last month, that Russian military aid to Egypt is currently running at the rate of around £2m a day.

President Sadat, like Nasser before him, speaks with a multitude of voices at one and the same time. His recent "explanations" to the Egyptian public hold at least three contradictory messages : Russia, however imperfect, is Egypt's only true friend; America, however heinous its present offences, could yet find a friend in Egypt if it would come to its rescue; since neither major power will recover Egypt's territory for it, Egyptians must seek pan-Arab self-sufficiency. This third message, however little it means in immediate terms, is the one that is delivered, and received, most gladly.

China

Service with a smile and style

When the Red Guards set out to purge China of all things bourgeois in 1966, their first targets were the mod styles in clothing and hair-dos which young Chinese had picked up from their compatriots in Hongkong. Would-be hippies were shorn in the streets of Peking and tight trousers and brightly coloured shirts were stripped off their backs in the name of revolution. This puritan fury subsided after a few months but the drab look remained the required fashion in China. Now, six years later, revolution is being redefined again and variety has been ruled a legitimate and even a desirable spice in Chinese life.

Diversity will continue to have its limits. The paper Red Flag's April issue made this clear, saying that "strange clothes" and "ridiculous hair styles" are still out. But by advocating new and varied forms of clothing, restaurant food and portrait photography, the party journal seemed to be promising the Chinese consumer greater freedom of choice than he has had since 1956. The new policy was announced in the context of a plea for the rehabilitation of the service trades. It is not service that is bourgeois, Red Flag argued, but rather the attitude of despising service work. The journal called for a new effort to give the workers, peasants and soldiers their due by extending shop hours and expanding the range of goods and services.

This drive for variety follows another recent Chinese campaign to improve the lot of the consumer by raising the quality of Chinese goods. Newspapers have been insisting that quantity is no longer enough ; the state plan specifies quality targets as well. To make sure these are fulfilled the press has advocated a strict inspection system in factories and that classic Madison Avenue gimmick, the money-back guarantee.

East-West trade

Why the trickle isn't likely to become a mighty rush

Russia's Izvestia spoke almost kindly about the European Economic Community last weekend, and in west Germany Herr Schiller has been urging businessmen to make the most of the new opportunities that he sees now opening up in eastern Europe. For months now the Russians have been dropping big hints about future business deals with west Germany and other EEC countries. Not everybody agrees with Herr Schiller and the Russians. There are those who argue that west European traders cannot expect many rich pickings in the communist east. How do things in fact stand between the two groups centred respectively on Brussels and Moscow, and what is the outlook for business between them ?

In 1970 the European community's trade with Russia and the other members of Comecon was worth only $5,800m out of its total external trade of $90,800m. But this east European 6.4 per cent share in EEC trade represented a considerable increase from the 4 per cent recorded in 1958. Between 1958 and 1970 the EEC group's imports from eastern Europe rose by 300 per cent, while its imports from the rest of the world rose by only 180 per cent. The corresponding increases in EEC exports were 385 and 181 per cent. EEC-Comecon trade has been growing at an average annual rate of 12 per cent.

As officials in Brussels point out, Switzerland is still a bigger trading partner for the EEC than the whole of eastern Europe. But Comecon trade is no longer merely marginal for the community. In 1970 the east Europeans bought more EEC goods than Latin America, which in 1958 had taken three times as much of these goods as the eastern group did. It is equally significant that the Comecon members' trade with the EEC has been growing faster than their total foreign trade, or their trade among themselves.

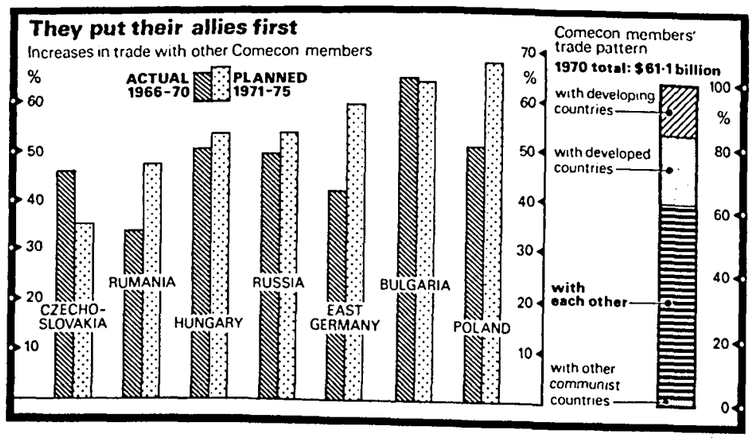
Manufactures represent only 30 per cent, and machines only 5 per cent, of EEC imports from the Comecon area. The proportion of these imports made up of such primary products as meat, timber, oil and coal actually increased between 1958 and 1970. Until recently, the EEC had a deficit in its trade with Russia and a (smaller) surplus in its trade with other Comecon members. Since 1968 the deficit with Russia has been reduced, and the surplus with the rest of the Comecon has been increased, so that the EEC now runs a sizeable overall surplus in this eastern trade.

Analysts of east-west trade in west Berlin and elsewhere are now predicting that the annual growth of EEC-Comecon trade will average only between 7 and 9 per cent in the 1970s, as against the 1960s' 12 per cent. Western experts regard all the east European economic plans for the 1971-75 period as reflecting the decision taken by the Soviet leaders, after their invasion of Czechoslovakia in 1968, to speed up the economic integration of the whole region as a means of strengthening their grip on it. Earlier this month Mr Konstantin Katushev, a secretary of the Soviet Communist party's central committee, stated quite plainly that economic and political union is the goal of the present integration process in eastern Europe. The plans for 1971-75 provide that Russia's trade with the rest of Comecon is to increase by more than 50 per cent. Total intra-Comecon trade is to increase by 68 per cent and to reach a value of 205,000m roubles, of which 77,000m will represent Russia's trade with its associates.

East Germany, which is now in a sense Russia's industrial workshop, did 67 per cent of its total 1971 trade with other communist countries, and 40 per cent with Russia alone. First-hand observation in east Germany tends to support the statistical indications that even its most enterprising industrial concerns will be too busy meeting eastern orders to accept many new ones from the west during the next few years. And this is broadly true of the rest of eastern Europe too. The communist governments will occasionally place "emergency" orders in the west for items needed to plug unforeseen holes in their planned programmes ; but they will always give preference to deals with other Comecon countries.

Spokesmen for these governments still claim, as they always have done, that the only real brake on the growth of EEC-Comecon trade is the "discriminatory" trade policies pursued by the west Europeans. They cite the EEC's refusal to grant most-favoured-nation status to most of the east European countries ; the quotas on imports of farm produce, textiles, leather and other east European products ; and the embargo system operated by Nato since the early 1950s in order to deny the communist regimes free access to certain strategic materials and equipment—although this system has now been drastically reduced in scope.

The communists have complained that the EEC members' decision that their European commission shall handle all trade negotiations with other countries after January 1, 1973, amounts to an attempt to bully weaker trade partners by wielding the combined power of the community against them, as if the members of the Comecon were a row of sitting ducks to be picked off individually. But officials in Brussels point out that a constantly



rising number of concessions has in fact been made to the east Europeans both by the EEC's present members and by such applicants for membership as Britain. Anyway, it is already normal practice for the European commission to be asked to approve the final text of any trade agreement made by an EEC member with a non-member state. The new Russian-west German trade agreement which was initialled in Moscow two weeks ago will have to be vetted by the European commission just like any other. The view in Brussels is that the question of official recognition of the community by the communist governments is an issue that Russia has been trying to exploit for political purposes.

Nobody in Brussels expects that east-west trade will really suffer if, despite Mr Brezhnev's recent conciliatory remarks, Russia and its partners fail to come through with a formal recognition of the EEC in time for the deadline on January 1st. Most of the east-west trade agreements in Europe, including Britain's, still have a few years to run. And Mr Brezhnev now seems to be indicating that Russia may be about to abandon its familiar line of denouncing the EEC as being merely Nato's economic arm—although some western officials suspect that he may want to do a deal in which the west would be asked, in turn, to accord recognition to Comecon as a supranational organisation.

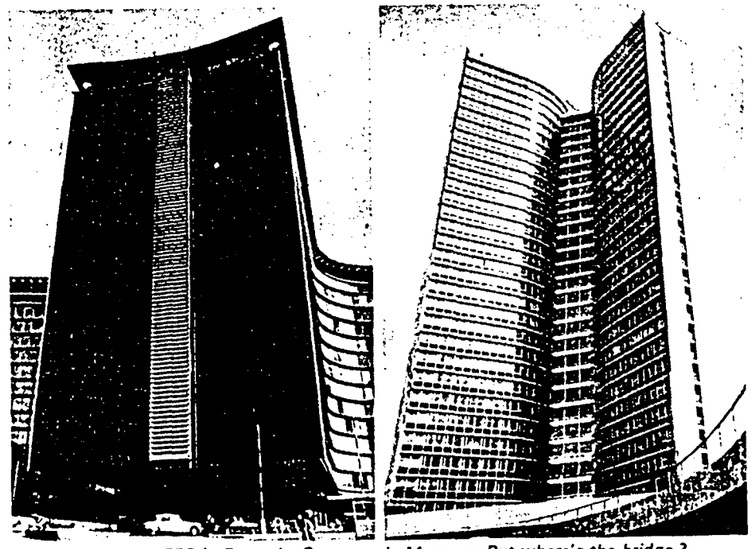
Mr Brezhnev may himself have been under some pressure from Russia's partners in Comecon. The Poles and Hungarians have long wanted to revise their arrangements for exporting textiles to EEC countries, and they may well have been pressing for a recognition of the community that would enable them to start negotiations on these matters. Of course, the European commission would feel that its status had been enhanced by an east European recognition of the EEC. But most experts in Brussels think that the future of east-west trade in Europe is anyway not greatly dependent on the growth of the straightforward "conventional" trade that will be controlled by the commission after January 1st. They believe that a really big increase could arise only if the kind of close industrial and financial co-operation that western companies already practise so abundantly among themselves were extended to eastern Europe. Such co-operation is at the present time outside the scope of the commission in Brussels.

The industrial co-operation that does already exist between EEC and Comecon countries has been achieved mainly through the sale of licences—which are then paid for out of the consequent new production. Joint ventures, such as the Jugoslavs now undertake together with western firms, are barred elsewhere in eastern Europe on ideological grounds. Even the more limited forms of industrial co-operation such as joint marketing arrangements require substantial amounts of capital which the east Europeans cannot provide. If the western countries really want to enlarge their eastern trade to any great extent, they will have to place generous credits at the disposal of their communist partners. And they will have to be satisfied with deferred payments, or deliveries in kind of things the Russians have, such as natural gas, raw materials, foodstuffs, furs and diamonds.

Moreover, the financing of deals as large as those that the Russians now seem to want will call for financial resources that may be beyond the means of western Europe's industrialists and bankers unless they group themselves into teams as big as the consortium of 16 banks that recently granted a five-year loan of $60m to the Comecon investment bank. Earlier this year that bank had obtained an $11m credit from France's Crédit Lyonnais. The communists now seem confident that west European firms and groups, backed by their own governments, will come through with more and more such credits. They argue that the west Europeans will be driven to do this by increasing American and Japanese competition in the Soviet and east European markets. These communist spokesmen predict that President Nixon's Moscow visit next month will lead to a big upsurge of Russian-American trade from a mere £80m last year to a figure many times larger in the near future.

There is, however, some reason for scepticism here. Last year the west German government substantially increased its export credit guarantee facilities, but a good part of these facilities remained unused. And the biggest difficulty of all, which may well prevent any western capitalists from expanding their trade with Comecon in a really big way, lies within the communist economic system itself.

The Comecon members still have no convertible currency, and are not expected to get one in the 1970s. They have come nowhere near resolving their present arbitrary system of costing and pricing by a more rational one. Only the introduction of such a rational system, and of free convertibility, could enable them to emerge into the world market as fully active participants. There are signs that the 20-year integration programme that was adopted last year represents an attempt to bring about a rationalisation of the communist system along these lines. But for the time being most of the Comecon countries are unlikely to be able to produce really competitively for world markets, and until they can do so there is no prospect of any really impressive growth in Europe's east-west trade.



The rival citadels, EEC in Brussels, Comecon in Moscow. But where's the bridge ?

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March 28, 1972

THE WORLD

American Survey

ELECTION 72

Only the fittest Democrats survive

Washington, DC

While April is too soon for predictions of the situation of the Democratic party in July, the primary elections in Massachusetts and Pennsylvania this week have made the outlines of the contest for the presidential nomination clearer. Senator Muskie was the loser in both, getting 22 per cent of the Democratic vote in Massachusetts and 21 per cent in Pennsylvania. Neither percentage was a disaster in itself. But these are both states (and big ones) where two months ago, before Mr Muskie's inadequacy as a campaigner became manifest in the New Hampshire election, he had the support of most of the party establishment and could apparently count on being the winner. In Pennsylvania he came fourth this week, in Massachusetts he managed to be second.

Even Mr Muskie's second place in Massachusetts looks poor by the side of Senator George McGovern's extraordinary performance in picking up more than half the total votes cast. In Pennsylvania Mr Muskie came well behind Senator Humphrey and Governor Wallace and narrowly behind Senator McGovern. In the election of delegates to the Democratic nominating convention next July, Mr Muskie got only 29 in Pennsylvania to Mr McGovern's 37 and Mr Humphrey's 57. Mr McGovern got all the delegates in Massachusetts, so that his total from various processes of selection is now, at 197½, just about twice the number committed to Mr Muskie.

So it was no great surprise when Mr Muskie announced, in a press conference on Thursday morning, that he would withdraw from active participation in the remaining presidential primaries. "I have no choice," he said. "I have not got the money." His original promise to run in the first eight primaries had proved, he said, a mistake. He had spread himself too thin and this had produced diminishing results and diminishing resources—presumably of staff as well as money. He did not say so but it is understood that he had been warned that he was going to do badly next week in Ohio, a state which looked, not long ago, solid and unassailable.

Senator Muskie has not declared himself out of the running. He still hopes to be available at the convention if there is a deadlock and he is not discouraging the support of delegates who have already been chosen to vote for him. They are free to do as they think best. His name will still be on the ballot in some states. But if Senator Muskie still cherishes some hope, it is not widely shared. His admitted failure so far, together with his decision not to go on fighting, makes it only barely conceivable that he could be nominated in July.

Senator Muskie was the man of the Democratic centre who set out to be the unifier. But that other old centrist, Senator Humphrey, exuberant, tireless, never failing to say what his listeners want to hear, showed that he could out-campaign Mr Muskie for the vote of the centre. Mr McGovern, where he concentrates his effort as he did in Massachusetts this week, is able to mobilise the party's liberals and populists on a scale never hinted at by his persistently dismal showings in the national opinion polls.

No doubt the emerging alignment of Democratic strengths will suffer more disturbances from the non-Democratic master showman, Mr George Wallace; there may be one coming in the Indiana primary election next week, on the same day as the Ohio primary.

Two principal factions and their champions are, however, now visible. Mr McGovern expressed it in his victory speech (the term, for once, is thoroughly appropriate) in Boston on Tuesday night: "those who hold the banner of memory and those who choose the adventure of hope." Or, as Mr Humphrey put it in Philadelphia on the same night, he (Mr Humphrey) believed that he could now claim to represent his party's "vital progressive centre." If this alignment persists until July, it may still turn out that neither can command a majoriy of the delegates at the nominating convention. If so, and if neither can form the necessary alliances and combinations to prevail, the turn of others will come. For the present, the field is thinning out at a spectacular pace.



Happy McGoverns applaud a helper—and a symbol; Robert Kennedy's daughter

Profitable woes

How can profits be restrained when the economy is expanding? The Nixon Administration has that problem to worry about as it congratulates itself on the strong economic growth achieved in the first quarter of 1972. The gross national product rose at an annual rate of 11.8 per cent in the first three months of the year and corporate profits were 12 per cent higher than in the first quarter of 1971 (which admittedly had been exceptionally weak). But the Administration's assertion that its economic policies are on the right track has been shaken by the fact that prices rose sharply too.

The first quarter's inflation, measured by how much of the increase in the output of goods and services reflects merely a rise in prices, was 6.2 per cent at an annual rate, more than treble

ELECTION '72

At last, Hubert has a victory

FROM OUR SPECIAL CORRESPONDENT IN PENNSYLVANIA

Senator Hubert Humphrey campaigned hard and long in Pennsylvania and on Tuesday his exertions were rewarded: he won the first victory of his career in a presidential primary election in a major state, being the preferred candidate of 25 per cent of the Democrats who went to the polls. He came in just ahead of Governor George Wallace, Senator Edmund Muskie and Senator George McGovern, all of whom had 20 per cent or just over of the ballot. Senator Henry Jackson, who did not campaign in the state, came last with 3 per cent.

Mr Humphrey's victory was well deserved but it was not won lightly. Of all the candidates listed on the ballot he spent the most time in the state. He flew backwards and forwards all week long from Philadelphia to Pittsburgh. He tramped the steel centres of Allentown and Bethlehem and the depressed coal-mining areas of the south west. He touched down in the state capital, Harrisburg, to deliver a challenge to the Governor, Mr Milton Shapp, who supported Senator Muskie. He shook hands with everyone within reach, made long speeches and confessed with great feeling to anyone who would listen that his past policies on the war in Vietnam had been wrong. Apart from a few noisy students at the University of Pennsylvania Mr Humphrey had few enemies in the state and he was able to rely on the support of old friends—trade unionists, old age pensioners, Jews and Negroes (the population of Philadelphia is almost one-third black).

This year Mr Humphrey, the favourite of the party politicians in 1968, is campaigning as "the people's candidate." It was Mr Muskie who found himself running as the candidate of the Democratic machine in Pennsylvania. Governor Shapp came into office in 1970 as a reformer but in the eyes of many voters he has since become just another Democratic boss. Nor did the support of Mr Peter Camiel, the head of the Democratic organisation in Philadelphia, do Mr Muskie much good. Such clout as Mr Camiel might have wielded to get the party faithful out to vote was undermined when the Democratic Mayor, Mr Frank Rizzo, a tough ex-policeman who controls a large number of jobs in the city, said that he was keeping out of the Democratic fight and would vote for President Nixon in November.

If the state organisation failed Senator Muskie so did his own staff. He has been damaged badly by splits and feuds among his workers and by a lack of careful planning. In Pittsburgh he arrived at a steel mill to shake hands with workers after they had gone off their shift. He issued a prepared statement about his fight against black lung disease at a coal-mine where the incidence of the disease was low. He said that he would concentrate his efforts on Pennsylvania but he spent a great deal of time outside the state in Massachusetts and Ohio.

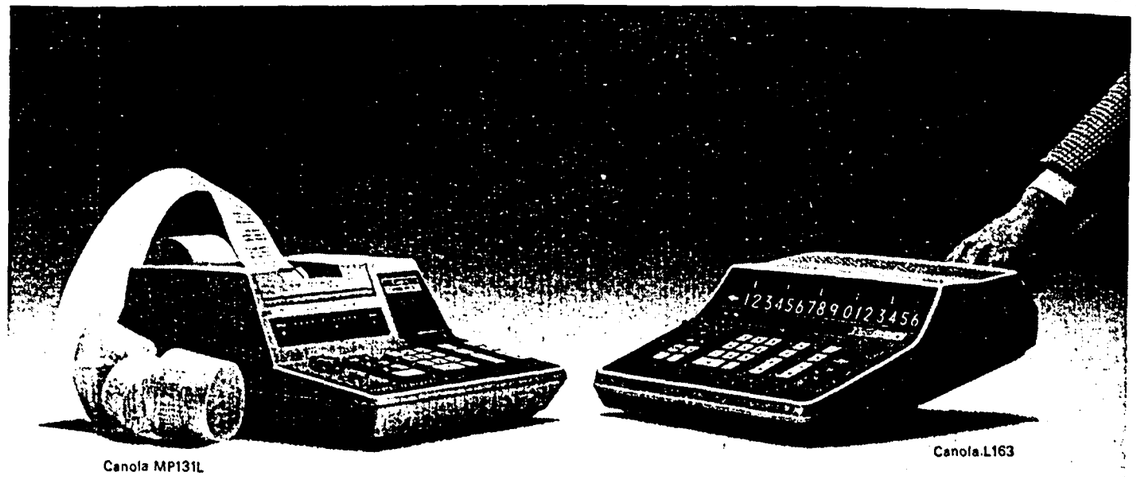
The Democratic primary in Pennsylvania was thought of at first as a test of strength between Senators Humphrey and Muskie. But by the middle of the final week's campaigning it had become a four-way race with Senator George McGovern and Governor George Wallace. Few people gave the two Georges much of a chance at the outset and both had decided to bypass the state to spend their time and money elsewhere. But both reckoned without the rapid decline of Senator Muskie. Mr McGovern had also reckoned without the dedication and enthusiasm of his volunteer force of campaigners and delegates within the state and Mr Wallace without the frustration of the blue-collar workers in a state where unemployment is 14 per cent of the labour force in some places.

By Monday of this week Senator McGovern considered that things were safe enough in Massachusetts and that his chances were good enough in Pennsylvania for him to spend the last day before the election there. He attacked the war in Vietnam (to jubilant cheers), the machine politicians in the state, high taxes and unemployment. He just had time to introduce Miss Kathleen Kennedy, the eldest daughter of the late Robert Kennedy, and then was off again in his chartered aircraft to the next stop. Mr McGovern was in an enviable position. To win even a small number of votes and delegates would have been considered a success for him.

The campaign was surprisingly low-keyed and old-fashioned. Short television commercials and computerised telephone banks to contact the voters were out of favour. Voters now seem to like the personal touch more than the electronic image. But all the candidates were also trying to save money and so preferred to rely on local politicians, trade unions and young volunteers to get the voters out.



Honorary hard-hat: Humphrey on a building site



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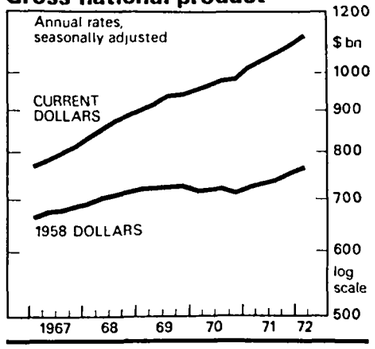
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Gross national product



that of the fourth quarter last year and more than double the rate that the Administration hopes to achieve by the end of the year. The Administration believes, however, that the bulge in prices in early 1972 was the inevitable temporary result of the ending of the three-month freeze on prices and wages in November and that the rate of increase is now subsiding. There were some cheerful statistics to support this view: in March the consumer price index, seasonally adjusted, did not show any rise at all for the first time since the end of 1966 and the trend of wholesale prices was also encouraging.

The contradictory picture presented by the first quarter's figures intensifies the pressure on the national Price Commission. Its chairman, Mr Jackson Grayson, used the news to warn companies which are increasing their profits as a percentage of sales that the commission will order them to reduce their prices. Those whose profit margins exceed the commission's guidelines will be penalised and may even be asked to refund money to customers if the commission finds that they have been guilty of charging too much. The commission, somewhat uncertainly, is trying to take a tougher line with large companies. Only a fortnight ago it ordered two to lower prices specifically because of their excess profits. Now it has denied Ford Motor Company permission to raise prices on certain products and it has prevented the country's railways from charging the increased rates for freight that the Interstate Commerce Commission had approved.

The Price Commission's performance will be closely watched in the next few months. Both Senator William Proxmire, the Democratic chairman of Congress's Joint Economic Committee, and Mr George Meany, head of the national trade union federation, think that the commission's attempt to control prices has been a flop so far. Certainly the great leap in food prices in February and the rise in telephone and electricity rates are much more real in the public's mind than the new statistical evidence that the worst of inflation may be coming to an end. (The Administration is putting special pressure on supermarkets and the shoe industry to hold down prices.)

Rolling back prices and curbing profit margins on the promised scale will not be easy. The commission already concedes that a substantial proportion of the country's largest companies may be exceeding their permitted limits. And if the current business expansion continues and wage increases are held down to the Administration's desired average of 5.5 per cent, many companies may find themselves inadvertently bumping up against the profit margin ceiling. Some steel companies, seeing that about to happen, have announced voluntarily that they will not raise the price of steel at least until January.

Vietnam puzzle

Washington, DC

President Nixon's television and radio report on Vietnam on Wednesday night was only one episode, the most public one, in a week of intense activity in foreign policy: it may be that there are other episodes yet to be disclosed. The President had an obligation to make a public statement this week, arising out of the words that he used in his last announcement of plans for withdrawing troops from Vietnam in January; he said then that he would make a further announcement before May 1st. What he has announced is a further reduction in the force level from 69,000 to 49,000 by July 1st.

This looks bold, given that the South Vietnamese military position is as beleaguered as it now is. It is true that the Americans have already, for political purposes, abandoned any direct infantry role: still, the pledge to withdraw 20,000 men looks like a rash avowal of confidence, unless some approach is also being prepared toward a political disentanglement from the war. Mr Nixon in his broadcast gave no hint of any such approach. Instead, he took his stand on a report from the American commander, General Abrams, to the effect that the South Vietnamese were in the process of demonstrating their ability to defend themselves, and

> if we continue to provide air and sea support, the enemy will fail in its desperate gamble to impose a communist regime on South Vietnam.

The simple explanation, that President Nixon really believes that his air power and his sea power will see him through, may indeed be the true one. Dr Henry Kissinger seemed to confirm this in his briefing of correspondents on Wednesday night, just before the President went on the air.

A day earlier the White House had announced that the United States and South Vietnam were ready to resume the peace talks in Paris, broken off last month by President Nixon. Dr Kissinger said that the communist invasion of South Vietnam would be the first item on the agenda in the resumed talks and, he said, it would not be merely a question of the halting of the communist offensive, but one of pulling the communist troops back to their own territory.

These are confident noises indeed, but what do they mean? There is ample evidence of the Administration's willingness to continue to use air power and sea power in great quantities, but none of any substantial basis for confidence that air and sea power can in fact perform the tactical mission entrusted to them. An alternative would be to use air and sea power not tactically but as a means of intimidating the opponent. There have also been plenty of hints that this might be done—but the signs of its being contemplated in earnest are not there, rather the contrary.

To go back a little farther, the announcement of readiness to resume the Paris talks followed one day after Dr Kissinger's return from a secret visit of four days to Moscow to prepare for President Nixon's visit there on May 22nd. A connection has to be assumed between the two events. Dr Kissinger denied that the President's trip had actually been endangered by the tension arising from the flare-up of the war in Indochina. But that relations with Moscow are in a delicate state is not denied. Nor is it denied that Vietnam figured in Dr Kissinger's talks.

One simple offering that Dr Kissinger could make to the Russians was a resumption of the talks with North Vietnam. To do it without any reduction of the level of hostile rhetoric or any hint of a new or even modified diplomatic position may have appeared as sound tactics. To do all this while doggedly placating the American public with yet another slice of troop withdrawals is something else again: the North Vietnamese may reasonably be puzzled. The puzzle seems to need a piece that is still missing.

More Lockheeds

Is Congress about to call a halt to the soaring costs of defence procurement? Even old friends of the armed services are beginning to say that the defence of the United States may be jeopardised by "stratospheric" demands from contractors. Examples before Congress concern two big naval suppliers, the Grumman Corporation and Litton Industries, Inc., which wish to be released, as the Lockheed Aircraft Corporation was last year, from fixed-price contracts which are pinching them. Neither has asked for the kind of loan guarantee which saved Lockheed from bankruptcy but, in Grumman's case at least, such a solution would not be inconceivable.

Grumman's chairman has told a Senate subcommittee that the company cannot fulfil the rest of its $2.4 billion contract to supply the navy with 313 F-14 fighters and that, if it is held to its terms, it will have to shut down its big aerospace subsidiary which employs 20,000 defence workers on Long Island. This subsidiary has lost $65m on the contract so far and stands to lose over $100m on the next batch of 48 fighters which Congress is being asked to authorise. The firm, which says that its chief banker is reconsidering its line of credit, estimates that it needs $500m more to complete the whole contract; the excuse is the sizzling pace of inflation since 1968, when the contract was signed, and the slide in the company's other defence business. (In fact defence procurement is set to start rising again next year.)

Even if the navy were inclined to let Grumman off the hook the subcommittee seems likely to refuse. Its chairman, Senator Cannon, asked sharp questions about why Grumman cut its bid just before the contract was awarded and wants to attach strings to the new authorisation which would give the navy no leeway for retroactive generosity. Another test of Congress's new mood will come over Litton's contracts to build five (originally nine) LHAs (helicopter carriers) and 30 destroyers at its new, highly automated shipyard at Pascagoula, Mississippi. This case is particularly intriguing because the head of the Senate Armed Services Committee, Senator Stennis of Mississippi, can be counted on to fight for his state's interests.

The contract for the LHAs had to be reopened because the navy cut the number to be built and Litton has seized the chance to demand an increase of $400m in its billion dollar contract, a jump that one member of the Armed Services Committee of the House of Representatives has called "outrageous." The committee is holding up the whole defence procurement authorisation to examine this audacity. The cost for each ship would be raised to $250m from an original estimate of $153m. Litton, moreover, is 19 months behind schedule already on the LHAs and its competitors are suggesting that the destroyers may suffer the same fate. The yard has not even completed any of the four merchant vessels which were due to be built first. It blames labour troubles, the unfamiliarity with shipbuilding of managers brought in from aerospace work and a hurricane. Without some relief on the LHA contract Litton's cash flow may be hit severely in the autumn. Until then the company is paid on a cost basis but afterwards it will be paid according to its progress; so far it has done about 25 per cent of the work and received half of the total payments.

ELECTION '72

Democrats against Nixon: 8

Survivor Kennedy?

FROM A SPECIAL CORRESPONDENT



The limited speaking schedule of Senator Edward Kennedy of Massachusetts expanded greatly last weekend with engagements in three highly conservative states—Arkansas, South Carolina and Indiana—and an address to the meeting of the Americans for Democratic Action in Washington. He was triumphant everywhere, delighting the conservative Democrats of South Carolina and the liberals of the ADA equally. For those who see the Kennedy family engaged in a clandestine, conspiratorial scheme to secure the 1972 Democratic nomination for the presidency, Mr Kennedy's display of his wide acceptability fitted in neatly. Because he has not participated in the bruising primary contests his political attractiveness is undamaged by any wounds of battle. Thus, so the theory goes, he is in a perfect position to be awarded the nomination if no active candidate, as now seems quite possible, enters the party's convention at Miami Beach in July with the support of anything approaching the 1,509 delegates needed to nominate.

The analysis is, however, faulty on two counts. First, every indication is that there is no Kennedy conspiracy and that Mr Kennedy genuinely does not want to run this year. Second, the appearance of a great Kennedy consensus inside the Democratic party is an illusion that would disappear once he entered the lists actively. Those politicians who have talked privately with Mr Kennedy are usually stunned by the force of his protestations against running for President. He is chillingly frank about his fear that he will be the third Kennedy brother to be assassinated and dwells on his obligation to the many children of his dead brothers. One important figure in the Chicago Democratic organisation who had been privately encouraging a Kennedy-for-President movement ceased such talk abruptly after a recent conversation with Mr Kennedy.

Among closer friends, Mr Kennedy also reveals that he has no illusions that the still untold story of what happened at Chappaquiddick in the summer of 1969 has been forgotten. He has no desire to see the speculations of amateur investigators and philosophical discourses on the morality and ethics of Ted Kennedy take precedence in the campaign of 1972 over discussions of President Nixon's Administration. Accordingly, while he will not absolutely close the door against accepting a nomination offered him by the Democratic convention, he makes clear that he certainly does not want it.

To some Democratic politicians, however, these protestations only lend enchantment. Mayor Richard Daley of Chicago, while maintaining public silence, speaks for a great many when he says privately that only Mr Kennedy has the national appeal to defeat Mr Nixon and that only Mr Kennedy can bridge the differences within the party. But such Kennedyphiles obscure a great many other Democratic politicians who view the possibility of Mr Kennedy being drafted at Miami Beach with the deepest concern. For example, Mr Peter Camiel, the tough leader of the regular Democratic organisation in Philadelphia, feels that Mr Daley and other Kennedy enthusiasts are being led by panic over the dismal performance of the active candidates into

fatal error. Once nominated, Mr Camiel believes, Senator Kennedy's silence on the events at Chappaquiddick would make him an easy target for the Republicans. Roman Catholic matrons would desert their Democratic loyalties to oppose Mr Kennedy on moral grounds.

There are also more general doubts about Mr Kennedy's temperament and ability to function under stress. His legislative performance has not been reassuring. The Senator has fits of energy and skill, as shown by his sponsorship of the measure to give 18-year-olds the vote, but he also has intervals of almost self-indulgent inactivity. Even his friends and admirers wonder whether he is, at the age of 40, emotionally ready for the demands of the Presidency.

Moreover, Mr Kennedy has shown no interest in striking compromises between antithetical positions or in harmonising the discordant views within his party. Increasingly, when a choice of position has to be made on a basic issue, he has been taking the stand farthest to the left—on Vietnam, disarmament, health insurance, tax reform and amnesty for evaders of conscription. On questions of foreign policy, such as Bangladesh and Northern Ireland, he has inclined to leap in feet first without much care for diplomatic niceties. A few experienced Kennedy-watchers see this lack of caution as proof positive that he has no intention of running for the Presidency. But it may just be that Mr Kennedy is a considerably more radical politician than his brother John and even than his brother Robert. If nominated he might not be willing to back away from positions taken before he became a candidate.

A basic contradiction can therefore be perceived in the support that exists for Mr Kennedy as a potential candidate. A great many "regular" Democrats who declare themselves ready to fight to the bitter end against what they consider the radicalism of Senator George McGovern also manage to support Senator Kennedy with enthusiasm, even though his recorded views are no whit more moderate than those of Mr McGovern. They can close their eyes to Mr Kennedy's policies in the belief that he is a winner, perhaps the only winner that the party can field against Mr Nixon. Conceivably the Democratic convention will choose him as the party's candidate, in spite of his refusal to seek the nomination and perhaps even if he is out of the country in July. But if it does, Mr Kennedy would embark on the campaign against Mr Nixon without having put his views, his abilities or his character under the scrutiny that they would have had to undergo had he sought the nomination actively.

Humbled McGraw

New York

The troubles of McGraw-Hill Inc never seem to cease. Recently this publishing firm was duped in the Howard Hughes affair, accused of plagiarism in connection with a book about an Indian chief and suffered additional embarrassment when one of its editors was alleged to have taken a loan or a kickback from two authors. The tangible costs of these mishaps may not be significant but they have hurt the company's reputation and the price of its shares on Wall Street. Its competitors, including many small, privately-owned publishing houses, are quietly gloating over McGraw-Hill's difficulties which, they feel, are a consequence of its excessive diversification and of an overwhelming desire for quick profits.

McGraw-Hill's problems typify some of the prevailing trends in American publishing. The industry has almost doubled its income in the past 10 years and has been increasing its output of book titles at almost the same rate. But more and more sales are concentrated in big publishing houses that are tied to major corporations. Some 15 firms are responsible for half of all sales, with perhaps 10 times that number sharing the remainder.

One of the giants is McGraw-Hill, but its publishing strength is in technical and text books. Its trade books (for the general reader) are a minor division in the company's multiple operations, which include business magazines, television stations, educational materials and financial services (Standard and Poor's). In recent years McGraw-Hill's earnings have declined because the federal government's financial aid for education has been held down, affecting sales of textbooks, and because the economic recession has hurt both advertising and demand, particularly in the specialised fields for which the company caters. Since McGraw-Hill is a profit-minded company, the pressure has been on each of its units to cut costs and improve performance. The trade book division, which is big in terms of most private publishing houses but comparatively undistinguished, engaged a number of new editors who were determined to be aggressive in acquiring authors and manuscripts. With McGraw-Hill's financial backing, they were in a position to challenge other major companies in the business, owned by the Radio Corporation of America, Time Inc and a handful of conglomerate firms.

In some respects book publishing remains a cottage industry, particularly where trade books are concerned. It is possible for a small house to do well on the basis of one or two titles. But the economics of publishing have been changing because of technological advances and the participation of major corporations. Huge amounts of money are now required to attract authors with well-known names, to gain space in bookshops and for promotion. Yet a single best seller can still provide an enormous boost to profits through ancillary sales to magazines, film producers, foreign publishers and paperback companies. So it is not surprising that McGraw-Hill went to extreme lengths to get Mr Clifford Irving's manuscript of Mr Howard Hughes's "autobiography" which had all the earmarks of a publishing bonanza.

Instead of big profits the company faces a loss—although that will be minimal because of insurance and possible restitution by Mr Irving. But the blow to McGraw-Hill's prestige is incalculable. The firm has reduced its list of new trade books and is much less likely to engage in high risk competitive bidding in future. Its experience does not, however, mean a slowing down in the transformation of book

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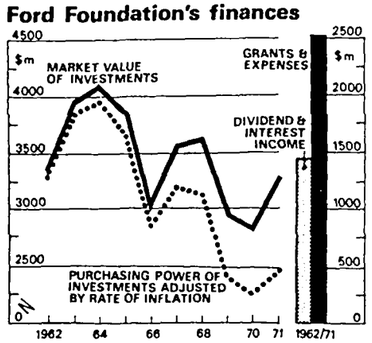
publishing from an occupation for gentlemen to a big business dominated by profit-minded corporate executives. The possible rewards are so great that companies with funds and marketing expertise are likely to continue their quest for promising properties and fashionable "non-books." While a publisher like McGraw-Hill can still come a cropper occasionally, the real losers are serious authors whose works languish in obscurity and the reading public, which is being fed an increasing amount of trash.

What Ford can afford

In the ten years to 1971, the Ford Foundation, America's leading philanthropic institution, spent $1 billion more than it earned from dividends and interest. To cover the deficit, the foundation has eaten continually into its capital and has disposed of chunks of its assets. These were, in most years, sold at a loss, adding up to a cumulative loss over the ten years of $115m. The gain in other assets has kept the value of the investments at the same level in January, 1972, as in 1965-66, $3.4 billion—equal in dollar terms, but obviously not in real terms.

It is not surprising therefore that for 1971 the report of the president, Mr McGeorge Bundy, should be devoted to an analysis of the foundation's basic financial position. The conclusion is that "for the immediate future a continued policy of budgetary austerity is our only prudent choice." In the first 15 years of the foundation's existence, from 1950 to 1965, the problem was how to spend. Since then the widening of the foundation's objectives, and the squeeze of inflation, have brought the opposite problem: how not to spend. Of course there is the alternative of continuing to eat capital—to meet the needs of today in preference to those of tomorrow. But the foundation has chosen to survive; in 1967 grants were cut drastically, by $100m, to $262m. By 1971, expenditure was down to $225m —although the cash outflow, including payments to meet earlier commitments, was at a higher level than that.

Ford Foundation's finances



The foundation has been forced to clarify its financial approach and the transition from open-handed generosity to careful and prudent husbandry has not been painless. The investment performance in the past was just a bit better than mediocre; there is now a team of securities analysts, bond specialists and property experts. The present objective of the management is to maximise total long-term return —of income and capital growth—and the accounts are presented in a way that highlights this aspect. It is hoped to sustain earning assets at not less than $3.3 billion, and to spend no more than $225m a year—implying a net return of 6.8 per cent on the assets.

The Tax Reform Act of 1969, designed to curb the use of foundations to avoid taxes, now levies a tax of 4 per cent on net income and realised gains, creating a tax bill of $9.4m for the foundation in 1971 and more next year. And the holding of Ford Motor Company shares has to be reduced from 17 per cent of that company's equity to 2 per cent by 1979. In 1971 5 per cent was sold off, bringing in $349m, and reducing the Ford element in the foundation's portfolio to 38 per cent (it was 63 per cent in 1963). One method of unloading is to swap shares with other foundations, a process which Ford has begun in a $20m deal with the Kresge Foundation.

Reporter power

FROM A CORRESPONDENT IN NEW YORK

A new kind of power movement was conceived at the first A. J. Liebling counter-convention early this week. This was a gathering at the Martin Luther King Labour Centre on the west side of New York City which was designed to upstage the American Newspaper Publishers' Association's annual meeting across town at the Waldorf Astoria Hotel. While the publishers searched their balance sheets, the reporters searched their souls in intense panel discussions. They confessed to some shortcomings but most of the time they castigated editors, publishers and the structure of journalism for mortal sins.

Bitching is endemic among journalists. What is new is the idea that a rising ferment among younger people in the profession, including women and blacks who are particularly antagonistic to white, middle-class, middle-aged male editors, can be channelled as the old-timers' griping never could. It even seems that this may be done independently of ideology and perhaps outside the journalists' trade union, the American Newspaper Guild.

That most of those who spoke out sounded radical did not upset the convention's liberal sponsor, New York City's journalism review. The review, the best of its kind in the country, is called MORE (a play on the journalistic code for continuing copy on to the next page) and it named the counter-convention in honour of the late A. J. Liebling who invented press criticism as a literary form in the New Yorker magazine. MORE easily got the help of dozens of well-known writers such as Mr Tom Wicker, Mr Gore Vidal and Mr Abbie Hoffman and attracted an attendance of more than a thousand to its sessions, as well as considerable publicity.

A committee was formed to plan the next counter-convention on the basis of a manifesto that is expected to demand for journalists the freedom to do the best work possible plus the right to have a voice in how their news organisations are run. A chance to do one's best hardly seems radical. But there is a widespread frustration over journalism's superficial, truncated and trite practices. A chance to change all that could be radical. One suggestion made was that the journalist should be given true professional status: maximum trust, minimum editing plus all the time needed. Another avenue of reform may be found in journalism reviews, in which editors and publishers can be criticised; the dozen regional ones that exist already are to be represented in the new movement's committee.

Giving journalists a direct voice in decision-making poses a tougher question, however. It is unprecedented in the United States. Traditionally the Newspaper Guild has taken no interest in the area of management and some of the speakers at the convention dismissed the guild as fuddy-duddy and ineffective. However, the Chicago chapter has made demands that would, if granted, put them deep into management's preserve. Moreover, the guild's national president attended the counter-convention and is a member of its planning committee. He contended that only the power of a trade union to bargain collectively could make a reporter's voice heard in management.



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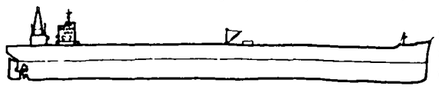
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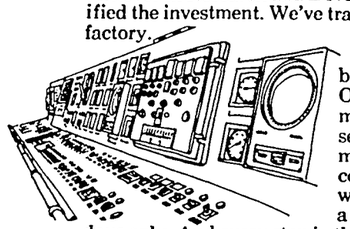


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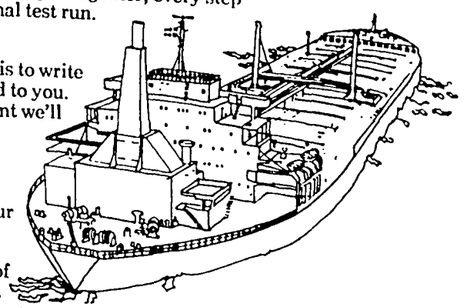
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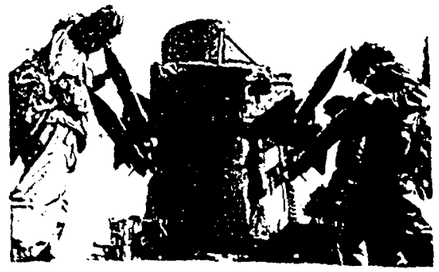
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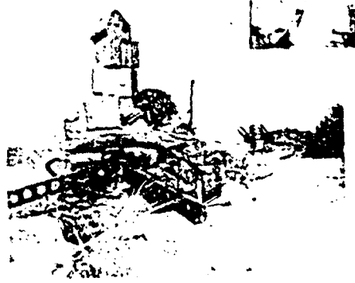
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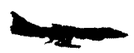
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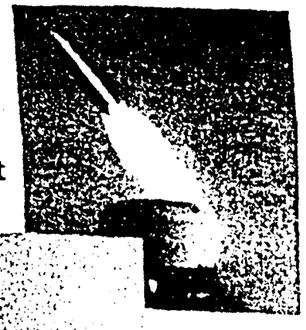




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About turn

When sterling was devalued in November, 1967, the seal, it seemed, had been finally set on 300 years of imperial soldiering. Devaluation was followed, in almost indecent haste, by the Labour government's decision to withdraw all the British forces from Malaysia, Singapore and the Gulf. As had happened so often before, the desire to save money on defence overrode every other consideration.

After taking office, the Conservative government duly completed the withdrawal from the Gulf, though it neither dissociated itself entirely from the fighting in the Dhofar nor failed to continue to build up Masirah as an air staging post for the far eastern route. Honouring an election pledge, it also kept a handful of troops, ships and aircraft in Singapore which, together with Australian and New Zealand forces, make up the Anzuk contingent.

That was the right sort of gesture for Britain to make to its friends in south-east Asia. But, in making it, neither the Prime Minister, Mr Edward Heath, nor the Secretary of State for Defence, Lord Carrington, greatly altered the European orientation of British defence policy bequeathed to them by their predecessors, Mr Harold Wilson and Mr Denis Healey. Knocking on the gate of the common market, they had no wish to do so. And neither, for somewhat different reasons, did the armed forces themselves.

How long British troops will remain in Singapore is anyone's guess. It depends at least as much on the attitude of the governments of Malaysia, Singapore, Australia and New Zealand as on the future course of British politics. Complete withdrawal of the British garrison from south-east Asia is now a matter of dogma in the Labour party. More sensibly, the Conservatives are prepared to let the spool of time unwind.

So, at first, was Mr Healey. But keeping troops in Singapore for just a few years was not a matter for which he was prepared to go to the political stake after devaluation. He ate his own promises without much evident distaste. Instead, he chose to fight in the cabinet for the retention of an order to buy the American swing-wing F 111s, arguing that these aircraft had a role to play in European defence. Since then he, but not the RAF, has repudiated this fight as being the worst decision he made while in office.

Mr Healey came to another, more momentous decision in May, 1968. Then, quite suddenly, he announced that the whole of 3rd Division (made up of three air-portable brigades), the Parachute Brigade (now made up of three battalions, of which one fights simply as an infantry unit), the 22nd Special Air Service (SAS) Regiment (which usually finds itself concerned with the more shadowy nooks and crannies of foreign policy), and 38 Group of the RAF (with its aircraft and helicopters) were being earmarked for assignment to Nato's Supreme

Allied Commander Europe (Saceur) and the Royal Marine commandos (complete with their amphibious ships and helicopters) to the Supreme Allied Commander Atlantic (Saclant). These formations, together with Britain's contribution to the Allied Command Europe Mobile Force (AMF), make up Britain's strategic reserve forces and are the subject of this survey.

Nato's fire brigade

These are the forces which Britain keeps standing by in this country for all sorts of emergencies. Once, above all else, they were a fire brigade for use outside Europe. There was some desultory interest in what they might be able to contribute to European defence, but until 1968 this was very much a secondary consideration. Since then, they have executed an about turn. Nowadays, their primary task is unequivocally European—a firm priority that neither the advent of a Conservative government nor the claims of Ulster has altered.

From Saceur's point of view these forces are part of Nato's strategic reserve, just as the American divisions stationed in the United States are. But there are two important differences. First, the British forces can be deployed more quickly than their American counterparts. Second, as they carry their own equipment with them and do not stockpile it in central Europe (as the American divisions do), they can be used on a greater variety of tasks in a greater number of places in Europe than the American reserve divisions. So, in a sense, they have become Saceur's fire brigade—a job well suited to a well-trained and all-regular force.

Yet, when this switch in roles was announced, it caused little stir. At the time, it seemed to be nothing more than an epilogue to the withdrawal from the Indian Ocean. Its significance was further muffled by the brave, anticipatory noises sounded on Mr Healey's bugle about the Bersatu Padu exercise—which, in the event, proved at great cost what no one in their right mind had ever doubted: that Britain had enough aircraft to lift a brigade group out to Singapore and Malaysia in a matter of days.

Through the swing-doors

But the reversal in roles does matter. It means that these forces can justify their existence only if, over and above anything they may be called upon to do outside Europe, they prove to everyone's satisfaction—the taxpayer's as much as the politician's—that they have an important part to play in the defence of western Europe. It was politically expedient for the Labour government to announce the switch in roles when it did, for at that time Mr Wilson was not taking General de Gaulle's veto on Britain's application to join the common market as a final answer while Mr Healey was beginning to toy with the idea of a European defence caucus within Nato.

The new initiative was not, however, entirely political in origin, for the senior commanders of the armed forces were also pushing their way through the swing-doors to Europe. Their eagerness to do so was not due to their traditional habit of obedience to political decisions but to a combination of realism and fear. Realism told them that the long and sometimes bloody retreat from empire was, to all intents and purposes, over; that nostalgia, like political gratitude, was short-lived; and that it was no longer possible to justify the continued existence of lightly equipped, air-mobile forces simply on the back of past triumphs or failures. Fear told them that unless a European role for these forces were found quickly, then much of what had been so carefully nurtured in the past would be an obvious victim in the next round of cuts in defence spending. Such cuts, however remote they may seem now, did not look all that far distant in 1968.

So, for differing reasons, everyone was content to jump on the European bandwagon. But they did so with two reservations in the back of their minds. The first was that these strategic reserve forces were only earmarked for assignment to Saceur. These forces, therefore, remain under British command and can be and are used on national tasks. But the plain fact is that in a European crisis Saceur plans to use these forces and, in such an event, his wishes and commands would be paramount.

The second reservation was that these forces were offered to Saceur as they were currently equipped and organised. They were and still are, in essence, infantry forces that can be moved quickly from one place to another by air. Because they do not carry their infantry around in armoured personnel carriers (APCs) and because they lack the tank and artillery support of a division in BAOR, they are not forces which can be committed, willy-nilly, to a fluid, quick-moving armoured battle.



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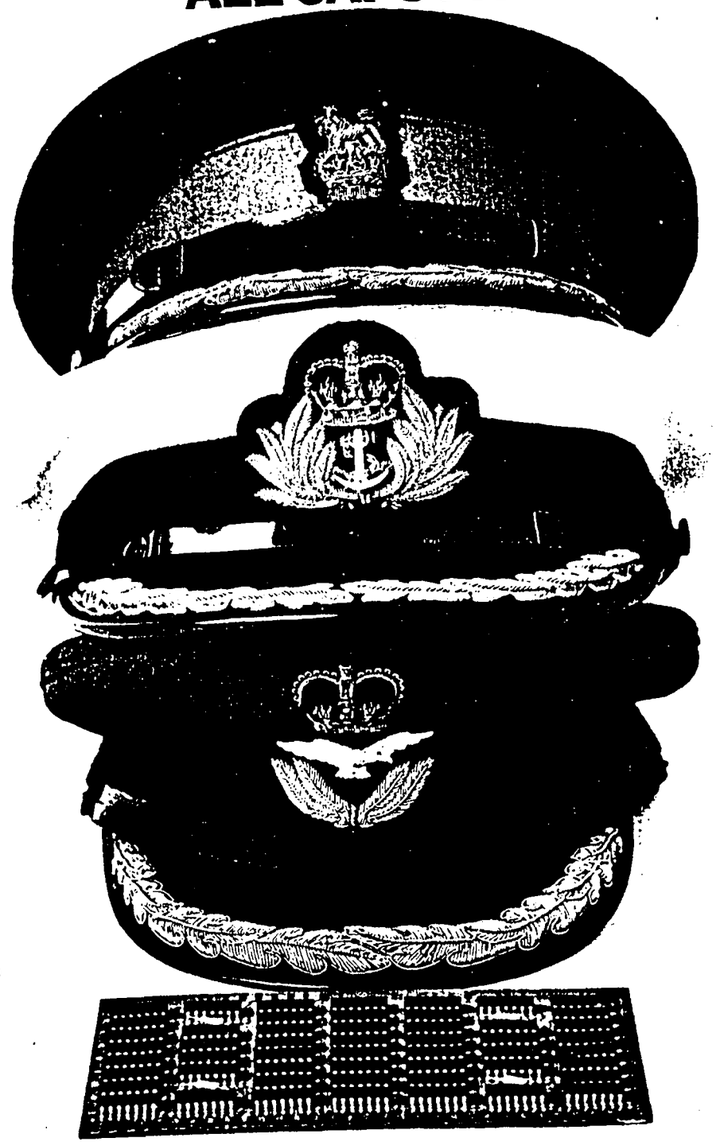


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Turtles without shells

Much of this survey will be concerned with what role such forces can play in Europe. So it has to address itself to three questions. First do these forces have a political value in the sense of making a worthwhile contribution to the solidarity of the Nato alliance ? What, second, is their strategic value ? Nato's current strategy of flexible response extends backwards, as it were, from the winning of time in conventional warfare before tactical nuclear weapons are used to the idea that before the first shot is fired armed forces should be deployed and arrayed as a deterrent to any threat of aggression. Has Britain's strategic reserve, donning the helmets of Saceur's fire brigade, a particular function to play in this phase of crisis management ? Third, what is its military value—for an armed force without any real thump will deter no one ?

The last question is, in many ways, the most difficult to answer. The concept of air mobility—quick movement to distant parts of the world—shaped the equipment and thinking of the strategic reserve forces. Their original raison d'être was to take part in limited war against comparatively unsophisticated opposition. So they are only lightly supported by tanks and artillery and they can move round the battlefield only in helicopters and soft-skinned vehicles or on foot. The Land-Rover is their typical vehicle, not the APC. But the tank is still regarded, not least by the Russians, as the king of European warfare. Can these forces still give a good account of themselves in a war which is never likely to be fought—the third and last European war—but which, if it occurred, would be the most intense for just a few days that the world has ever witnessed ?

At the best they could only impose delay on an armoured thrust and, against such opposition, they might seem to be like turtles without shells. Yet, because they appear like that, they have no choice but to continue to experiment with the use of helicopters and with anti-tank and anti-aircraft weapons of all kinds. Paradoxically, this is where the potential strength of these forces lies, for it is these new means of tactical mobility and these new weapons which in a decade or so may change the face of land warfare.

In the meantime, such forces have to be given tasks in Europe suited to their equipment, training and temperament. And that is exactly what Britain's and Nato's military planners have been seeking to define since Mr Healey reversed the priorities in 1968. They have not produced 100 per cent shockproof answers, but they have written plans and established guidelines which make good sense. And, all the time, temptation beckoned. Why not, they must have asked themselves in their blackest moments, scrap the idea of air mobility and turn 3rd Division at least into another adjunct of BAOR ?

Sensibly, they resisted that temptation. It cut across too many grains of military thinking. First, it would have narrowed Saceur's options on how and where to use his reserves. Second, it would simply have paid homage to the obvious, ignoring the fact that political and military aggression often follows the unexpected, indirect line of approach. Third, it would have run counter to the tenet of British defence policy which says that forces must be kept in being which are prepared and trained to combat, both inside and outside Europe, all the differing degrees of violence—ranging from civil riots, through urban and countryside guerrilla insurgency and limited war in distant places, to the European Armageddon. The essential feature of any strategic reserve is that it must be versatile and flexible, not simply in the way it moves around the place but in the way it trains and thinks. Otherwise, it quickly degenerates into a tactical reserve, useful for only one specific purpose.



Down draught

Europe is not the world

Britain's armed forces still train and exercise in more distant places, ranging from the cold of northern Norway to the humidity of the Malayan rain forests, than any of their European counterparts. It is part of a tradition. It is also an article of faith: these forces must, it is said, keep their hands in—just in case. They must be and must seem to be, it is further argued, versatile. Versatility is, indeed, the badge of long-service regular troops. They have to wear it to make up for their lack of numbers.

There is a lot to be said for that creed and it is never likely to disappear altogether from British military thinking. But, even ignoring for the moment the claims made by Ulster on the deployment and training of the strategic reserve, signs are accumulating that the emphasis in training is shifting more towards Nato and Europe. That is as it should be, given the current defence priorities.

The number of battalions and companies going through the jungle warfare school in Johore (now run by the Malaysian army) and the time they will spend there will be less than was thought necessary only a couple of years ago. Desert training is hardly likely to figure so prominently as it did now that the troops have been withdrawn from the Gulf as well as Libya. Amphibious exercises out in the Indian Ocean and the Caribbean will be rarer. The old ideas about joint warfare in remote corners of the world will never quite die. But, like old soldiers, they are fading away.

Training, in the end, is a reflection of contingency planning. The files of the strategic reserve now bulge with European plans. But, outside Europe, the plans centre either on internal security duties in the few overseas territories still under British rule (such as, for instance, Hongkong) or on the evacuation of British nationals from various parts of the world (which, if the going got really rough, might require the deployment of a protecting force up to a brigade in size). Much of this planning is inevitably concerned with air lifts and twice recently—peacefully in Malta and more hair-raisingly at Dacca airport—Air Support Command of the RAF has shown what can be done.

This survey was written by Gordon Lee

Whether the Anzuk partners will draw up a plan for the movement of reinforcements from this country to Malaysia and Singapore must remain at this moment in the realm of speculation. But, plans or no plans, it is still mandatory upon the strategic reserve that it must be prepared at short notice to move a brigade group of 5,000 men or so outside Europe and sustain it in limited war operations for not less than a year. (If such a brigade were to be deployed overseas on internal security duties, it could be kept in the field longer—for the simple reason that this would be basically an infantry, rather than an all-arms, task requiring a lighter scale of equipment and stocks.) Today, even with 14,000 troops or so in Ulster, the strategic reserve could still gather such a brigade together and get the men, as opposed to the heavy equipment that has to be moved by sea, out by air very quickly.

But, even if the number of battalions in Ulster were to be reduced, the deployment of a brigade group outside Europe appears to be the limit of Britain's ambitions. That, indeed, is all that is asked of the strategic reserve except that at the same time it should also be able to deploy an infantry battalion with some artillery and engineer support elsewhere outside Europe. Apart from internal security



The call of the jungle is getting fainter

duties in British administered territories, such troops would be deployed only at the invitation of another country and would form part of an allied force. Inside Europe, the use of the strategic reserve is tied to a formal military alliance. Outside Europe, its use is governed by less formal political understandings and any call on its services looks remote. Nevertheless, these forces must retain some ability, though less than they did in the past, to operate outside Europe—for aggression can and does pop up at odd places at odd times.

Signposts in Ulster

Ulster has demonstrated once again the old, old lesson that the armed forces must be quick on their feet and ready to adapt themselves to differing types and degrees of violence wherever these may occur. It is not the purpose of this survey to discuss how well or how badly the army is doing its job in Northern Ireland, only to note some of its more general effects on Britain's military capabilities. The first of these is that the constant rotation of infantry battalions and other units acting as infantry through the northern Irish mill puts a strain on manpower resources which is only just about bearable. If there are four units from BAOR carrying out their four-month tours in Ulster, there are probably five or six from the strategic reserve. Nowadays, some battalions get no more than a seven-month break between tours.

Even so, it would not be particularly difficult to gather together a brigade for operations outside Europe. But if a military crisis occurred in Europe, many battalions would have to be withdrawn from Northern Ireland to make both BAOR and the strategic reserve up to strength. Moreover, because the intervals between tours of duty in Ulster are so short and other commitments are so various, battalions have had little time for as much individual training as they would wish. Sufficient unit training is even harder to arrange.

As a result, little is being done to practice all the various arms—infantry, armour, artillery, engineers, signals and so on—in working together. Brigade and divisional staffs still run plenty of command exercises without troops, but it is quite possible these days for a lieutenant-colonel to complete his period in command of a battalion with



It's not often like this in Belfast

little or no experience of working together with the tanks and the gunners on full-scale exercises. His vision of warfare becomes blinkered, possibly as narrow and confined as the slum streets of Belfast. Last year, for instance, a brigade exercise by 3rd Division had to be cobbled together by calling on battalions which did not belong to the brigade and which just happened to be available. This year a massive reinforcement exercise planned for northern Germany that would have involved BAOR, 3rd Division and some of the volunteer reserves has had to be cancelled.

A tour in Ulster does provide some compensations. It does sharpen up basic infantry skills and soldierly qualities like leadership and discipline. Most units leave the province in better shape, more finely honed, than when they arrived. Some have returned from their first tour in Ulster with rather a different set of junior NCOs. But Ulster, like all other small wars, is no preparation for the big one—and the army knows it.

Ulster has proved to the army, at least, how politically sensitive it must be in all its actions ; how more needs to be done about the gathering of intelligence ; and how soldiers, not simply infantrymen, must be trained in riot control and street-skirmishing. If it is to live up to its name, the strategic reserve will have to shoulder such burdens. They are not by any means new, for the army's history is punctuated with "actions in aid of the civil power." But, today, they have an added urgency. Or, at least, that is the fashionable thing to say.

Something like Ulster, many soldiers argue, could happen elsewhere—even in western Europe. It is the job of local police and military forces to operate against urban guerrillas. But it is possible to envisage a situation in western Europe when, with local forces tied down in urban conflict, other Nato troops might have to be deployed to counter a complementary threat of external intervention. That is an added reason why it is not a waste of time for Britain or Nato to devote so much energy to deciding where and how the strategic reserve might have to be used in Europe.

Fighting against shadows

Military planning can be as tiring as shadow boxing—and far less profitable when the planners prepare for the wrong sort of fight. But Nato's plans do provide something more than guidelines for mobilisation, movement and tactics. They establish procedures and time-tables as well. And as the planners, aided these days by computers, fit their jigsaws together, they soon spot where the gaps are.

The gaps in Nato's defences—in, for instance, the number of men, tanks and aircraft—are often so obvious that much of the planning has the air of making do with what happens to be available. That is unavoidable when every defence ministry in the West has to economise. The need for economy runs counter to the obligation placed on the planners to prepare for the worst possible case. For Nato, that takes the form of a reinforced Russian assault on the central front in Germany accompanied by subsidiary threats or attacks the length and breadth of Europe, from the North Cape to the Caucasus. For many people, such an all-embracing war appears to lie beyond the bounds of reality, let alone possibility. Yet, if the Nato allies failed to prepare against such an eventuality—and were seen by the Warsaw pact powers to be so failing—then the whole theory of graduated deterrence, entrusted initially to conventional forces, would fall to the ground.

If, moreover, preparations are geared to such a war, then, in theory at least, smaller threats or attacks should be that much easier to deter, stifle or contain. The cement of the Nato alliance is that an attack on one partner is an attack on all. That is how it should be. But it means that all the military plans in Nato move rapidly and inexorably towards general mobilisation throughout the alliance. In the plans drawn up by Nato, it always seems to be the really big one, the grand slam. General mobilisation day (M-day) always looms large.

M-day appears to be a simple concept. But it is not. Such powers as the United States, west Germany and Britain might well mobilise together on the same day ; but other members of the Nato alliance might decide to delay their mobilisation. That, in turn, could impede the movement of military forces within Nato. So, as far as this survey is concerned, M-day refers to the day on which Britain would mobilise and it ignores the possibility that not all the Nato partners would mobilise together. One result of this grey uncertainty is that too little attention is being paid to smaller, subtler or more muddled threats, which might, for example, be designed to chip individual countries away from their allegiance to Nato.

Yet it is exactly in such circumstances that the deployment of troops from the strategic reserves of Britain and the United States could have their greatest effect—in an open demonstration of political and military solidarity. That much is so plain to the member-countries of Nato that they are eager to have a lien on the use of Britain's



Night life

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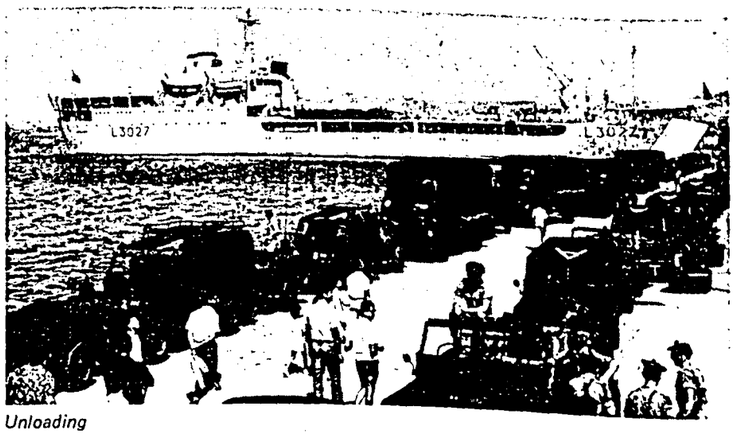
strategic reserve, even though some of them are not prepared to say categorically in advance that they would actually exercise the option open to them. But from a British viewpoint, the answer to the first question posed in this survey is satisfactory: less spectacularly, the strategic reserve forces are as much a part of Britain's political commitment to Nato and western Europe as BAOR is. But that leaves the two other questions about their military effectiveness still open.

The function of such forces is to deter and, if that fails, to delay. So their ability to move quickly by air and sea to the spot where they are needed is as important as their fighting qualities when they get there. Indeed, for three of the four forces (that is the commandos, the AMF and 3rd Division with supporting aircraft) the assumption behind all the planning is that they would be deployed in a period of a political tension before any shots were fired or in a phase of aggression so limited that it would not affect their deployment (which is tantamount to saying they could be moved without being much shot at). The fourth element—the Joint Airborne Task Force (Jatfor) of which the Parachute Brigade is a major part—would only make a parachute assault after hostilities had broken out.

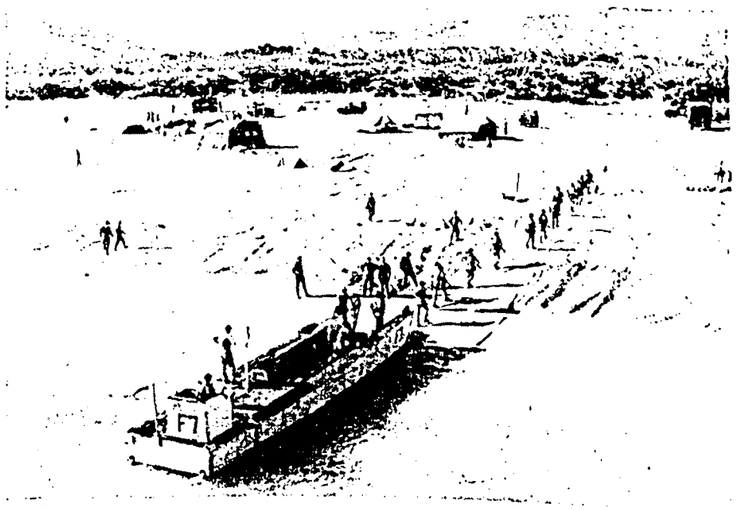
The speed of the various deployments is governed by the number of aircraft and ships available and by the amount of war stocks (ammunition and the like) which the soldiers have to take with them. These factors also dictate the sequence in which the deployments would occur. As will be seen in more detail later, 3rd Division could not be moved in full until the AMF (and probably the commandos as well) had been deployed, while the aircraft to permit a parachute landing would not become available until after the complete deployment of 3rd Division had been achieved. So long as defence spending is kept on a tight rein—as for good, sound reasons it may well continue to be—then these are inescapable facts which Britain and Nato have to accept, however much they may regret them.

The amphibians

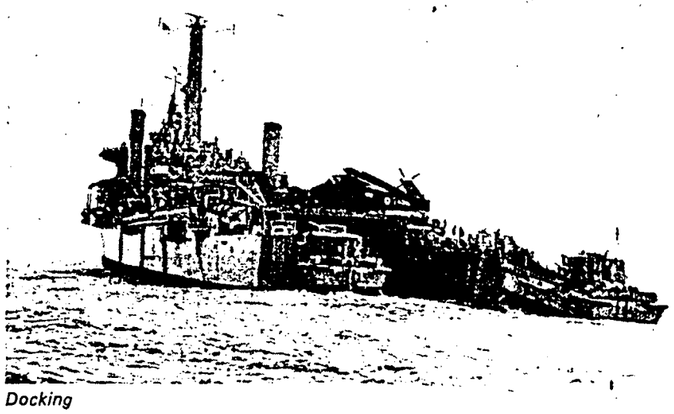
Of all the forces in the strategic reserve, apparently the most self-contained are the Royal Marine commandos. There are four of them, now backed by their own logistic regiment. One of them is specially trained and equipped for Arctic warfare (in which, incidentally, hovercraft



Unloading



Landing


Docking

may at last find a role as a military means of transport). Supported by artillery batteries of 105 mm pack-howitzers, engineer troops, REME workshops and the like, the commandos can be carried by the two commando carriers (*Bulwark* and *Albion*, of which one will be replaced by the *Hermes* after its refit) and by the two assault ships (*Fearless* and *Intrepid*).

In an assault, the commandos can be either landed directly from the sea on the beaches or flown in close to their fighting positions by helicopters. Currently the commandos use Wessex helicopters but they may get Sea Kings, with their bigger lifting capacity, later in this decade. Their experience in the use of helicopters is second to none in Britain's armed forces.

In operations, the commandos and their carriers would be protected by a fleet of naval vessels, at least until the beachhead was firmly established. In normal circumstances, this fleet would include aircraft carriers to provide air cover for the fleet and air support in the initial stages of the landing. So the amphibious forces seem to make up a complete packet and to have the power to operate independently for a short time. But the commandos would be faced with serious logistic problems once the supporting fleet withdrew.

In very many ways this amphibious packet was the ideal force for use in limited confrontations and wars outside Europe, where opposition in the air and on or under the sea could be expected to be light. One day they may have to take this job up again. But, to justify their existence, they now have to find a role in European waters where, once the shooting started, naval and air attacks could be expected to be heavy.

This imposes severe constraints on their mode of operations. First, there are only a few areas where they could be usefully deployed: northern Norway (particularly if an isolated threat developed against it); the Baltic approaches (as a counter to Russia's own amphibious forces); and the Mediterranean. Second, they could operate in these areas only as part of an allied task force, acting jointly with American carriers and marines. With Britain's aircraft carrier, the *Ark Royal*, going out of service later in this decade, the commandos will become entirely dependent on American aircraft carriers for air support unless the through deck cruisers which the Royal Navy proposes to build do, indeed, carry Harrier aircraft. Third, the job of getting a comparatively few troops ashore does require the support of quite a large array of naval vessels. So, almost invariably, the amphibious forces would have to be moved, though not necessarily landed, before the shooting starts. In a period of political tension the commandos would be used to make a show of force. Indeed, they might be said to be trailing their coats.

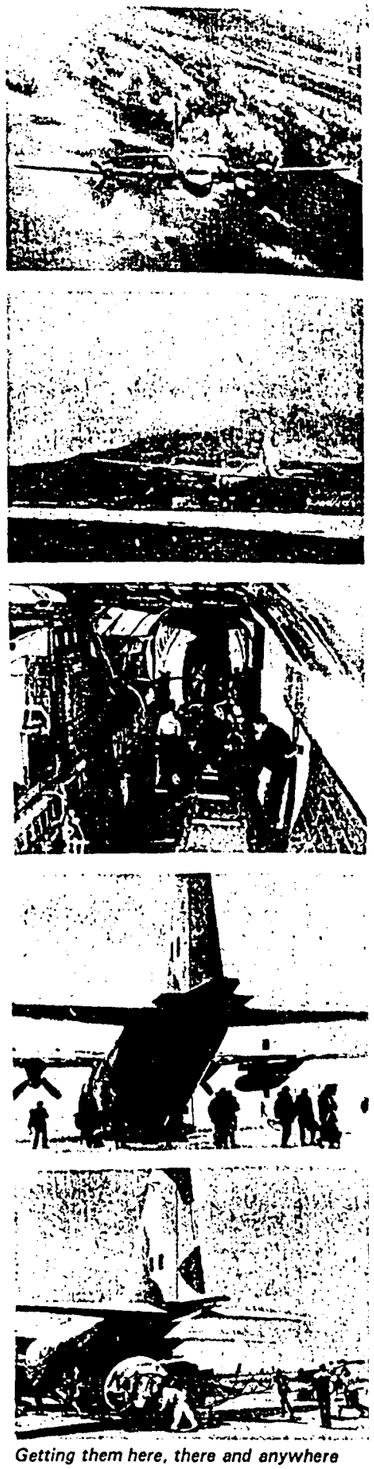
That is undoubtedly their most useful function in Nato, especially if an isolated threat were to develop on the northern or southern flanks. It provides another shot in Nato's locker. But these amphibious forces, with their mass of ships, are very much open to attack by other ships, submarines and aircraft. They would have to do an awful lot to defend themselves while seeking to get the equivalent of a few, though admittedly first class, infantry battallions ashore for a very limited number of days of operations.

So, looking to the future, there must be at least some question not about the technical expertise of the commandos but about the concept of amphibious warfare in a European setting. Possibly, in time, fewer resources will be devoted to this specialised technique. This, presumably, will show itself first in the amount of time ordinary army units devote to amphibious training and second in the decisions to be taken about the future of the commando carriers and assault ships. Once the *Hermes* is converted, will either the *Bulwark* or the *Albion* be kept in service? Will the *Intrepid* replace the frigates used as training ships at Dartmouth? That would not signal the end of the amphibious concept (for the *Intrepid* could be re-activated as an assault ship in next to no time) but it would be a sign that amphibious warfare was being given a lower priority.

Ultimately, that might raise a question about the future of the commandos themselves. These are first-rate troops which no country would ever dare to throw on the scrapheap. But, capitalising on their helicopter skills, the Royal Marines may in time have to give rather more thought to the air and rather less to the sea.

Air lift

The marines would get there by sea. The other men of the strategic reserve with their lighter items of equipment and stocks would go by air. That is the job for Air Support Command, which later this year is to be amalgamated with Strike Command. It has many peacetime tasks to perform and it is, of course, the prime agent for moving men and supplies to trouble spots out-


Getting them here, there and anywhere

side Europe. It is always one of the busiest and most efficient commands in the RAF and its relations with the army are close and cordial.

For operations in Europe, its first job would be to get the troops and supplies of the strategic reserve there by normal route flying to conventional airfields. To do so, it can call on about 100 jet or turbo-jet transport planes—including VC 10, Britannia, Belfast, Comet and Hercules aircraft—and in intensive operations it would probably have at any one time a working force of around 80 aircraft. It could, for example, lift a brigade of 3rd Division (though with only a limited degree of logistic backing and without tanks and heavier equipment, which would have to go by sea) to anywhere in Europe in less than a week.

Once that strategic job was completed, some of the aircraft would be switched to tactical transport support, involving either some form of air dropping or the use of airstrips. Some of the aircraft would be used to re-supply the troops on the ground. But at this stage the first task of the Hercules aircraft would be to support the airborne forces. In addition, a small number of Andovers would be used for short-range logistic support. Such aircraft, with their light load and short range but good take-off and landing capability, would be much better suited to operations on the flanks than in central Europe. It would, in fact, make a great deal of sense if these aircraft were replaced by medium-lift helicopters (such as the Chinook or the Sikorsky SH53).

Much of the immediate tactical logistic support would be provided by the Wessex and Puma helicopters of 38 Group. If 3rd Division were deployed as a whole, this could mean in practice that enough helicopters would be available to lift at any one time about 450 men. (If the division were split, as it could well be, then the helicopter force would have to be divided as well.)

After their initial deployment the Andovers would, however, come under Saceur's command and he could use them as he thought fit—and that might not mean in direct support of 3rd Division. The other transport aircraft would remain throughout under national command. But, as well as air-lifting the strategic reserve forces, they might be given other tasks to perform for Nato. These include support for Britain's nuclear strike forces ; participation in a Berlin air lift ; and some help in reinforcing BAOR, though this particular task would be performed largely by civil aircraft. There are insufficient aircraft within Air Support Command to take on all these jobs at once. There would be a conflict of priorities. That largely explains why 3rd Division would not be deployed until after the AMF was in the field and why the airborne forces may not come into the picture until after hostilities had broken out.

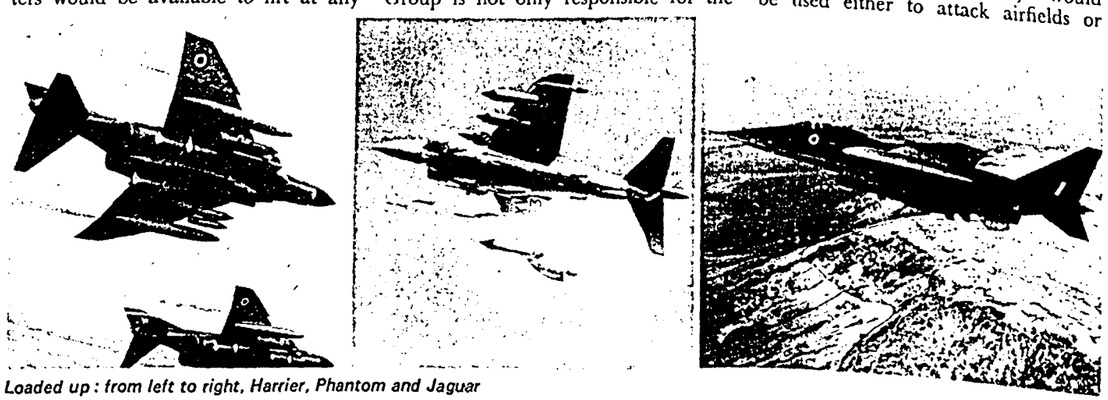
This fleet of transport aircraft and helicopters still has plenty of life in it. The problem of replacement is not urgent, but it will crop up towards the end of this decade and involve the RAF in a big order—though plainly the politicians will not be prepared to fork out the money until the high cost multi role combat aircraft (MRCA) is in service. Then, possibly, two new types of aircraft will be needed : one to replace that sturdy workhorse, the Hercules ; and the other to replace the jet transports—where some derivation from the Airbus, with rear loading for example, might fit the bill.

Offensive support

As part of Air Support Command, 38 Group is not only responsible for the Wessex and Puma squadrons but for one squadron of Harriers and three squadrons of Phantoms (with two specialising in ground attack and one in reconnaissance). These squadrons provide the offensive air support for the strategic reserve. Because of the time and trouble spent in the past on joint warfare operations outside Europe, the ground and air forces of this reserve are more tightly knitted together than any other part of Britain's armed forces. In particular, methods of calling for air support from the ground have been practised and perfected and, indeed, are even better articulated than they are in BAOR.

The Harriers of 38 Group would deploy with the AMF—an obviously sensible decision in view of the performance of this jump-jet but one which would give rise to a host of operational difficulties if the AMF went to northern Norway rather than, say, Denmark. The Phantoms would go with 3rd Division (again splitting, like the helicopters, if the division were divided between two theatres of operation). Once, however, the squadrons were deployed, they would come under the operational control of the local Nato tactical air commander. So, quite possibly, they might be used on tasks other than the immediate support of the ground forces with which they trained in peacetime. That is not so strange as it may appear at first sight, for the local air commander must concern himself with the whole of the battlefield not just one corner of it.

There has, moreover, been quite a shift in air tactics. The use of aircraft as flying artillery in very close support of ground troops is only really practical in conditions of air supremacy. Today, such tactics would not be feasible in conditions of air inferiority in, say, Germany or Denmark. Rather, the aircraft, flying low, would be used either to attack airfields or



Loaded up : from left to right, Harrier, Phantom and Jaguar

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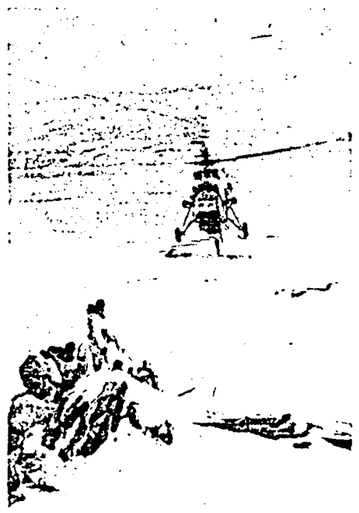
such targets as armoured concentrations beyond the range of the army's artillery weapons. Such attacks might have to be made at night as well as by day and it is noteworthy that the Phantom squadrons of 38 Group have been among the pioneers in the techniques of night attack.

The aircraft currently in service are well suited to this indirect support role and the Jaguar, which will replace the Phantom in the middle of this decade, has been designed with this mode of operations very much in mind. The aircraft will do—especially if the MRCA proves a success. But the RAF is already beginning to think ahead towards the type of aircraft that should eventually replace the Jaguars and Harriers. Currently its thinking appears to be veering towards a good number of relatively cheap, ground attack aircraft rather than to a smaller number of highly sophisticated, all-weather ones.

What is more immediately worrying is the quality of the ground attack weapons which the aircraft carry. Broadly, the aircraft are up-to-date but the weapons are not. As the emphasis has swung away from tactical nuclear weapons to conventional bombs and rockets, it is plain that yet more thrust should be given to the development of the latter. Lay-down bombs, which can be safely dropped from a low altitude, are now in service ; but they could be improved. So are cluster bombs (which engage tanks by scattering small bombs or mines in their path) ; but here, too, more needs to be done. For many years, too, the RAF has had air-to-ground rockets ; but new ones need to be developed which can be fired without the aircraft pulling up to such a height that it is exposed more nakedly than it should be to artillery or missile attacks from the ground.

International brigade

If a threat developed on the northern or southern flanks of Nato, the first force to take the field would almost certainly be the Allied Command Europe Mobile Force (AMF)—with possibly the amphibious forces taking up their position off-shore at the same time. The AMF consists of land and air units, assigned to Saceur at seven days' notice, selected from Belgium, Britain, Canada, west Germany, Italy, Luxemburg, the Netherlands and the United States. Of all the Nato allies, Britain makes the biggest contribution to the AMF—a fact much in keeping with its historical interest in the indirect approach to warfare. That contribution includes the Harrier squadron and a few Wessex helicopters from 38 Group, an infantry battalion (currently the Royal Scots), an artillery battery, an armoured reconnaissance squadron, an engineer troop, a logistic battalion and other supporting units.



Out in the cold

The land element of the AMF has a permanent headquarters and the plan is that it should gather its forces together and deploy them in a matter of days. It is an instant-reaction force. So its deployment requires a heavily concentrated air-lift which, in turn, helps to explain why it would almost certainly be the first of Nato's forces to be moved—possibly well before M-day.

Its function is, of course, to demonstrate solidarity—one for all and all for one—if any attempt were made to coerce one of Nato's outlying allies on the flanks of Europe. It is so organised that it could deploy a brigade group on either the northern or southern flank. So the brigade has been given a primary and a secondary task. As far as the British contribution is concerned, the primary role is in the north, and the troops assigned to it are trained and equipped for Arctic warfare. But in certain circumstances the brigade might be called upon to deploy in the south, for example in Greece or Turkey. In some of these areas the amphibious forces might also be lending a hand and so might 3rd Division and the airborne forces.

As the overriding purpose of the AMF is to deter through a demonstration of international solidarity, it has to be very much at Saceur's beck and call. Inevitably, its deployment will take precedent over any other. But it is an international force which would be rather hastily stitched together and its deterrent value might well have to be buttressed by the movement of other forces. Which is where perhaps, but not certainly, 3rd Division comes in.

The heart of the matter

If the balloon started to go up throughout Europe, every subordinate commander in Nato would start clamouring for 3rd Division. Only Saceur could decide between the competing claims. He might decide to commit the division in full to either the central or the northern region of Allied Command Europe. Or he might decide to deploy two of its brigades in northern Germany and the other, for example, in Greece. If the division were so divided, then the Phantom squadrons of 38 Group would probably be split in a similar two-to-one ratio and the Wessex helicopters would go to Germany and the Pumas out to the flanks with the single brigade (where the tactical mobility they provide produces the greatest benefit). Saceur has thus a fair range of options. But all are tied to M-day and, as it were, to the big show. Outwardly at least, little attention would seem to have been paid to the smaller, more isolated threat that might require a less grandiose response.

Even if and when M-day dawned, Saceur would want to delay his decision where to deploy 3rd Division until the last possible moment, so as to be able to judge where the major military threats would develop. But it always takes time to move men and supplies (particularly to Nato's southern flank) and any delay in Saceur's decision would run counter to the political desire and the logistic need to get the division rolling forward into position as quickly as possible. The inescapable facts are that Saceur could not delay his decision for very long and that he would have to make it in time to allow the division to deploy before the shooting started.

In making his decision, Saceur would also have to take into account the characteristics of this air-portable, lightweight infantry division. It is made up of three brigades, each with three infantry battalions. BAOR has three divisions, each with two brigades, and has 14 infantry battalions in all, compared with as many as nine in 3rd Division.

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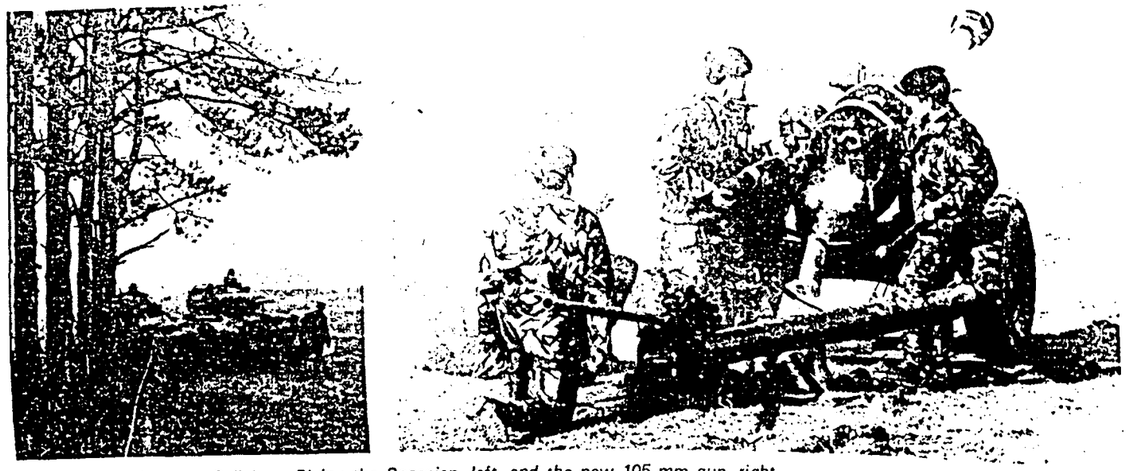
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Putting on a show on Salisbury Plain: the Scorpion, left, and the new 105 mm gun, right

Heavy in infantry, 3rd Division is light in armour. It has only one tank regiment (which will soon be replacing its Centurions with Chieftains) and, before any reservists are called up, only one armoured reconnaissance regiment (whose Saladin armoured cars and Ferret scout cars will soon be replaced by the lightly armoured Scorpion tracked reconnaissance vehicles, armed with a 76 mm gun, and the Fox scout cars, armed with the 30 mm Rarden cannon for use against APCs). For reconnaissance, the division also has its own aviation regiment of four squadrons of Sioux and Scout helicopters. Some of the heavier Scout helicopters are armed with wire-guided anti-tank missiles.

The division is comparatively poorly off in artillery. It has three light regiments of 105 mm pack-howitzers, which in the next few years will be re-equipped with the new and sturdier British gun of the same calibre but with a much improved range. But it has only one medium regiment (armed with that very old stalwart, the 5.5 inch gun, which later in the decade will be replaced by the towed version of the Anglo-German 155 mm gun that is now being developed). It also has one light air defence regiment (which is now replacing its old-fashioned Bofors guns with the Rapier Sam system). Lastly, it needs to be noted that the division has no tactical nuclear weapons of its own.

Engineering support is provided by two regiments. They are not so much concerned with bridging (though they have the medium girder bridges for short crossings) as with the speed with which they can lay mines (where the issue of bar mines should help them), make demolitions and, with explosives and mechanical aids, dig trenches, gun-pits and the like.

By normal Nato standards the division is short of tanks and artillery. It is very much an infantry outfit. It has a few long-range anti-tank weapons: the French wire-guided SS 11 missiles mounted on helicopters and the British wire-guided Swingfire missiles mounted on vehicles. But largely it would have to rely on the medium- and short-range anti-tank weapons of its infantry battalions, such as the Vigilant, the Wombat, the Carl Gustav and the American M 72 one-shot rockets, and on the extensive use of mines.

So the division would have to fight in close or broken country and, above all, it would have to dig in. It would have to fight a relatively static battle, with its armoured cars initially providing a covering screen. It would have to draw the opposing forces on to its infantry positions and it would have to rely on its ability to dig in to protect itself from being plastered by artillery and aircraft. In northern Germany, for instance, it might well find itself dug in away from the BAOR divisions but providing a pivot about which a fluid battle of tanks and APC-carried infantry could swirl. But in Germany it could only hope to delay an armoured thrust, not defeat it. It would, moreover, almost certainly have to fight where it was put, for though it can move by road the division has no APCs to give it cross-country mobility. Indeed, for any form of cross-country mobility, either of men or supplies, the division would have to look to the helicopters of 38 Group.

The burden of supply

The composition of 3rd Division and the limitations of its fighting qualities are dictated by the fact that it was and still is designed to be carried by air. By the same token, it is supposed to be a quick-reaction force. For limited war operations outside Europe, that is certainly true, for in such circumstances there is little immediate need for tanks or other heavy items of equipment or for substantial stocks of ammunition and the like. But in Europe the division would need all those things. And that carries a severe logistic penalty, for the tanks, the heavier equipment and the division's heavier transport vehicles have to be moved by sea.

The division could deploy one of its brigades to one of Nato's flanks in about a week. But it could do so only without its tanks, heavy vehicles and the like. It would, moreover, be able to carry only limited amounts of ammunition and other supplies with it, which in intensive fighting would be quickly exhausted. Further, in such circumstances the brigade would have to be deployed very close to its logistic base. But this could be managed by using only the division's own resources.

To deploy the division with its tanks and the full requirements of war stocks demanded by Saceur would take between two and three weeks (and probably a little longer if one of the brigades were sent to the southern flank). But the crux of the matter is that this deployment could be achieved only after the T & AVR reservists required for the division's logistic support had been called up. So, to be fully effective, 3rd Division would have to wait for M-day.

That knocks quite a large dent in its image as a quick-reaction force. Its deterrent value would be enhanced if methods could be found, first, to support the movement of a single brigade (as a show of force against, say, an isolated threat) with a bigger slice of war stocks and, second, to permit the deployment of the full division before general mobilisation had been decreed. Local stockpiling would not be the answer, for, with so many possible areas of deployment, it would be costly both in money and to some extent in men. And, plainly, it would be wrong to tie a flexible instrument of policy such as the strategic reserve down to a particular locality, a particular stockpile.

Rather, the answer seems to lie in a less hidebound approach. If more regular logistic troops could be earmarked for 3rd Division's use (though not necessarily brought within its establishment) the movement of a single brigade on a decent war footing would be that much easier and effective. If, further, mobilisation procedures were overhauled so that, through a partial call-up, 3rd Division in its full logistic trim could be got moving before M-day, Nato's ability to respond to a political crisis in Europe would be enhanced, for then it would have another bid to make before jumping to the grand slam.

The Paras

For a good number of years there has been plenty of heat but not much light in the discussion about the role that Nato's parachute battalions, acting as paratroopers and not as top class infantry, might play in Europe. At one time, some people toyed with the idea of small sabotage parties dropped behind the enemy lines. But this clearly is more of a job for the SAS with its clandestine skills and now that Britain alone of the Nato allies has committed its special forces to Saceur this is presumably the sort of task that the regular 22nd SAS regiment would be given to do.

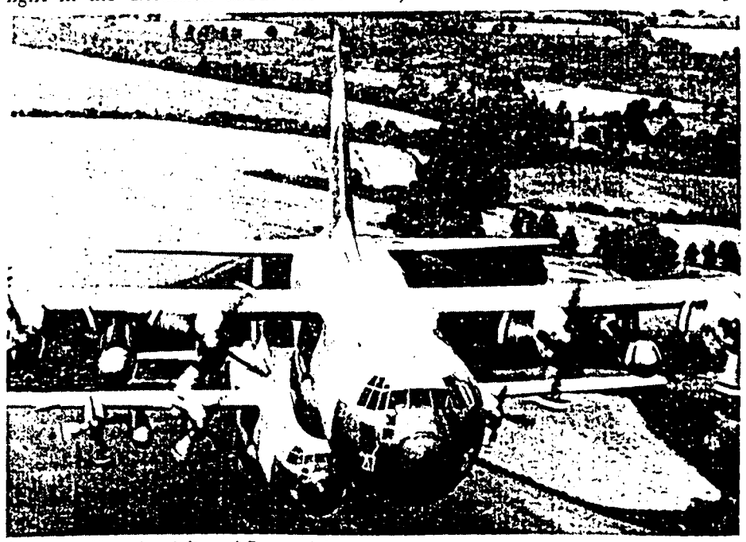
Today's concept is that the paratroopers should be dropped in allied territory or in an area recently overrun by the enemy, so as to seize points of entry (such as ports or airfields), to regain vital ground, to hold defiles, to delay enemy columns or to counter enemy airborne assaults. They might well be dropped after the shooting had started, because the transport aircraft would be unlikely to be available until then. So the paratroopers would be used in a defensive role and the time and, to some extent, the place of their employment would be dictated by the enemy's movements. They could not be used effectively on the central front (except as straightforward infantry of the line). So they are earmarked for the flanks: Norway (though not in its far north in winter); Denmark; Italy; Greece; and European and Asiatic Turkey.

On the southern flank they would operate as part of a combined airborne task force, along with paratroopers from other countries, including the United States. They would be dropped by the Hercules aircraft of Air Support Command and, as new landing platforms have been developed, their supplies could be dropped from much the same low altitude as the men themselves. But the number of British aircraft available means that only one British parachute battalion group could be dropped at a time.

Such an operation is still feasible, even with the big stream of aircraft it entails, so long as the aircraft are carefully routed. It would be more feasible still if the aircraft were fitted with electronic equipment to keep formation in bad weather conditions and if the parachute force had some blind-dropping capability. Neither, at the moment, is on the horizon.

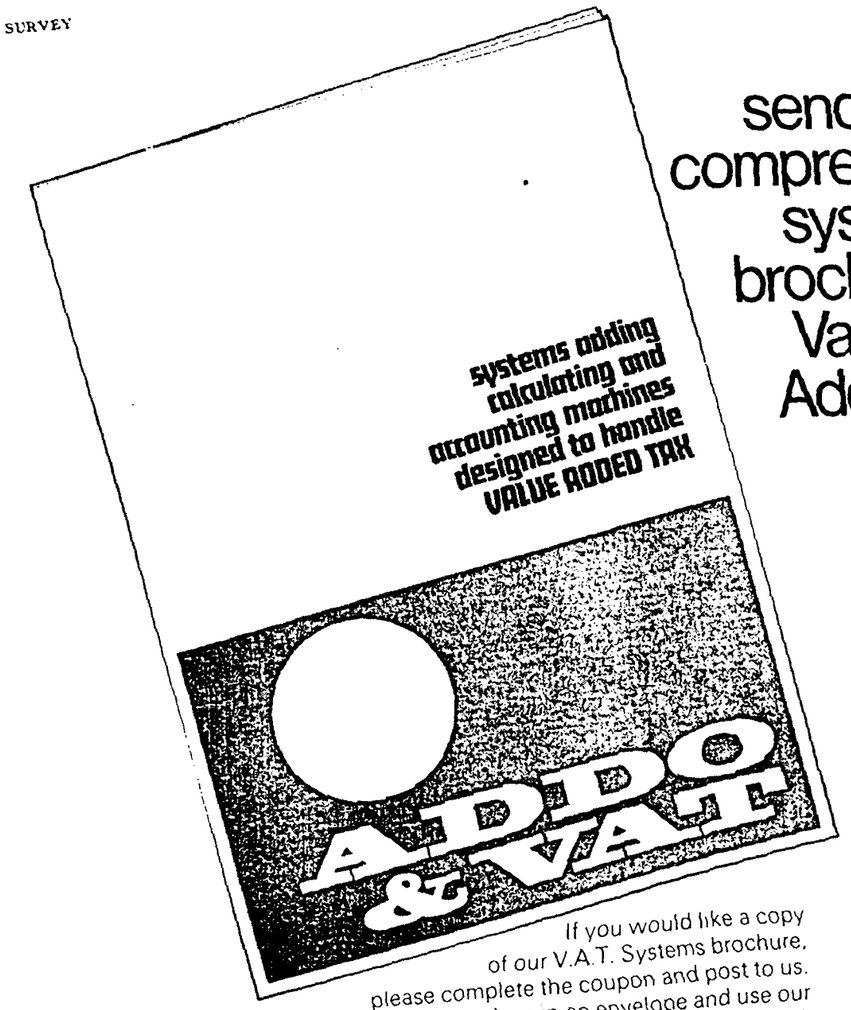


Waiting for the green light



Close up: Hercules, left, and Puma, right





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Economist April 29

there's VALUE IN ADDO THINKING

Just as the amphibious idea requires a good number of ships to get small forces ashore, the para concept requires a good number of aircraft to get a few men on the ground and to keep them supplied for just a few days. So, as with the amphibious forces, there must be questions about the continuing validity of a parachute assault. Perhaps, like the Royal Marines, the Parachute Brigade should turn its thoughts more towards helicopters.

Two bites at the cherry

Britain takes two bites at the cherry in retaining forces trained and equipped to fight both inside and outside Europe. But that sensible policy exacts a penalty: the forces of the strategic reserve can never be perfect instruments for European warfare. Any attempt to make them so, the orthodox argue, would require them to be re-equipped with tanks and APCs and that would ruin their ability to move quickly by air.

So, always, the strategic reserve will be something of a compromise. Like British defence policy itself, it will be somewhat fuzzy and imprecise. Nothing more than a qualified "Yes" can ever, in these circumstances, be the answer to the two questions posed earlier in this survey about the strategic and tactical value of these forces *within* Nato. But to argue that Britain should prepare only to fight in Europe and then to fight only one sort of war there is both dangerous and false.

Rather, what should be done is to seek to improve the strategic reserve's ability to fight in Europe, as much on its flanks as on the central front, without seriously damaging its capacity to fight elsewhere. That is already happening with the weapons coming into service with the strategic reserve (that is on the tactical level). It is by no means so clear that it will happen with mobilisation and deployment (that is on the strategic level). To these two concluding themes, this survey must now turn.

Now thrive the armourers

For Europe, the three great weaknesses of the strategic reserve are: inadequate defences against attacks by low flying aircraft; an old fashioned mix of anti-tank weapons; and a lack of tactical mobility on the battlefield. The first two are common to the British armed forces as a whole and, indeed, to many other Nato armies as well. The third is only really relevant to air-portable formations. But change, evolutionary rather than revolutionary in its character, is in the air. So much so that today's poor cousins of European warfare may find themselves in a few years' time promoted from sitting below the salt to the high table of war.

Fire curtains

To guard themselves against attacks by fast, low flying aircraft, the Russians have adopted a solution appropriate to a big army which is likely to be protected by the umbrella of air superiority: 23 mm cannons, with a range of less than 4,000 metres, which are mounted on armoured vehicles that advance with the tanks. In a fluid, quick-moving battle, these cannons are more of a menace than the Russian Sam systems (which are better suited for the area defence of airfields, base dumps and the like). Typically, the British have concentrated upon a solution appropriate to a small army which would have to fight in conditions of air inferiority: a combination of Rapier missile batteries and hand-held Blowpipe missiles.

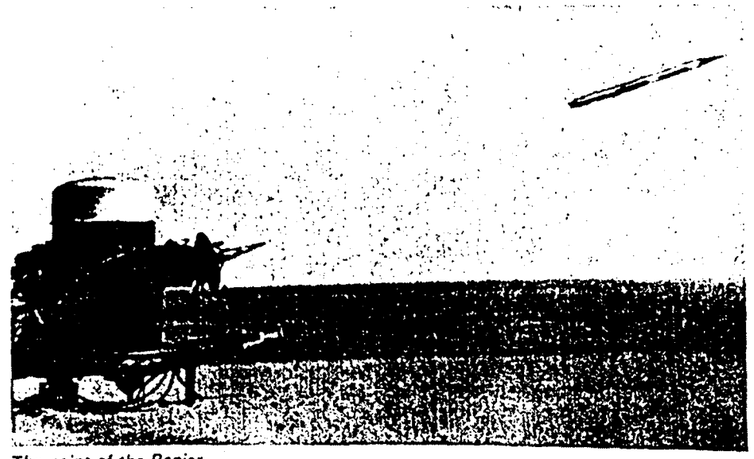
Rapier is a good system, capable of further development. It relies on optical tracking and automatic guidance. It is light and easy to move around by aircraft, helicopters and Land-Rovers. It is economical in manpower. It is both accurate and lethal. It has a goodish range. It is well enough proved to get the Americans seriously interested in it. And, of course, it is expensive.

At the moment it is a fair weather weapon. But radar tracking equipment is being developed to enable the missiles to be fired at night or in thick, cloudy weather. How long this phase of development will last is not clear, but, with luck, the British army should be properly equipped with a mixture of fair weather and blind-fire Rapier missiles—at a guess in the obvious proportion of two-to-one—by the middle of this decade.

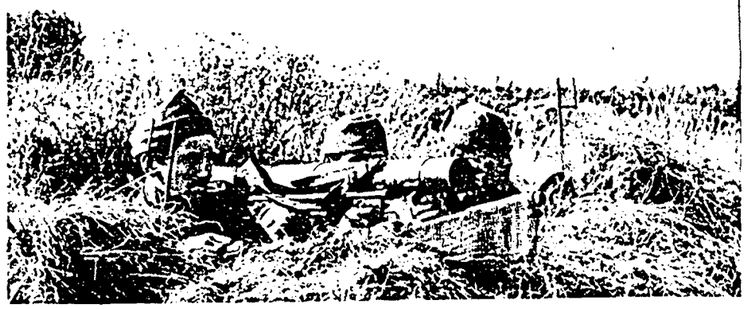
The missiles, like all Sam systems, will provide area defence. A regiment of them should provide adequate, though not airtight, defence for, say, the three brigades of 3rd Division concentrated in their battlefield positions. In such a divisional area, however, there is a need for point defence against sudden, surprise attacks by marauding aircraft. Something more than machine-guns are required to protect, say, a command post, an infantry battalion or an artillery battery against such raids. Again by the middle of this decade, this will be provided by hand-held Blowpipe missiles. These rely on optical tracking and manual steering and have a range similar to that of the Russian cannon. The combination of these two systems should give both BAOR and the strategic reserve better protection against attacks by low flying aircraft. That welcome state of affairs is not before time.

Hitting back

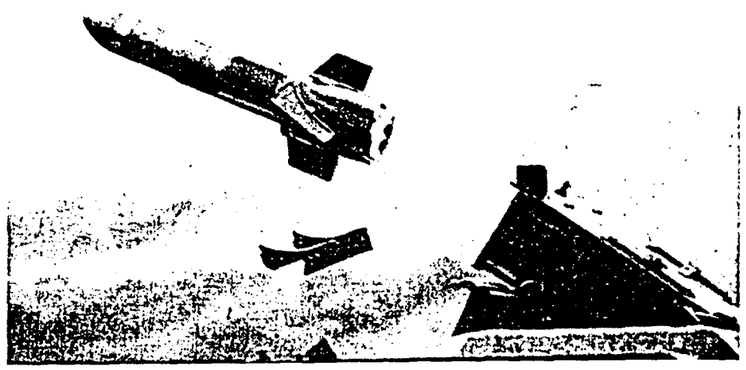
In this century at least, the tank is never likely to become a museum



The point of the Rapier



Going out, the Carl Gustav



Coming in, the Swingfire

piece. For armies throughout the world, it will remain indispensable. But the technical development curve for the tank is flattening out, while that for anti-tank weapons is still rising sharply. Within, perhaps, as little as ten years' time the tank will no longer be the monarch of all it surveys on the European battlefield.

Liddell Hart's famous three-to-one ratio of preponderance for an attack to succeed will soon have to be revised, upwards. One reason for this is the introduction of wire-guided anti-tank missiles capable of engaging tanks up to a range of 4,000 metres. This is the range of the Swingfire, produced by the British Aircraft Corporation. Sensibly, the British army has decided to plump for a common family of Swingfire missiles. Mounted on APCs and other vehicles, these missiles are already in service with the armoured regiments of BAOR and the strategic reserve. They can be controlled by an operator some distance away from the launch vehicle. So, too, will Beeswing, which has a wider arc of fire than APC-mounted Swingfire and which can be fired either from a vehicle or the ground. These missiles will be issued within the next few years to the infantry battalions, to replace the shorter-ranged Vigilant. Finally, to replace the French SS. 11, now mounted on some of the army's Scout helicopters, a modified version of Swingfire will be strapped on to the new army helicopter, the Lynx.

The art of engaging tanks from a helicopter armed with wire-guided missiles is more than well advanced. It is firmly established. The helicopter is at least as expensive to buy and to maintain in the field as a tank. But the helicopters are needed, in any case, for reconnaissance and it makes good sense to give some of them an additional ability to kill tanks. It would make much less sense, however, if these helicopters came to be regarded solely as tank-destroyers.

Swingfire has its rivals, especially when it comes to mounting the missiles on helicopters. The two principal ones are the Franco-German Hot and the American Tow systems. Swingfire has a longer range than either, but a slower time of flight. It appears to demand a higher degree of skill from the gunner. But it does not require the helicopter to fly on a straight course or to remain hovering while the missile is in flight, as the other two systems do.

The anti-tank helicopter is here to stay. But it must be used correctly. Helicopters are very vulnerable to ground fire, so that they must not be sent off hunting, like wolf packs, across enemy-held ground. They must wait for the tanks to make their move and then stalk them from behind buildings, trees, hedgerows, hillocks and haystacks. In all it is a crafty, dodgy business. Swingfire fits this concept and it makes sense to use the same system in the air as on the ground. But there are already some soldiers—and not all of them are to be found in the Army Air Corps—who argue that eventually helicopters alone should be responsible for wire-guided missiles because this is the best way of capitalising on their long range.

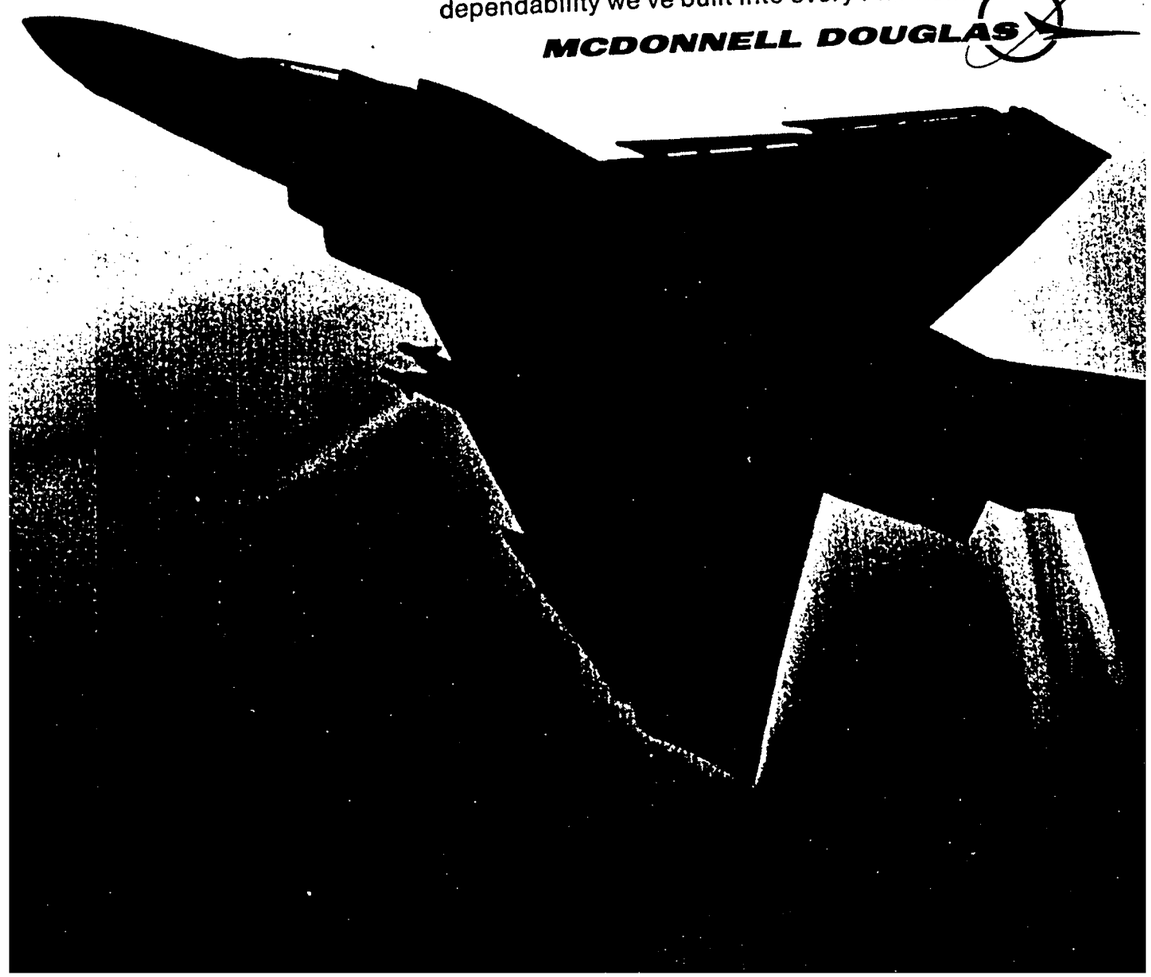
The next step in their argument is that probably the worst gap of all in the anti-tank armoury is to be found in the lack of weapons capable of engaging tanks at their own normal gun range (that is, around the 2,000 metre mark and under). The answer, they now say with even more conviction than they did even a couple of years ago, can be found in the development of a high velocity anti-tank gun mounted in an armoured, self-propelled vehicle with a much lighter weight and a much lower silhouette than a tank. That may well have to wait on the development of a new gun, common to the tank and the anti-tank vehicle. But, with its usual love of initials, the British army is already talking longingly about Spat (self-propelled anti-tank) and Apspat (air-portable self-propelled anti-tank) weapons. For the armoured brigades of BAOR, some form of Spat to replace the short-ranged Wombats of the infantry battalions looks highly probable.

But Apspat might not be the right answer for the strategic reserve forces. They, too, have to think ahead to the time when not only the Wombat but the hand-held Carl Gustav weapons will have to be replaced. For them the ideal solution would appear to lie in a weapon not much bigger than the Carl Gustav which can easily be carried and fired by an infantryman and which can engage tanks between ranges of, say, 100 metres and 1,500 metres. Direct firing over short ranges presents no problem ; but some form of terminal

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guidance is required to hit a tank at long ones.

Such weapons are, in fact, now being actively developed. Their cost is higher than a high velocity gun (which always retains the inherent advantage of being able to use a variety of ammunition) but lower than a wire-guided missile. At the moment, there are two rival forms of terminal guidance, one using infra-red techniques and the other laser beams. The French Milan and the American Dragon rely on infra-red tracking while the Atlas, which is being jointly developed by the British Aircraft Corporation and Fabrique Nationale of Belgium, uses laser beams. It would be wrong at this stage of development to come to a definitive decision between the respective merits of these two systems. But, for the British forces at least, Atlas would appear to have a lot to commend it—not least because infra-red guided missiles can be distracted from their targets by other sources of heat, such as burning buildings and vehicles and even the sun.

Swingfire, Spat and Atlas for BAOR, Swingfire and Atlas for the strategic reserve would be a formidable combination of weapons. But they will have to be good enough to last in service well into the 1980s. By then, yet another anti-tank weapon system should also be deployed: field artillery rockets. These are the land equivalent of the cluster bombs dropped by aircraft, which seek to disable tanks by scattering small bombs or mines in their path. Their great advantage is that they have at least the range of a modern medium or heavy artillery gun, so they can be used to engage tanks in the rear areas long before the tanks can come into action. The divisions of BAOR would have to be the first to get them. But, now that the commitment to European defence is so strong, it would be wrong not to issue them eventually to 3rd Division, especially if some light-weight types could be developed which could be carried in support helicopters.

Sky warriors

It is easy enough to move troops quickly by aircraft. But once the troops of the strategic reserve are deployed in their battle positions, they have very little tactical mobility. At the best, they would be tied to the roads. At the worst, they would have to fight where they were put. Yet, even in the rear and flank areas where the brigades of 3rd Division would be stationed, the need to move a battalion or even a brigade up to 50 kms or so could easily arise, though more probably on the southern or northern flanks of Nato than on the central front.

The reasons for such a move are many. Among them are: the blocking of an armoured thrust in an unexpected area; the reinforcement of a threatened battalion or brigade; and dealing with enemy forces landed by helicopters or dropped by parachute. The move would have to start at short notice and it would have to be completed quickly so as to give the infantry battalions time either to dig in or to site their anti-tank weapons.

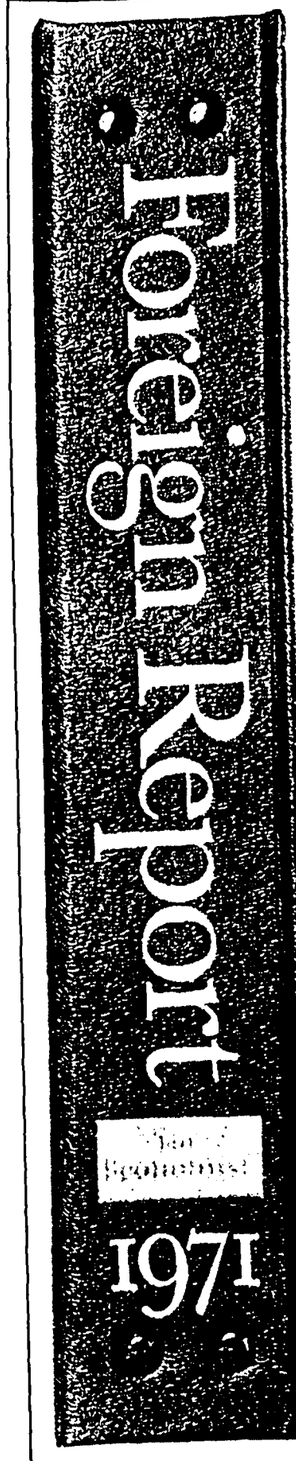
Support helicopters like the Puma and medium-lift helicopters like the Chinook or the Sikorsky CH-53 would seem to provide the obvious means. But Britain has no medium-lift helicopters (though it most certainly should have, if only to support the Harriers or to shift tactical nuclear missiles around). Nor does it have enough support helicopters to make the concept of a helicopter-borne brigade really feasible, for such a brigade would need the continuing support of about 60 Wessex and Puma helicopters.

Whether Britain should devote what few helicopters it has to air cavalry experiments and whether, more alarmingly to the economisers, it should buy more helicopters are matters of fierce controversy. So fierce, indeed, that there are very few men to be found standing in the middle between the ardent enthusiasts and the distinctly cool. The argument is somewhat reminiscent of the one in the late 1920s and early 1930s about the future of tanks, when the enthusiasts ruined their own chance of success by pushing too hard and those who were obstructive turned out in the end to be fools. Just as then, there do not appear to be sufficient hard and fast facts on which to come to a judgment. The report of a seminar by the Royal United Services Institute on the use of the helicopter in the land battle (available from the institute at £1) shows how many words have been spent and how few decisions have been taken.

American experience in Vietnam is a shaky guideline. There, helicopters have been used in all sorts of roles, except the anti-tank one, on a grand, if not grandiose, scale. Many of them have been destroyed by ground fire, but none of them have been subject to aircraft attacks. In Europe, the situation would be completely reversed. The danger of ground fire would largely be avoided by routing the helicopters over friendly territory (that is the rear areas of the battlefield), but that would still leave them exposed to aircraft attacks. No one really knows how vulnerable helicopters are to such attacks. There have been some guesses, but nothing more. But, plainly, helicopters carrying troops and their supplies would have to fly stealthily—and, preferably, by night, which would immediately add to the cost because of the navigation equipment required. Their crews, moreover, would have to be trained to put the men and their equipment down very close to the tactical positions that had to be defended—a precise art that only the Royal Marines and their helicopter pilots have really practised, although the

Britain's helicopters		Dimensions Length/Height (incl rotor)	In service	Load at radius of action of 50 nautical mls	Cruising speed	Carrying capacity
Army	Sioux	43 3ft/12 0ft	265	450 lb	70kts	Pilot + 2 men
Army	Scout	40 3ft/11 3ft	135	1035 lb	100kts	Pilot + 4 men
Army	Gazelle*	39 1ft/10 3ft	425†	900 lb	110kts	Pilot + 4 men
Army	Lynx*	49 9ft/11 5ft	175†	1700 lb	130kts	Pilot + 10 men
RAF	Wessex	65 8ft/16 2ft	60	2800 lb	90kts	2 crew + 15 men
RAF	Puma	59 5ft/16 7ft	30	4000 lb	140kts	2 crew + 16 men
Navy	Sea King	72 7ft/16 8ft	40*	7000 lb	115kts	2 crew + up to 30 men

* Future † Estimated requirement (with Sea Kings in commando role only)

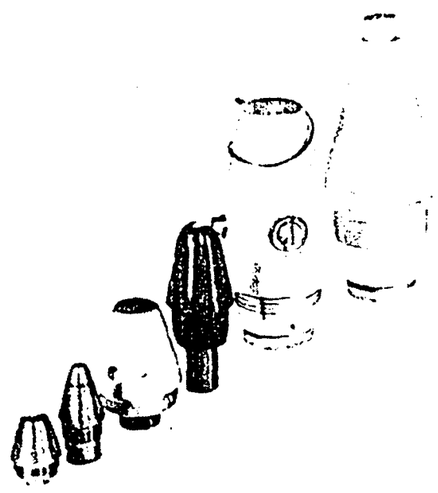


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army and the RAF are now taking an intensive interest in such tactics and extensive trials are being carried out.

In all, the idea of ferrying troops around the battlefield by helicopter looks a tall order. Yet, however badly they frame their arguments, the instinct of those who push the idea seems to be sound. Helicopters are open to attacks from the air; but so are vehicles on the road. Helicopters are costly to buy and to run; but so are tanks. Helicopters impose yet another logistic burden; but so, too, do many modern weapons of war. And, above all, there is something very odd in the argument that boosts the merits of strategically mobile forces but then denies these very forces the means of tactical mobility. It would be folly if the army and the RAF were to cancel the large scale exercise with helicopters planned for this summer. It would be even greater folly if, say, through silly rows about who should man what, the helicopter in the 1970s were to suffer the same fate in the British forces as the tank in the 1930s.

Managing better

As the years wind slowly by, to the usual accompaniment of grouses and grumbles from the armed services, new weapons will add to the effectiveness of the strategic reserve forces more, perhaps, than they will add to that of BAOR, simply because these forces have more lost ground to make up. These weapons and the men who would use them would give a good account of themselves in battle—so long as they were kept away from the heart of the armoured dogfight. On that score, Britain and Nato can rest reasonably content. The plans drawn up for these forces are not foolish. They take full account of the limitations. They are realistic in recognising both what such troops could do in battle and what constraints will continue to be imposed on defence spending.

The new weapons will come in slowly, ever so slowly. But when it comes to questions of tactical mobility it would be fair to predict—though not to hope—that little in fact will alter. Because it is so expensive, the helicopter will be written down, though not completely written off, as being untried and unorthodox. Yet another opportunity will then be missed, for once it is more openly recognised than it is now that the value of amphibious and parachute warfare is diminishing Britain, by buying more support helicopters, could create another brigade in addition to those which already make up the strategic reserve. Tactically mobile, such a brigade would be manna to those who recognise the need for deterrents elsewhere in Nato than on the central front and who carry the idea of political flexibility in a crisis in Europe right through to the organisation of Nato's armed forces.

As Nato's plans already recognise, the best, indeed perhaps the only, way to make use of an air-mobile strategic reserve is for its men to make a display of force, a demonstration of solidarity, well before any frontiers are crossed and the shooting starts. This is all part of the process of crisis management. And the skill with which such a process, up to and including the deployment of troops, is conducted may be even more important tomorrow than it is today. First because, either through negotiations or unilaterally, Nato's forces in Europe may be reduced in size in the years to come. Second because no one is going to be so foolish as to bash through the central front (unless its defences are reduced to a shambles) if the chance to make smaller gains by more indirect means presents itself. And then, before the shots are fired and before even the nuclear consequences are consciously reckoned, it will be troops that can be flown in quickly, rather than homeland or garrison troops, which will show whether Nato as an international alliance really has got muscles.

There would, however, be little point in flying troops out except in their full fighting and logistic trim, for their deterrent value is measured by the punch they can deliver, the delay they can impose. But, as was seen earlier, it is just not possible to achieve such a state of readiness in 3rd Division until general mobilisation has been declared.

Too much within Nato, not merely within the British contribution, is tied to M-day. If M-day ever dawned, would it have the same fateful consequences as mobilisation did in 1914, when once the machine started to clank the politicians found themselves unable to stop it grinding forward to war? Is there not some room for an intermediate stage between the peacetime deployment of Nato's forces and full-scale mobilisation? If Nato clings, as it should, to a strategy of flexible response, then surely that strategy should be applied as much in the weeks before the battle as in the battle itself.

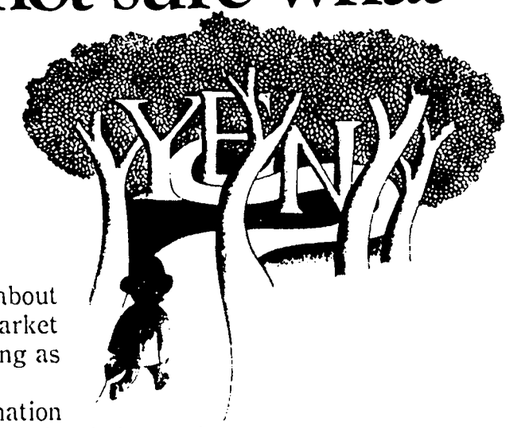
Here, Britain has a chance to show the rest of Nato the way. It would be neither difficult nor costly to devise techniques for partial mobilisation that would bring 3rd Division up to its full fighting strength before reinforcements had to be called up and flown out to BAOR. That would form another rung in the ladder of response.

Nato is now somewhat stiff in its joints. At its worst, it is hag-ridden by a Maginot Line obsession about M-day and the central front in Germany. It needs to be more supple, perhaps more unorthodox, in its movements and responses. And within the strategic reserve forces of Britain and the United States it could well have one of the means of rejuvenation at hand.



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Points from the annual statement of the Chairman, Mr. K. A. Usherwood.

* We are equipping the company to continue to develop its business by a continuing re-appraisal of the services offered, the way we sell them and the efficiency of their administration.
* Further progress from our already substantial overseas business expected.
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* Industrial Branch new annual premiums slightly higher. Despite the collection of premiums at frequent intervals, the benefits given in this branch bear comparison with those available for the same size of premium in the Ordinary Branch.
* Rate of reversionary bonus increased to 3.30% in the Ordinary Branch and maintained at 2.60% in the Industrial Branch. Rates of terminal bonuses increased in both Branches.
* General Branch premium income increased by 20%. The underwriting profit of £1,478,000 compares with a loss of £260,000 for the previous year. In the United Kingdom the increases in premium rates greatly reduced the loss on motor business, and in other accounts a good profit was achieved overall.
* We are concerned that a great proportion of our private policy holders are under-insured to a serious degree and that so many homes carry no insurance on the household goods and furniture.
* Total net dividends 3.60p per share as against 3.20p per share for previous year.

REVIEW OF RESULTS

(Life and General Branches)	1971 £m	1970 £m
New annual premium income (Life Branches)	43·7	39·1
Total premium income and considerations ...	347·2	309·1
Investment income	157·8	148·9
Balance sheet value of assets	2475·3	2295·0
Market value of assets	3383·5	2690·9
Equivalent gross dividend per share	5·88p	5·31p

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	PROFIT BEFORE TAX	NET PROFIT BEFORE DIVIDENDS
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1970	£12,149,000	£6,870,000

Not including figures for Midland Electric Manufacturing Co. Ltd., acquired Dec. 1971

- Ordinary Dividend up for third year running. Now 20% - 1970 18%.
- Earnings per Ordinary Share up again. Now 8.5p - 1970 7.1p.
- Return on Capital Employed up. Now 16.5% - 1970 14.9%.
- Ordinary Dividend cover improved. Now 1.8 times - 1970 1.7 times.
- Property re-valuation surplus of £8.7 million.
- Reserves further strengthened—still no goodwill in Balance Sheet.
- Exports and Overseas activities now about one-third of our total sales.
- U.K. sales of finished products and components rose to 52% from 45%. Inclusion of MEM will further improve this trend.

The Annual Report and Accounts will gladly be supplied on written request to the Secretary of The Delta Metal Company Limited at 1, Kingsway, London, W.C.2.

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1972	£ 75,856,062	3,785,096	£ 20.04	£ 1.45	7.79%
1971	47,858,614	2,411,784	19.85	1.45	7.89%
1970	35,649,806	1,814,295	19.66	1.43	7.87%
1969	25,362,481	1,210,743	20.95	1.34	6.82%
1968	12,225,060	581,037	21.05	1.37	6.96%
1967	5,120,603	279,460	18.33	1.06	6.12%

Books



1915: the flag was passing out of Redmond's hands

The infusible nation

THE GREEN FLAG
By Robert Kee.
Weidenfeld and Nicolson. 877 pages. £5.95.

Modern Irish nationalism has always been a sectional movement. It is true that it has roots in the colonial nationalism of the Ascendancy parliament of the eighteenth century and in the Jacobin republicanism of the Ulster Presbyterians who rebelled in 1798. It is also true that its leaders have often been Protestant, English in descent or aristocratic, and its philosophers have spoken of uniting all Irishmen against the English foe. None the less in practical terms it has been the movement of one section—the majority section—of the Irish people against those whom ancestry, religion, education, social conservatism or minority fears made loyal to the British connection. It thus divided Irish society and conspired with economic non-development and religious sectarianism to preserve the rigid divisions inherited from history.

Irish nationalism has its historic roots in the tribal resistance of the Gaelic Irish to the English invaders from the twelfth century onwards. They clung tenaciously to their language and customs and waged incessant war on the invader. After the reformation, this struggle assumed a religious aspect when the suppression of Catholicism became part of British government policy. The bulk of the Gael and most of the earlier English settlers in Ireland remained loyal to the "Old Faith." As Catholics they supported the Stuarts and were deprived of all civil rights by the penal laws of the eighteenth century. The story of Irish nationalism is essentially the struggle of the descendants of these people to reassert their national identity. In the early part of the nineteenth century this struggle was linked with the abolition of the penal laws; in the later half it was linked with the agrarian struggle to wrest ownership of the land from the landlords. But even after these tangible grievances were *removed* nationalism survived as an independent force. The real tragedy of Ireland is that its two communities and cultures were never welded into one nation. Its legacy is sectarian strife in the north and a monolithic republic in the south which, for all its easy-going amiability, has really succeeded only in assimilating the Catholic nationalist part of the Irish heritage.

Mr Kee has written a lucid and well-researched account of Irish nationalist movements from the late eighteenth century to the Anglo-Irish Treaty of 1921. It should serve as a useful starting-point for those who seek to understand the historical background of modern Ireland, even if most of the factual material has already been covered by more specialist works. Historians will still go to Professor Lyons's "Ireland Since the Famine" for broad historical analysis. Mr Kee underrates the independent emotional force of nationalism in the minds of the majority of Irishmen which gave such an irrational dimension to the Irish question and made it incomprehensible to the English. It was not just land-hunger and was not to be assuaged by agrarian reform or old age pensions or any beneficent measures taken by British governments. In any circumstances it would probably have precluded a final settlement short of full independence, such was the depth of nationalist feeling.

The most valuable part of the book is the account of the years following the 1916 rising. This is largely based on a thorough examination of contemporary newspaper material. Here the author has broken new ground. He shows that the bulk of nationalist opinion condemned the killings carried out by the IRA from 1919 onwards. It was only when the British government unleased British terrorism that the IRA began to enjoy widespread support and people wanted to be rid of British rule at any cost. Eventually in 1921 the British government had to sit down to negotiate with the men of violence. These in turn got the credit for the measure of independence granted, although it was little in advance of what could have been achieved by constitutional means. This hallowed the tradition of violence in Irish life; it divided Ireland irreparably, both territorially and socially, and produced a republic at times more concerned with nationalist symbols than the real business of economic development and social reform. Succeeding generations have paid the penalty.

Before the Boyne

THE NAVAL SIDE OF KING WILLIAM'S WAR
By Edward R. Powley.
Adam and Charles Black. 392 pages. £4.20.

Nothing would have surprised the amiable author of this book more than the timing of its publication. He provides the most detailed, if not the most dramatic, account of the Siege of

Londonderry which has yet appeared, and some of the remarks which he quotes might just as well have been made in 1972 as in 1689:

> Since I was born I never saw a town of so little Strength to Rout an Army with so many generals against it. The walls are not touched, the Houses generally broke down by Bombs.

So wrote Kirke, colonel of the notorious Lambs, when he relieved the town.

The relevance of the narrative is remarkable. While William III looked towards Europe and neglected his back door in Ireland, another notable Protestant cleric organised the defence of the city against Catholic armies to create the myth which has sustained Orangemen over the past 300 years. As Sir Arthur Bryant says in his introduction, William was a reluctant "liberator" of Ireland because he was solely interested in the prosecution of the war against France. The book covers only the first 20 months of the war, ending somewhat arbitrarily before the Battle of the Boyne.

Unfortunately, is it a jumble of details. The tortuous style, with a predeliction for strings of parenthetical clauses, prevents the reader from seeing the wood for the trees. This book has, in fact, all the merits and defects of a doctoral dissertation, though the reader is spared the apparatus of scholarship, which is tucked away.

The late Edward Powley was an admirable example of the amateur historian. His first book on the part played by the navy in the Glorious Revolution remains the standard work. Some 40 years later, after a lifetime of school teaching, he produced this continuation of the story. He was a meticulous scholar and also the successful creator of the Cromwell Museum at Huntingdon and the Samuel Pepys Society in London. Would that his literary ability had equalled his historical enthusiasm.



William : incidental liberator

Comings and goings

EGYPT : IMPERIALISM AND REVOLUTION

By Jacques Berque, translated by Jean Stewart.
Faber. 736 pages. £15.

As a writer of latter-day Arab social history Professor Berque has few rivals in his own country, France, or elsewhere. Thanks to his gifted translator, his portrait in depth of Egypt comes over in English with the same stunning freshness as the original work. The period observed is the rise and decline of British power in Egypt, culminating on that fearful Saturday in January, 1952, when 700 buildings in Cairo were burnt down by rioting crowds.

Some readers may regret that, having been taken so far through so many pages, they are not allowed a glimpse of the fully realised revolution in Nasser's hands. But this book is more concerned with the symptoms than the fulfilment—with the revolutionary impulse that an alien presence fosters. What emerges clearly is that whenever great violence broke out—whether in 1919, fanned by Zaghlul's exhilarating nationalism, or later in the 1930s and 1950s—it was never, as the British liked to think, just the work of mindless mobs incited by political hotheads. There was always a countrywide convulsion, embracing every class of Egyptian from workers and students to *ulama* and civil servants, and reverberating through the villages. In 1919 the little village of Zifta "existed as an autonomous republic for several weeks behind its mud walls."

Professor Berque describes his work as an essay ; and in form, if not size, it is. The historical narrative and economic analyses are interspersed with meditative chapters that occasionally break out of their chronological order. Reflections on the Arabi revolt, the prelude to British occupation, precede an account of how it came about. A similar inversion, the comment preceding the record, applies to Zaghlul's arrest. Cross-references would help the less initiated reader. Later, there is a tendency to accept too readily the current Egyptian version. The statement that Egypt bore "the brunt of the assault" in the 1948 war in Palestine will not do. Egypt got the tail end of it, certainly, but through leaving too much to others at the start. One may also question whether Egypt entered that war with quite the anti-colonial passion that is nowadays popularly ascribed to it. It suffered its own confusions—among them quite a kindly attitude to its own Jewish population—and went to war, surely, in a spirit of noblesse oblige. But these leanings toward local legend are a minor flaw in an otherwise fine evocation of an ancient Islamic country, eager to acquire western knowhow, but not to have it forced down its throat.

There are splendid descriptions of Cairo and Alexandria as they were in the nineteenth century and as they became under new layers of rich foreign residents. The details of rural life are beautifully sketched in. Studies of village characters who rose to positions of civic eminence are reminders that Egypt was evolving socially under its own impetus and was not just a sparring circle of nationalist politicians, stiff-necked British and palace hangers-on. The writer has steeped himself in Egypt, lived there and walked and talked himself down the less well-known paths of its history, drawing on rich, untapped sources—family papers, company reports, unpublished memoirs, British, French and Egyptian archives. Not least are his cullings from Egypt's own poets and novelists, who write with such vivid imagery and often reflect their times more faithfully than do diarists and press reporters.

Counter-intelligence

NETWORK

By Heinz Höhne and Hermann Zolling.
Secker and Warburg. 381 pages. £3.50.

It is in the nature of things that a democratic state's secret intelligence service cannot please all its citizens all the time ; and, notwithstanding what other states do, there are always quixotic innocents who would dispense altogether with the apparatus of spies and spying. Should the secret service go to work thoroughly it is charged with anti-democratic conduct. Should it be easy-going it is scolded and mocked for any nasty knock that may have taken the government by surprise. Remember the outburst of indignation at the failings of the Central Intelligence Agency that followed the humiliation of the Bay of Pigs ?

Before they came to power in Bonn, the west German Social Democrats rebuked General Gehlen's Federal Intelligence Service for superfluous snooping and uncontrollable mischief-making in general, perpetrated in the name of combating communist subversion. But as federal chancellor, Herr Brandt asked : "What do we have our



Gehlen : poacher or gamekeeper ?

information services for ? Why did no one tell me anything ? " when, only a fortnight after he had signed the non-aggression treaty with Poland in Warsaw in December, 1970, his co-signatory was ousted from office in unexpectedly tumultuous circumstances.

To be fair to General Gehlen's many critics, the first of their objections was by no means far-fetched. That was that the Federal Intelligence Service, whose allotted field of operations was abroad (mainly east of the Elbe) was poaching ambitiously on the home ground reserved for the Office for the Protection of the Federal Constitution. But they also argued that General Gehlen seemed to be bent simultaneously on accumulating secret personal power on a scale harmful to the workings of democracy. In the process, they say, he enlisted the help of several gentlemen who had learned their trade under Himmler and Heydrich. Herr Höhne and the late Hermann Zolling write for the most part convincingly and enthrallingly of Gehlen's rise, ascendancy, and decline. Their book is composed largely of a series of articles that were published originally in the iconoclastic news magazine Der Spiegel. They are so well informed that it is surprising that no action has been taken since under the German equivalent of the Official Secrets Act. In the authors' index to sources there are repeated references to official reports and diaries now "in private ownership."

Critical as they are of the Federal Intelligence Service, the authors acknowledge its indispensability "so long as the insulated social systems of the east close their doors to a world eager for detente, so long as the federal government in the clear interests of west Germany must seek to discover other countries' secrets in order to protect itself against surprises." But they recommend that the service should set geographical priorities for gathering intelligence, limiting general reporting as a rule to areas and subjects not dealt with by west German diplomatic representatives.

Second-class sisters

CAROLINE MURAT

By Joan Bear.
Collins. 319 pages. £3.50.

It is difficult to take Napoleon's empire seriously, when one considers his relatives. Just as it is sobering to think of Napoleon's unusual energy and ability in redrawing the map of Europe in order to elevate his brothers into kings, so is it revealing to see how his family behaved during their years of power and prosperity. He had three sisters and when he declared himself emperor in 1804, they discovered that they got no titles at all, whilst their brothers became imperial highnesses and their sisters-in-law became princesses. The youngest, Caroline, who had married the brave and dashing General Murat, remained plain Madame Murat, and at the great banquet which celebrated the proclamation of the empire, she could not restrain her tears or conceal her anger.

She eventually forced her brother to confer the titles of imperial princesses on the three sisters, but even this was to create further difficulties. The etiquette of the new court had been carefully established and an elderly page who had served under the Bourbons had advised on how things should be done. Consequently, when the Princess Caroline Murat went into a particular salon, her husband found that he could not accompany her because that salon was reserved for "the Princes and Princesses of the Blood."

There is a great deal to be learned about this empire from studying the Bonaparte clan, and Mrs Joan Bear has carefully put together this life of Caroline. Intrigue and jealousy were the most obvious characteristics of the Bonapartes, and Caroline, who was more courageous and clear-sighted than most, was determined to protect her own interests. Since her husband had served Napoleon well, she was particularly ambitious ; since he could be foolish and headstrong, she was frequently uneasy and she learned how to navigate among the Talleyrands and Metternichs whose influence she respected. Money was always an important subject and when the Murats

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Caroline : family at war

were made King and Queen of Naples, Caroline did not hesitate to ask for 16m francs in compensation, since their kingdom was so poor.

Mrs Bear has written historical novels, and perhaps she was determined not to overdo the drama and the colour of this biography. She has omitted many well-known anecdotes. On controversial questions, such as the disagreements between Caroline and her husband, or on how the Murats deserted Napoleon in 1814, she writes sensibly. But it is a melancholy story.

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Half a decade

GREECE UNDER MILITARY RULE
Edited by Richard Clogg and George Yannopoulos.
Secker and Warburg. 294 pages. £3.

INSIDE THE COLONELS' GREECE
By "Athenian," translated by Richard Clogg.
Chatto and Windus. 215 pages. £2.50.

When on April 21, 1967, the Greeks woke up to find that their army had overnight overthrown the government, arrested the leading politicians and proclaimed a revolution they were too stunned to react. When they realised that they were in for a dose of authoritarian government the majority shrugged its shoulders : the politicians had made a mess of running the country and a farce of parliament—perhaps the soldiers would do better. But even in those early days the ousted politicians, the intellectuals and the disestablished establishment understood that there would be no easy way back to democratic government, although few of them believed that the essentially military regime could last for long in face of the hostility of western Europe and, hopefully, of the United States.

But today, five years after he organised the coup d'etat, the former colonel, George Papadopoulos, is still firmly in the saddle. However much the Greek intellectual élite may despise the man, however bored the Greek people may be with his uninspired, uninspiring and often inept leadership, he is a man to be reckoned with, a phenomenon to be taken seriously. "Greece under Military Rule," a collection of 13 essays, the majority written by Greeks living in Athens or abroad, is a timely study of the impact of five years of Mr Papadopoulos's rule on the people, the institutions, economy and culture of his country.



Papadopoulos : still in the picture

The writers do not speak with a common voice but they are linked in their total opposition to the type of regime the Greek army has imposed on the country and to its policies. Their views have added weight since they eschew such emotive and inaccurate phrases as "fascist" and "totalitarian" to describe the regime, but their arguments lose persuasiveness because they do not examine the state of Greek institutions before 1967 altogether frankly.

The regime may, as the writers charge, be imposing solutions with the aim of stifling potential threats to its own existence, but they could admit that something needed to be done about the powers of the monarch, the trade union structure, the centralisation of government and industry, the press and the social security system. The admitted fact that the resistance organisations within Greece and abroad have still failed to gain the support of the mass of the Greeks says a good deal about Greece before the coup.

The anonymous author of "Inside the Colonels' Greece" covers much the same ground as the 13 essayists but his book suffers by appearing in English two years after it was written. The most valuable chapter is an examination of the 1968 constitution, which, if and when it is ever fully implemented, will give Greece a very limited form of democracy and confirm the armed forces as the final arbitrators in Greek political life. "Athenian's" assessment and analysis of the past and present is sober and well documented but his hope that western Europe and the United States will somehow rid Greece of the colonels seems over-optimistic today.

The last detail

LANCASTRIAN KINGS AND LOLLARD KNIGHTS
By K. B. McFarlane.
Clarendon Press : Oxford University Press. 261 pages. £2.75.

This is a splendid book, and a fitting reminder how great a historian Bruce McFarlane was. It falls into two parts : a re-examination of the career and political motivation of Henry IV, with a vivid little character-sketch of his successor as a pendant, and an investigation of the activities and interconnections of the group of knights at Richard II's court who can be shown to have had sympathies with Wycliffe and his followers. The two themes are linked chiefly in time, and cover only a small segment of the life of the politically active classes in England, yet in his treatment of them McFarlane contrived to convey an impression of the life of the court as a whole.

The outstanding quality of the book is that it makes information derived from most detailed and technical scholarship not only accessible but comprehensible and vitally interesting to the widest possible readership. No recent medievalist was more skilled than McFarlane in torturing record evidence to force it to reveal more than it was ever intended to. But the detailed knowledge so acquired is fitted into broad patterns of argument so clearly and in such vigorous prose that it never fails to hold the attention. There are some excellent examples of the process here : the household accounts of Henry IV are mined for the smallest hints of his personality, and the "namierisation" of the Lollard knights throws up a series of vignettes of "a group of retired army officers."

Strangely enough, the new evidence on which McFarlane drew served more than once to re-establish older theories about the period. True, he demolished altogether Stubbs's picture of Henry IV as a self-conscious constitutionalist, and replaced it with a far more convincing account of his struggles with his council, which established him in the main line of medieval kingship, and he also demonstrated that the Lollardry of the court was no mere hangover from John of Gaunt's flirtation with Wycliffe. But at the same time he saw Richard II as a man driven by the desire for revenge, and Henry V as the *preux chevalier* of early fifteenth-century England to a point which is almost Shakespearian. In fact, in his estimate of Henry V his judgment, for once, faltered. His exaltation of Henry was a natural reaction to the excessive demythologising of some recent historians ; but to describe him as "the greatest man who ever ruled England" is unjust to other monarchs whose achievements in the demanding arts of law-making and law-enforcement greatly excelled that Henry's.

Inevitably, a posthumous publication such as this arouses regrets, above all that its author never had the satisfaction of seeing it in print. For McFarlane's audience, however, there may be advantages. His one great failing as a scholar was excessive caution, and it is possible that we hear more of his authentic voice in this book than he himself would have permitted. His editors have served him tactfully and well, and the tone and excitement of his lectures have not been lost. He knew his period so well that his lightest speculation had more authority than the most confident assertions of many other historians.

Rule books

The first major action under the Industrial Relations Act was last week's order for a cooling-off period on the railways. But the literature on the new act is already becoming prolific. The Department of Employment and the Industrial Society have both published a variety of short booklets, for those lacking the stamina for a full-length book. But there is plenty of choice. Curiously, the simplest and most practical guide to the act is the TUC's **Handbook on the Industrial Relations Act** (50p). It is particularly handy because it suggests how unionists may be able to avoid being affected by various provisions. This knowledge will no doubt help trade unions, and management even more so.

The **Times Guide to the Industrial Relations Act** by Innis Macbeath (Times Newspapers, £2.50) subtitled "Workers, managers and the law in Britain," is the best full-length book on the subject. Mr Macbeath goes out of his way to avoid jargon, and indeed includes an appendix which translates a lot of the vocabulary of industrial relations. The style is crisp and critical. **An Employer's Guide to The Industrial Relations Act** by Peter Paterson (Kogan Page, £1.80) comes a close second, but it is less detailed and less interpretative.

The book for lawyers is **Industrial Relations** by R. J. Harvey (Butterworth, £5.75). All the members of the National Industrial Relations Court had a copy close at hand during last week's hearing of the railway dispute. Hardly a bedside reader, it is certain to become a bible for budding industrial relations lawyers. One of the problems is that much of the Industrial Relations Act remains an unknown quantity until amplified by case law. So much of this literature may be quickly outdated. For example, according to the TUC guide, a work-to-rule is unlikely to be counted as "irregular industrial action." But last week the court's decision to impose a cooling-off period clearly assumes that the railwaymen's work-to-rule did count as just that. So Butterworth is publishing regular service supplements to Mr Harvey's book.

JOURNAL OF PALESTINE STUDIES

Spring 1972 Vol. 1, No. 3

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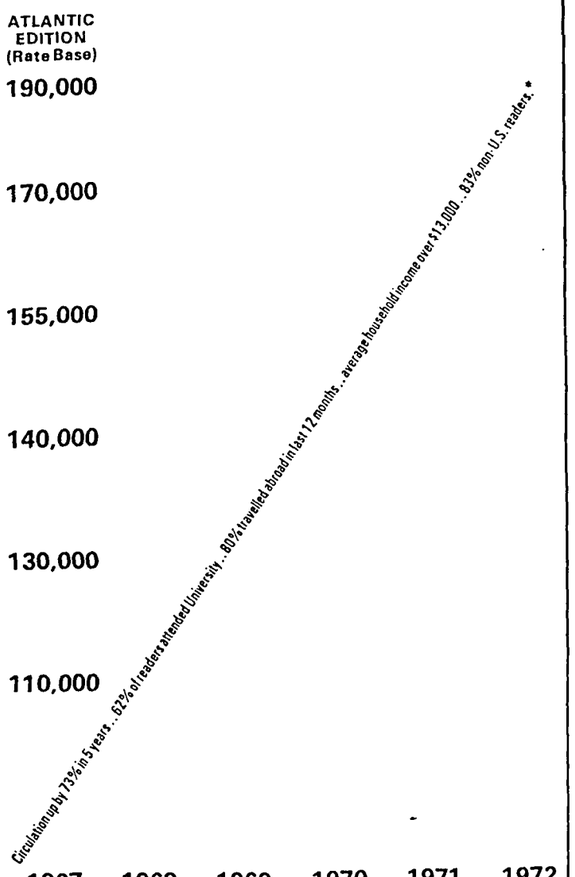
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"Record Level of Activity" "Total Assets now exceed £360m"

The Year 1971 was characterised by a high level of activity in both savings and home-loan mortgages. Once again the results achieved constitute a record. The total amount received during the financial year from members and depositors was £105,000,000. All reasonable requests for home-loans were met without difficulty. Advances of £66,000,000, for this purpose, were £23,500,000 higher than for 1970.

The Accounts. Total Assets increased during the year by £50,000,000 to £349,000,000, a growth of some 17%. In view of the substantial funds received the Directors decided to repay the Government Loan of approximately £1,600,000. Reserves of £17,000,000 (including a Taxation Reserve of £1,700,000) are now approximately 5% of Total Assets. The total Membership of the Society is now 412,000.

Development. Four new Branch Offices were opened during 1971. Eight more are planned to open in 1972. Improvements continue to be made at some existing Branch Offices. The Society now has 116 Branch Offices. During the year a number of improvements were made to the computer system and it is hoped that an even better service can be provided for the Society's investors and borrowers.

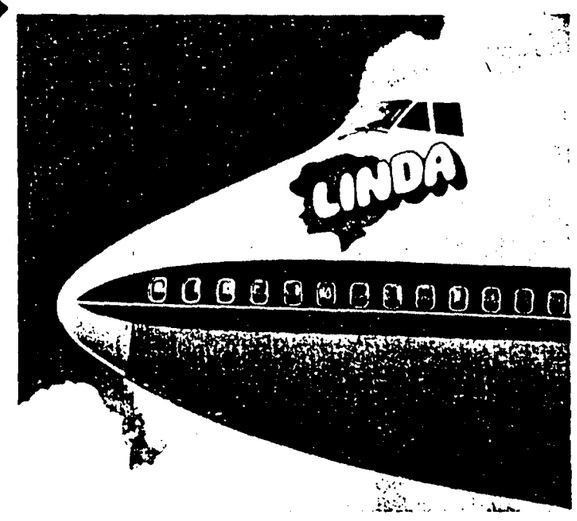
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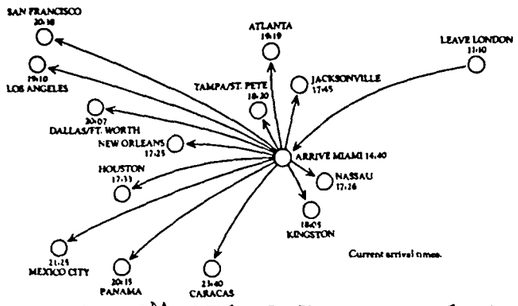
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Scottish Widows new sums assured in 1971 over £300m– an increase of over 20%

The 158th Stated Annual Meeting of the Scottish Widows' Fund & Life Assurance Society will be held at 9 St. Andrew Square, Edinburgh on Tuesday 2nd May, 1972.

The following are extracts from the statement by the Chairman, Mr. A. I. Mackenzie, C.A., published in advance of the meeting.

New Business

The new sums assured in 1971 exceeded £300m. for the first time and the new annual premiums of over £9¼m. are again a record; these represent increases of 20% and 24% respectively on the corresponding figures for 1970. An even more important figure from the point of view of national savings is the Society's premium income and this has increased in 1971 by nearly £6m. to over £43m.

Rate of Interest

The gross rate of interest earned on our funds last year was 7.93% compared with 7.75% in 1970 and this is a satisfactory increase bearing in mind that part of our new money was invested in ordinary shares. The yield on these is usually less than that on long-term British Government Securities and for most of the year the reverse yield gap was of the order of 5%. This is a reflection of the fear of continuing inflation – a feature which constantly occupies the attention of the Directors and which affects the Society adversely in another area, that of expenses. Economy of operation is now even more important if we are to continue to show good results for our with profits policyholders and I am glad to say that the combination of improved computer systems and increased productivity has enabled us to contain within reasonable limits the rise in the ratio of commission and expenses to premium income. For 1971 the ratio was 14.8% compared with 14.1% for 1970. This is in spite of the substantial rise in new business which tends to increase the expense ratio in that special initial expenses have to be incurred in putting the new business on the books.

Investment Reserves

Both fixed interest and ordinary share prices have appreciated substantially over the year and this is reflected in the rise in the Investment Reserves from £33m. to £124m. While it is desirable that for the information of the members we should continue to show in the Balance Sheet the market values of our assets, this large rise over such a short period emphasises the desirability in the interests of continuity of neutralising by the use of our Investment Reserves the effect on the life fund of variations in market prices.

Bonus Declaration

A full investigation of the Society's position and a distribution of surplus was made at the end of the triennium 1969/71. This investigation has enabled the Directors to declare a record bonus of 4.25% on existing sums assured and vested bonuses, thus enhancing the Society's reputation for outstanding results. Increases have also been made in the bonus for with profits group pension schemes and a special non-recurring cash bonus has been declared on premiums paid under such schemes for scheme years 1969/71 as a corollary to the introduction of improved chargeable premium rates as from 1st January 1972. It also has been possible to improve the scales of terminal bonuses for both ordinary business and group pension schemes for the first half of 1972 and the rates are now higher than ever before. The valuation shows that the Society's position is immensely strong.

The Investor Policy

Our Investor Policy continues to be a very successful contract and the fund now amounts to about £2m. The unit value at 31st December 1971 was 232.5p compared with 168.3p a year earlier; this increase of 38.1% represents a satisfactory outcome compared with a rise of 36.4% in the Financial Times Actuaries All-Share Index adjusted for capital gains liability and reinvestment of net income. At the end of the year the fund was invested entirely in convertible debentures and ordinary shares and no fixed interest securities were held in it.

Pensions Management (SWF) Limited

The units of Pensions Management (SWF) Limited have also satisfactorily increased in value over the year from 101.96p to 138.75p – an increase of 36.1%. The fund has expanded rapidly and now amounts to about £15m. an increase of £6¼m. during the year. Almost all the new money was invested in ordinary shares including a small proportion in the USA and by the end of the year 65% of the fund was invested in equities and convertible stocks compared with 50% at the beginning of the year.

Investments

So far as our main life assurance and annuity fund is concerned, a comparison of our holdings at the end of 1971 with those of 1970 is misleading as an indication of the way in which new money has been invested. The differences in the figures are due to changes in prices over the year as well as the investment of new funds. In fact about £42m. was invested in 1971 and of this £29m. was invested in fixed interest securities, £10m. in equities and convertible stocks and £3m. in property. Our holding of ordinary and convertible stocks and property now amounts to 48% of the assets compared with 45% a year ago.

Pension Business

The Government's policy on the future of national pensions was fully set out in the White Paper "Strategy for Pensions" which was published in September 1971. This has resolved much of the uncertainty which has handicapped pension provision over the past few years and there has recently been an increasing interest shown by employers in providing pensions for their employees. We look forward to playing our full part in advising and assisting employers in the changes there will inevitably have to be over the next few years in the pattern of pension provision. We also welcome the new provisions introduced by the Finance Act 1971 for pensions for the self-employed and for those without other pension provision. The increased premium limits now allowed and the possibility of commuting at retirement part of the pension in exchange for a tax-free lump sum make these personal pension arrangements very attractive and we have recently revised our contracts so that the full benefit of these new features can be obtained.

Future Outlook

The results of the past triennium have demonstrated the success of our investment policy and the quality of our management and we are confident that in the future we shall be able to continue to give satisfaction to our members and to provide an efficient service over the whole of the life assurance and pension fields.

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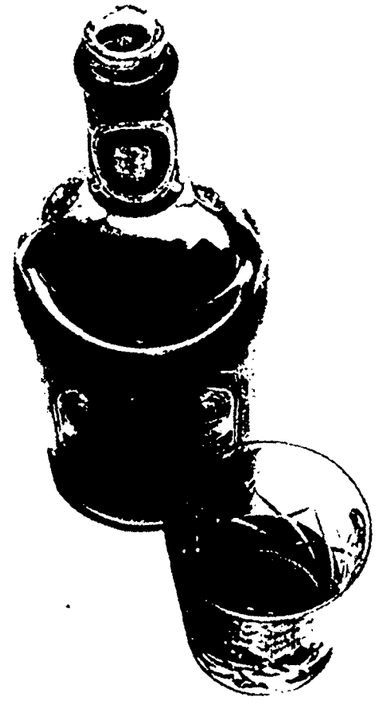
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Business Brief

Do price controls work?

Faced with inflation they have been unable to control, more and more governments in the past few years have resorted to some form of prices policy. The pace has been set by the most conservative administrations, especially those who originally said that they would introduce no such thing. The most dramatic example was the Nixon Administration, which turned round in its tracks last summer and introduced a three months' freeze on prices and wages, before setting up the watchdog mechanism still in existence. Attempts at statutory control have been made by liberal or conservative governments as far apart as Canada and New Zealand, but the great proliferation has been in Europe. The German Ifo economic research institute* recently counted a dozen European countries which imposed statutory price freezes or controls during 1970-71; most of the rest, including Britain, have also introduced prices policies, but not with mandatory powers.

The usual excuse for these price controls is that it will be impossible to operate even a voluntary incomes policy unless the unions believe that they are in effect. The big danger behind them is that they might reduce profit margins below the economic level, and cause an investment recession.

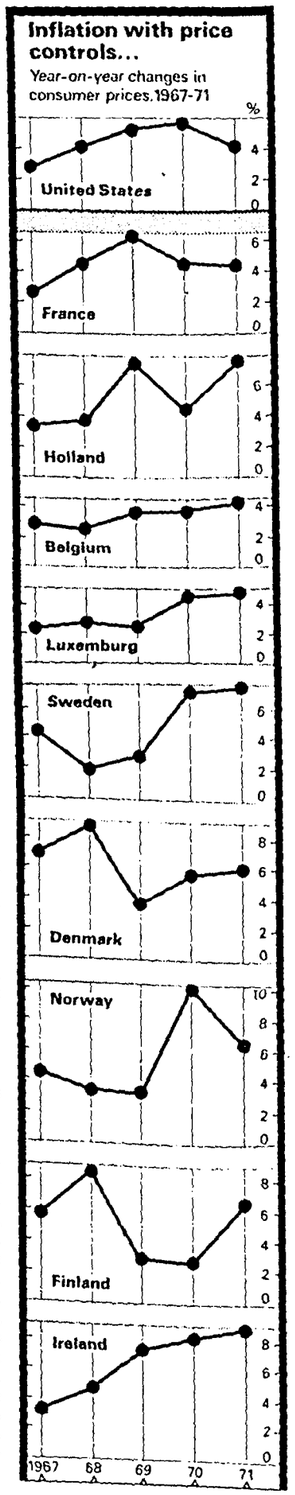
The major European country with the longest experience of a statutory prices policy is **France**. The last *contrat anti-hausse* ran from mid-September last year to the middle of March, based on a frame agreement between the government and the employers to keep the rise in manufacturers' prices down to 1.5% during those six months. This was more or less achieved for manufacturers' prices (which always are the easiest prices to keep down), but total French consumer prices rose by more than the projected 2% in this period; in February alone they went up by 0.6%.

In the longer term, French policies can hardly be called a wild success. Although there have been price controls of one kind or another since 1939, French inflation rates have almost invariably run ahead of most of the rest of Europe. The strategy since the devaluation of the franc in 1969 has been to agree price freezes or limits for a period of from three months to a year for particular industries or products, usually with some government quid pro quo in the form of a freeze on state industries—coal, electricity, railways and so on. Sometimes there has also been a moratorium on planned tax increases. Industrialists generally wait till the price freeze for their particular product has run out, and then slap on what price increases they need to restore their profit margins. Because of the widespread system of linking wage increases to the cost-of-living index and the high level of recent wage settlements in France, that usually adds up to quite a whack. When the last agreement ran out in mid-March, the patronat (the employers' organisation) pressed for an end to the controls, on the grounds that industry's capital investment was suffering while agriculture and services, which remained outside the control system, were getting away scot-free. The government eased up on small firms and heavy exporters, but for the bulk of French industry the controls stayed put.

Holland, caught in a particularly heavy bout of inflation from 1969 onwards after a long period of relative stability, brought in a general prices freeze from November, 1970; it was originally designed to last only till March, 1971, but was eventually extended to last August. The government was empowered to stop any price rises which could not be justified by higher import prices and other exogenous factors. It said higher wage costs would not be treated as an acceptable reason. But wages, spurred by index-linking, went up very much faster than the government had expected. The supervision machinery for the price freeze did not work. Price rises accelerated to an annual rate of over 10% in the second quarter of 1971. There has been some moderation since, but inflation this year is still expected to be much worse than before the freeze was imposed.

Belgium's experience with price controls may, at first sight, look happier. A quasi-freeze was brought in from November, 1970, and was relaxed at the end of last May. Industry had to give notice of, and seek to justify, any price increases during this period. As a general rule, firms were made to wait three months before a planned increase could be implemented. The exercise was more of a fail-safe device than an emergency measure. Before its introduction there had been no unusual pressures on either wages or prices; indeed in late 1970, just before the controls came in, there was actually a marked slowdown in the rate of inflation. After the introduction of the controls, prices went up quite a bit faster in the early part of 1971, but they stabilised later in the year (when the controls were relaxed). Belgium's rate of inflation is still among the lowest in western Europe. **Luxemburg** is so heavily tied up with Belgium's economy that it had little option but to follow the Belgians' lead. It had a slightly different timetable, and marginally higher inflation rates, but the general result was the same.

The whole of Scandinavia has recently been dosed with price controls. **Sweden** had a complete price stop imposed on food in August, 1970, followed, two months later, by a much more comprehensive freeze covering three-quarters of all consumer goods and services. Vat was increased in January, 1971. In 1970 Sweden's prices had risen by nearly twice the long-term average of 4% a year. In the first half of 1971, the price stop probably did serve to limit price increases largely to those resulting from a higher Vat and higher farm prices,



*Preisdirigismen in Europa. *Ifo-Schnelldienst*, March 22, 1972. Munich.

but inflation picked up again in the second half of last year and the controls have been gradually relaxed. The gloomy outlook for 1972 is for wage rises of around 10%, another hitch in agricultural prices, a shorter working week for many workers, and dearer imports because of last year's devaluation. The government is now relying on a price control law which compels the 3,000 biggest firms to report any price changes to it. There have already been hints that another freeze may be imposed if this system does not work, which it won't.

Denmark also imposed a near-total price freeze from the autumn of 1970 to the spring of last year; the only increases supposed to be allowed were those made necessary by more expensive imported raw materials. This was followed by a price control law, to run until next spring, which permits price rises only so far as they compensate for increases in raw material costs, negotiated wage increases (including the extra costs caused by index linking), transport costs and a few other listed items. There was an initial slowdown following the price freeze, but inflation has now bounded back up. Wage increases in 1972 have been running well ahead of productivity; the enforcement of the price controls has been very patchy; the link between wages and the cost-of-living index may have made the wage-price spiral endemic.

Norway introduced a price stop in November, 1970, after a year in which prices had risen by over 10%. It did achieve a slowdown in 1971, but 1970 had been a year in which Norway had made an especially large switch from direct to indirect taxation; Norway was one of several countries which said that its price controls were meant to help to compensate for the introduction of a Vat in early 1970 (which is a peculiar form of economic reasoning indeed). Its 1970-71 price freeze has been followed by a price control law—to run indefinitely—which stipulates prior notice of any planned price increases and a full explanation to the authorities.

Finland has operated a kind of multilateral bargaining system ever since its massive devaluation in 1967. (Austria has a similar, though less formalised, system.) At first Finland's round-table agreements—where the government, central bank, employers and unions worked out guidelines for prices and incomes—seemed to work remarkably well. After stabilisation agreements which allowed for wages increases of 4% a year, and which wisely abolished the pre-devaluation system of linking wages to the cost of living, Finland's rate of price inflation dropped to below 3% a year. But in 1971, after extended strikes between January and March, wages went above the agreed guidelines; the rate of price inflation then more than doubled. At the end of last month the government pushed through legislation, which will last until next March, to keep a close watch over prices and rents.

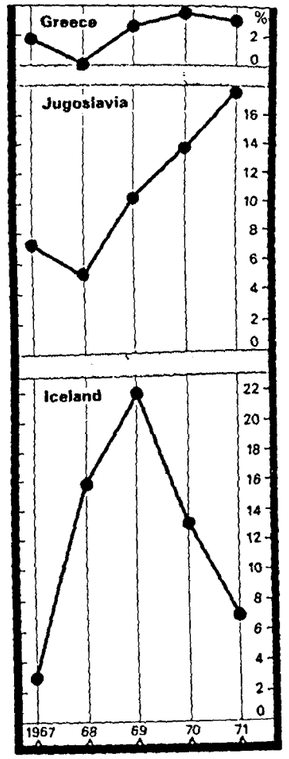
Ireland has had comprehensive price controls since October, 1970, and a special price control commission since last September. This has not stopped prices going up just as fast as across the water in **Britain**, where the Government still does not believe in a formal system of price control but is pushing very hard to have the informal CBI initiative renewed. **Jugoslavia** has had two successive price freezes since October, 1970; in theory they are still in force, but the theory does not seem very watertight—Jugoslavia's prices rose by over 17% in 1971. **Iceland** has been lucky with its price stop (which ran out last summer): it coincided with a period of exceptional economic growth which absorbed most of 1971's wage increases. It checked Iceland's previous huge inflation for a period, but prices will rise again this year. **Greece** has been trying to enforce price controls since last summer, but amid the colonels' usual administrative delays; Greek data nowadays are dubious.



Just wait till you see the price tag

In **America**, the success of phase two is still in the balance. The latest figures—an annual rate of inflation of over 6%, in the first quarter, against a long-term target of 2½%—look fairly bleak, even allowing for a backlash after the end of the freeze last November.

As a general rule, the more urgent the need to control inflation, the less successful price controls seem to be. The occasions when they seem to work—as in Belgium in 1970-71—are often occasions when they were not really needed anyway. If trade union monopoly bargaining power is checked by an incomes policy—as in Finland in 1967-71—price stabilisation can follow for a while. Smaller countries, with more internal feedback, are more likely to be able to enforce price controls than large ones. Perhaps law-abiding countries like Britain can enforce them more successfully for a while also; this may be a great disadvantage if the result is to cause so large a cut in profit margins that there is then an investment recession. In large and less-law-abiding countries like France, which has a longstanding tradition of price controls and a permanent staff of 2,000 to enforce them, the statistics suggest that the controls are mainly a traditional French farce. There is sometimes a pause while each period of controls lasts, but then a race to catch up when the controls come off.



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BUSINESS

The pound in a new straitjacket

The first step to set European Monetary Union going was taken on Monday. It won't help Britain

After all the fuss in getting it to the starting post, Emu's quiet debut on Monday seemed out of keeping. But the formal initiation of the common market's scheme to keep its currencies within a narrow band in the foreign exchanges required no action whatsoever: the currencies were already within that band. The Belgian franc may have had to be sold last Friday, before the club joined up, to get it into the new "snake in the tunnel." But since then, up to Thursday anyway, there has been no need of central bank intervention.

Under the club's rules, the range between the strongest and weakest spot rates of European Economic Community currencies must be no more than 2¼ per cent in terms of deviation from the new central rates; this is just half the maximum 4½ per cent deviation accepted by most countries last December. Since the middle of March, the EEC range has been for the most part only about 2 per cent: with, as this week, the German mark, French and Belgian francs about 1½ per cent above their central rates, and the Italian lira ½ per cent below its central rate.

However, the Euroband is not a non-event—as, unhappily, Britain may be forced to realise. The pound will join the new club as soon as the Bank of England is wired up to the hot line between the common market central banks, which could be by next Monday. On present form, the pound will be in the lower half of the Euroband. It was only just nosing above its central rate this week. In the next year it seems almost certain that Britain's balance of payments will deteriorate, which should normally cause the pound to head downwards compared with the strongest European currency, the mark. Emu would not have been brought into being if the foreign exchange markets had not been in one of their rather rare periods of currency non-crisis. Unfortunately, this calm will not last. It owes too much to special circumstances.

The first of these is the highly undesirable degree to which European countries and Japan were forced earlier this year to resort to exchange controls. These are already threatening multinational business, and must be relaxed in due course. A more recent factor has been that short-term interest rates have continued to rise in the United States, while rates in key European countries have continued to decline. But some interest rate policies are already being unduly influenced by the international scene. Eventually domestic requirements have got to take over. It will need only a slight reversal of present interest rate differentials to affect immediately the cross-rates between the dollar and European currencies.

It is therefore not a jeremiad, but a commonsense precaution, to say that the time must be envisaged, and maybe not so far ahead, when the pound, together with the lira, will be trying to drop through the floor of the Euroband and the D-mark will be trying to rise through its ceiling. What will happen then? The new rules will require the central banks of the top and bottom currencies in the Euroband to take the main responsibility for keeping their currencies within the band. In our scenario, therefore, the Bundesbank will have to buy sterling, and the Bank of England will have to sell D-marks. But if pressures persisted, there would surely come a limit to the extent to which the Bundesbank would be prepared to stack up reserves of sterling, or lire, or whatever the least desirable European currencies were. The Germans would then presumably start to ask the British and Italians please to deflate their economies. No doubt Mr Barber will say that he would have no intention of acceding to any such request. The intention is that if currencies do break out of the Euroband the new system of multi-currency intervention would merely be replaced by the old one: the central bank of the strong currency would go over to buying dollars and the central bank of the weak currency to selling dollars. But there would be some awkwardnesses on the way, especially if the Bundesbank still did not want dollars.

Some soothing voices in the City this week were mewing that Emu is just another Epu. This is not true. The old European Payments Union (Epu) was set up in 1950, in the age of inconvertibility, as a financial clearing arrangement between European countries so that they could hack away their previous web of bilateral accounting. Settlement of net payments positions was made through the Bank for International Settlements, partly in gold and partly in credit. Under the new Emu system, there will be monthly bilateral settlements between the central banks concerned. The debtor country will have to cough up reserves in a mixture on a pro rata basis: that is to say, in the proportions in which it holds

the various reserve assets. It will not be allowed just to repay in surplus dollars. Of course, if it has not got reserves, it will have to borrow them from its partners —or from the International Monetary Fund now that a way has been found for Britain to repay its debts to that institution, so providing a new, automatic lifeline of £292m. But borrowers tend to lose some independence in domestic economic policy. There really are going to be unnecessary discomforts for Britain if sterling shows a propensity to be at the bottom of a Euroband fully extended to 2¼ per cent. It is true that this new Euroband will still be wider than European margins under the old world currency system that broke down last August ; but that will be little consolation when non-European currencies are enjoying the 4½ per cent global dollar band.

One aspect of this week's move is all too familiar. Once again central bankers are ranging themselves into a collective group for the main purpose of defending "stability" in exchange rates. Most of them honestly think that it is another step towards European unity. In reality it is a step away from that goal. In order to bring about the "calm" in exchange markets, which they saw was necessary before they could cram their "snake into the tunnel," most European countries in recent months have imposed capital controls. Now the controls will probably have to be intensified each time the snake starts to wriggle out of the tunnel, as it will constantly be trying to do. Yet a control-free capital market is one of the things that "European unity" ought to mean. Instead, central bankers seem to think European unity will be better served by creating an artificial forum in which they themselves will have to meet together far more frequently, because they will be trying to keep exchange rates at an unnatural level.

Yet, oddly, one of the reasons why Britain has meekly accepted Emu is that it thinks that this more frequent forum will be a good thing. The inauguration of the EEC's new currency regime this week was thought sufficiently important to be marked by an informal two-day meeting of its finance ministers and central bankers in Rome. Britain's top two, Mr Barber and Sir Leslie O'Brien, joined in it ; and were apparently pleased at some of the subsidiary decisions that were taken. The Europeans have fallen in line with the American wish that negotiations over a revised world monetary system should be conducted in a Group of Twenty (including representatives from the developing world) rather than in the Group of Ten industrial countries which have resolved such issues in the past decade. Mr Barber is still playing the role of leading reformist : he has invited his fellow finance ministers in the enlarged EEC to talks in London in June or July. Although there is no sign that the ministers have any common view about what needs to be done, this will no doubt be a pleasant jamboree ; but the putting of sterling into a straitjacket seems a pretty high price to have paid for it.

Waiting for the last Apollo

The parachutes opened, the helicopters took off from the carrier decks, and three more men came safely back from the moon on Thursday evening. It will happen, with luck, once again this year—and then what?

Seeping into the American consciousness is the realisation that by the end of this year the last Apollo will have gone to the moon and—God willing—come safely back, and that will be an end of it for the next 15-20 years. A groundswell of regret for the moon the Americans are about to lose showed itself for the first time when the Apollo 16 astronauts took off and more people turned up to see them go than had ever gone to the Cape before, even for the first moon flight just under three years ago. Admittedly the launch was on a Sunday, and a fine spring one at that, but it attracted a crowd equal to half of 1 per cent of the entire population of the United States.

While Apollo 16 was still on its way, something of the same spirit seeped into a Congress whose customary attitude to space now fluctuates between the indifferent and the openly hostile, and both the Senate and the House of Representatives approved the Administration's plan to follow the Apollo programme with one for a space shuttle with only the few obligatory grumbles.

Regrets are too late now. But Apollo 16's mission—which was not, and had never promised to be, scientifically very interesting—was an outstanding technical triumph because it demonstrated repeatedly during the 12 days of flight, and even before them when the rocket was giving trouble on the ground, that big enough safety margins had been built into all the key apparatus to make it possible to go to the moon, work on the moon, and come back again from the moon with equipment a good deal less than 100 per cent perfect. The fear about space flight had been that unless every one of several million components functioned as planned, men's lives would be put at risk. Apollo 13, limping back with a gash in its side that would have crashed an aeroplane, demonstrated that the rockets were tougher than they looked, but that might have been a lucky fluke. Apollo 16, with faults and hitches in some of its most vital systems, proved that it was not.

The crew fell over repeatedly on the moon ; bits fell off their lunar rover ; their navigating system failed on the moon's surface—all things that once had been expected to kill them. Even their orange juice produced results that the more delicately-minded at the National Aeronautics and Space Administration have erased from the transcripts. But they splashed down just the same on Thursday with 218lb of moon rocks (net of their bags), something like 1,700 photographs, and a growing volume of evidence that the moon is a place where man can live and work if he chooses to.

By now, the Americans have brought back 500lb of moon rock, or getting on for a quarter of a ton. Only about 80lb of it has been distributed, which leaves a huge stockpile on which scientists can work during the years when the Americans will not go back to the moon again. But it is not clear whether the rocks have that much more to tell. In spite of the belief that ran through the United States Geological Survey, but not through the more experienced geologists at Nasa, that the Cayley region might turn out to be volcanic, it proved to be very like the Fra Mauro region where Apollo 14 landed ; Nasa's geologists would have been astonished if it had proved any different.

The guesses made when Apollo 11 brought the first moon rock back have been increasingly borne out on subsequent flights: that the moon was formed out of a molten mass in which the lighter materials, the alumina silicates and the like, floated to the surface and formed a crust as the moon cooled. The mountains and highlands are still formed out of this crust, but a second, violent melting process occurred later inside the moon, which churned up the heavier materials that had sunk inside it and these poured out in great, molten floods that now form the moon's plains. This process explains why the old highlands and mountains are so much less dense than the plains, and why a good deal of radioactivity is detected in the plains, usually by the command module pilot orbiting alone while the two other astronauts are on the ground. Lieut-Commander Ken Mattingly picked up a good deal of this when he was alone in orbit in Caspar while Captain John Young and Lieut-Colonel Charles Duke were on the surface with Orion. In the five Apollo flights to date, the Apollo 16 mission has probably gone furthest to confirm this model.

But of what importance is it, if the Americans are not going back to the moon again ? Their flights have made it necessary to re-write the text books, and if December's Apollo 17 flight, the last, confirms that there have been relatively recent volcanoes on the moon—which is what pictures of the proposed landing site suggest—that re-writing will be really drastic. But useful though that may be to scientists, to posterity and to children now at school, it does not justify the $25 billion effort that the Americans put into landing on the moon, nor does it warrant risking the lives of 21 men of great intelligence and skill.

The justification for going to the moon was to find out if men could stand on its surface, and having stood there, live there. In a crowded world, a new frontier was being opened up. The physical strains have proved considerable, but, whatever the Apollo 16 crew may have thought about their orange juice, the potassium added to it made it possible for them work for stretches of up to seven hours on the moon's surface. Earlier astronauts, who had not received the potassium treatment, had not had sufficient stamina to do that. The tiny size of the lunar module, and the limited stores it could carry, make it look as if the Americans could never have planned to stay on the moon for more than the three days that Orion was there, given their present equipment. To have done more would have needed bigger rockets—like the monster that the Russians are building without, apparently, being able to launch it.

But this is not necessarily so. From the time when Apollo 12 made its pinpoint landing in 1969, it was clear that unmanned Apollo rockets packed with stores could be fired to the moon to land more or less beside the site chosen for the astronauts. If the Americans had taken the decision to experiment in this way at the time, before the Apollo production lines were broken up and the teams dispersed to the four corners of the United States, then they might by now be planning for small, scientific stations which could be periodically visited as stations in the Antarctic are visited now. But the opportunity has been rejected.

There is only one more Apollo in a state fit to carry men to the moon. The Americans have shortened their horizons, and trimmed their vision to the relatively mundane business of building an orbiting space station round the earth and the shuttle that will ferry people up and down to it. This is a plan that has enthusiastic, if undercover, military backing for the most obvious of military reasons. And, in time, it will form a launching base for flights again to the moon. But the stages that the Americans must go through before they reach that position are slow and expensive: first, the shuttle ; then the permanent space station ; and finally the moon-ship which will be ferried up, assembled at the station, and then launched for the moon and eventually to Mars. Optimists think this could be done within 15 years, but at the present pace 20-25 looks more likely. Only spectacular Russian progress in building moon bases is likely to spark off the kind of crash programme that put the Americans on the moon at all. But the Russians have their own problems.



Rock collecting went well . . .



. . . and most of the experiments . . .



. . . but at times you had us dead scared

Let's have a taxes board

The Government is doing much to reform the tax system, but a good deal less to modernise the way it is administered. Here is one of the changes it could make

Since the Wilson government faced a near-revolt inside the Inland Revenue because it was introducing too many new taxes in the mid-1960s and introducing them too fast, successive Chancellors of the Exchequer have taken the precaution of arranging for their new taxes to be collected by more docile departments. There is a case now for saying that the process has gone too far, and that the entire system of tax collection should be rethought from the beginning and reorganised, probably under a single Board of Taxation.

Two developments make the rethink urgent. The most immediate is the introduction of value-added tax. The Inland Revenue has been by-passed here, just as it was when the Wilson government introduced selective employment tax and arranged for it to be collected at first by the old Ministry of Labour and then by what is now the Department of Health and Social Security. Vat is to be collected by the Customs and Excise. But it is quite unlike any of the excise duties that the Customs has collected before, including the purchase tax it is replacing. Vat has much more in common with both the corporation tax and income tax collected by the Inland Revenue. In a practical sense, it would be easier, and take several thousand fewer men, if the Inland Revenue collected it.

If this were the only anomaly, it would not necessarily be desirable to reorganise the traditional system of tax administration in this country to correct it. But behind Vat there looms the even bigger question of negative income tax. If a system of negative income tax is eventually introduced, to replace a raft of the present social security benefits, it will create links between social security and pay-as-you-earn income tax. The system will be anything but easy to administer, and the case is strong for setting it up as a special division of its own, based on the Inland Revenue's Paye computer network.

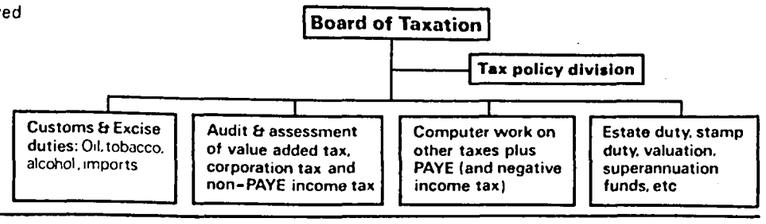
Then the rest of the tax system could be rationalised into three further divisions. The first would deal with all other income tax, with corporation tax, capital gains and Vat. The second would concentrate on the excise and other duties traditionally collected by Customs and Excise. The third would deal with estate duty and the rest. All four would then come under a single Board of Taxation in the way shown in the diagram.

Both the present tax-collecting departments, Inland Revenue and Customs, will deny the need to combine Vat with corporation and other income taxes. But they have already given the game away in the current Finance Bill. This has a clause (No. 116) which allows the two departments for the first time to exchange information on tax matters. The Customs says this is for convenience and will rarely be used. But it is significant that the sort of information that has to be given in order to check that the right Vat is paid is more or less that needed to assess corporation tax and company income tax. The amount of Vat due in any quarter will be arrived at by subtracting expenses from sales. With the single exception of wages, which can be charged against profits but not against Vat, the same data are needed by both. What is the point of doing the collecting twice over?

Capital spending will be treated differently under Vat and under other company taxation. But, once again, the same sets of figures will have to be produced twice: ie, bills showing that equipment has been bought. In theory, there is one fundamental difference: that Vat will be self-assessed while company taxes are not. But in practice, for many years now, company taxes have been as good as self-assessed under one of those tacit agreements between industry and the Inland Revenue. The Government is thinking anyway about officially introducing self-assessment for all. In America, where it is used universally, it produces the sorts of savings that allow American tax inspectors to get through three times more work per head than British.

Whitehall will have one last objection. If the various revenue departments are going to be given powers to exchange information among themselves, is it really necessary to go to the length of merging them? Such a merger, it will be explained, would cause much inconvenience and upset, because it would be bound to be read as a downgrading of the proud and efficient Customs and Excise. The answer here is that the merger really is necessary if the convenience of the taxpayer counts for anything. Vat is bound to be an irritant, particularly to all those traders who have never paid purchase tax. If the checking of Vat returns is put in the hands of the corporation and income tax assessors with whom they already have to deal, businesses will be spared the vast inconvenience and considerable cost of having to provide separate Vat checks as well. And, to judge from the sorts of penalties that the Customs has demanded for Vat offenders, the Inland Revenue's men are likely to be a good deal more tactful.

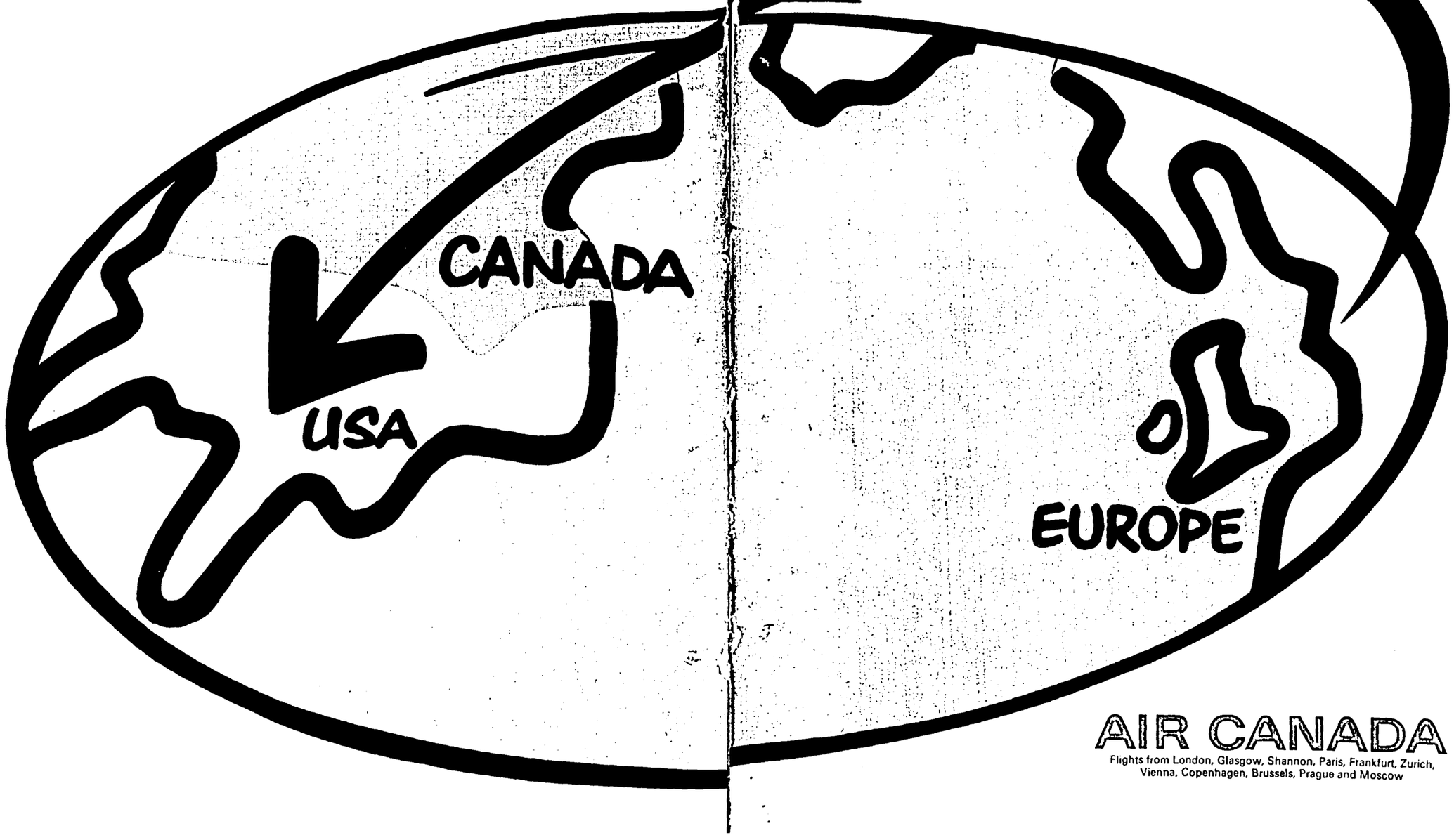
Who does what now	Numbers employed
Customs & Excise	**17,949**
Oil, tobacco, drink	8,911
Ports & airports	3,595
Headquarters	3,443
Purchase tax	2,000
Inland Revenue	**69,000**
Paye	30,000
Corp tax, other income tax, etc	24,500
Estate duty, etc	14,500





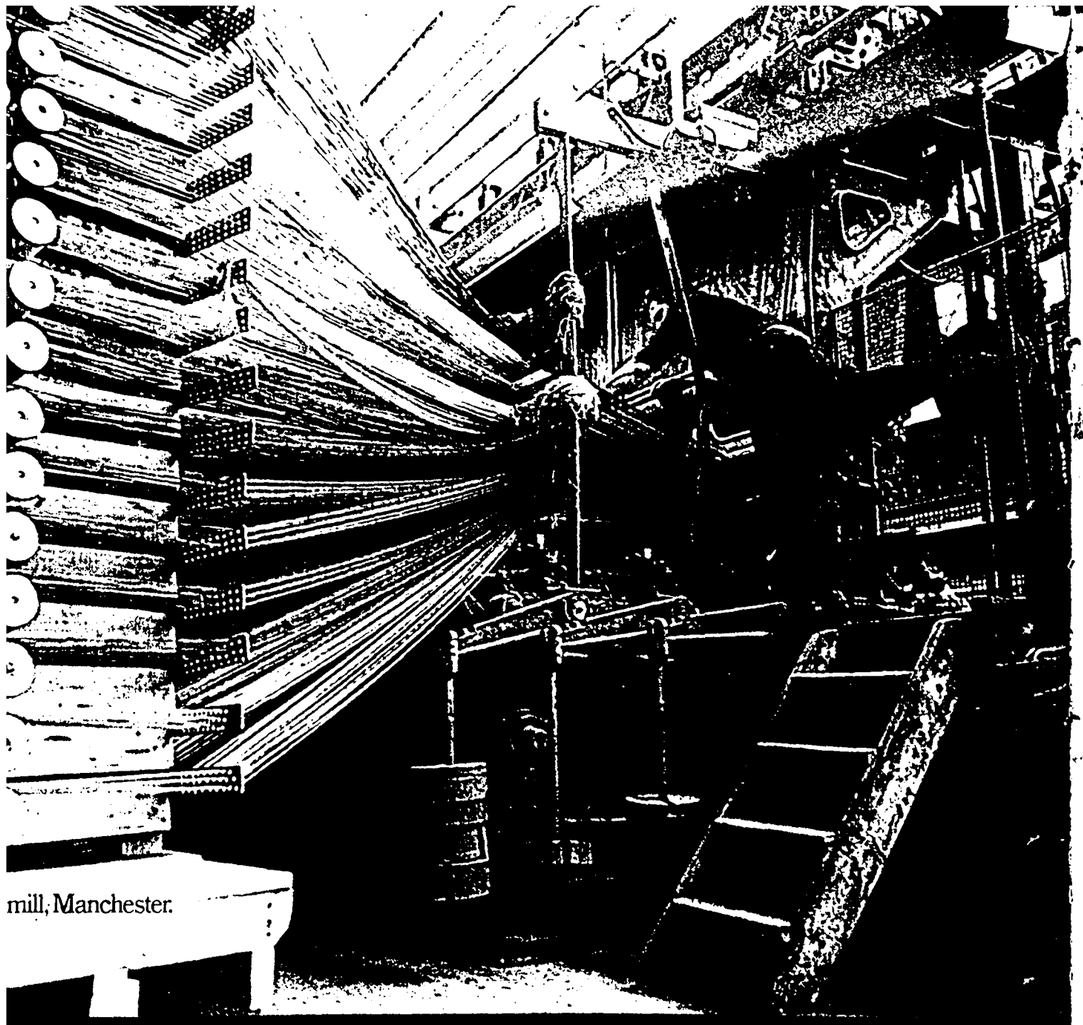
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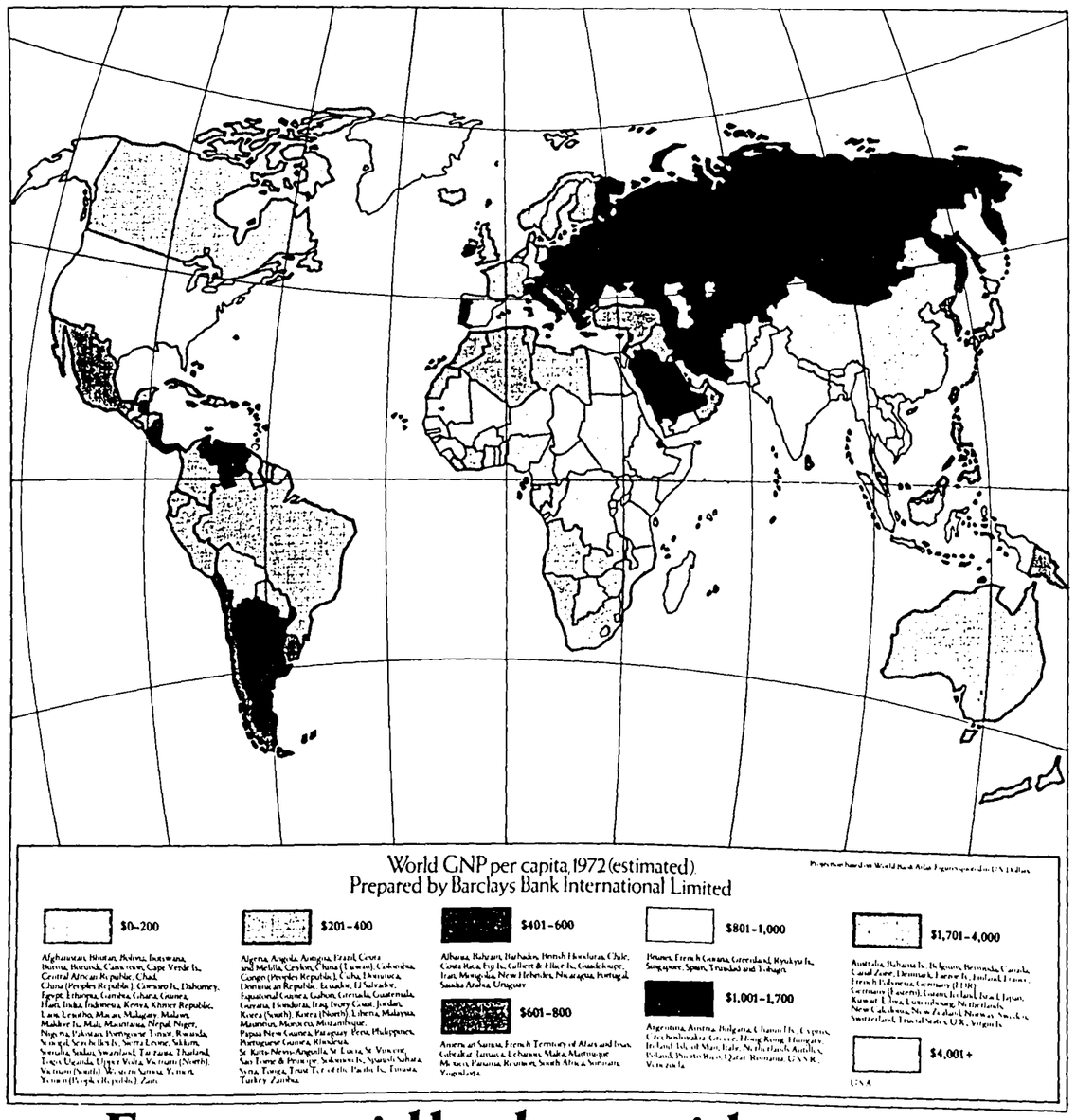
The difference is people. Our people who believe that our airline should be whatever you need whenever you need it. With a word in your own language; a friendly smile, a helping hand.

That's the difference.
And it happens anywhere you meet us.

But don't take our word for it, just because of our reputation for reliability.

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With our major resources and comprehensive experience, we can offer customers a complete service in *all* departments of international banking: from currency exchange to financial backing abroad, and from key introductions to documentary help with shipping.

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BARCLAYS

Hugh thunders, Jack delays, Vic compromises and the railways cool it

It was easy for Mr Hugh Scanlon and his engineers to declaim against the Trade Union Congress and Mr Vic Feather on Thursday because they were contributing to the "speedy, large-scale erosion of trade union rights" by advising unions to turn up at the industrial relations court in future. Mr Scanlon is in no danger at the moment of being called before the court; he is not likely to be served with a cooling-off order as the railwaymen were, nor yet with a £55,000 fine for contempt of court as Mr Jack Jones has been on behalf of the Transport and General Workers' Union. That leaves him free to thunder from the sidelines for all he is worth.

Mr Jones may be beginning to see it rather differently. His union has put off until Monday the agonising choice about whether to pay the fine with as good a grace at it can muster, or see the money deducted by the court from the TGWU's sequestered funds. Mr Jones may still be hoping that someone else—the TUC? a good fairy?—will pay it for him before sequestration has to happen. He said pointedly on Thursday that he felt that the burden of holding out against the law should be shared over the whole union movement, but the only immediate response was Mr Scanlon's, and that was not helpful.

It obviously changes a union's attitude to have felt the weight of the court's displeasure, but in the end does it make all that much difference to its pocket? The railways cooled off with remarkably little trouble after all the huffing and puffing over the weekend. By Monday the trains were back to normal everywhere except on the Southern Region, and even there the militant train drivers held out for no more than another day. The unions were unhappy, but all that they had lost was face; they were set to resume preliminary talks again on Friday with British Rail with a firm offer of a 12½ per cent wage increase under their belt. That might well go to 13 per cent as a reward for virtue alone.

The going rate for wage increases is leaping from around 8 per cent at Christmas to 12 per cent now, and the turnround is almost entirely because of the miners' 25 per cent. On Tuesday, the 750,000 builders and 67,000 steelmen both rejected 10 per cent offers. Recent deals of 10.6 per cent for 52,000 seamen and 11 per cent for 38,000 post office clerks are about the norm. British European Airways' ground staff, which had a one-day strike planned for Friday, settled for what BEA describes as 8 per cent, but it gives them another 10 per cent from October. This leaves BEA now with the problem of its pilots, 17 of whom were threatened with the sack on Thursday. But they are fighting about something more complicated than wages.

Many other workers, including the tube men, who have threatened to go-slow from Monday are specifically awaiting the outcome of the railway talks, and expect to get no less than the railwaymen.

The most hopeful omen, at the moment, is the continued failure of Mr Scanlon's lengthy assault on the Manchester engineering firms. A number of his troops now seem to be getting fed up with sitting-in or striking. On Monday, for example, 2,000 workers at Mather and Platt decided overwhelmingly to accept a wage offer, although the local union official argued strongly against it. Other sit-ins and strikes also ended this week.

The TUC's softening attitude does not mean that its policy of non-co-operation is finished yet. There is no sign of back-pedalling on registration. Although a significant minority of independent unions like the actors, the seamen and the bank employees are registering, no big unions have.

There is a chance that the Union of Shop, Distributive and Allied Workers (330,000 strong) will decide to register at next week's annual conference. But even if it does, the TUC is unlikely to shift its policy at its September congress. However, the policy of not providing union men to sit on industrial tribunals is not likely to last long. The first batch of cases under the unfair sackings section of the act will soon be heard by tribunals, and several union leaders are keen to be on hand.





We're in this together, Vic. Better play it cool, Jack

Bridges

Box-girder blues

The steel box-girder bridge, at least in anything like its present form, is dead. This was the implication of a long and highly technical discussion on such bridges at the Institution of Civil Engineers on Tuesday. Members of the Merrison committee, set up in December, 1970, to examine the basis of the design and the method of erection of steel box-girder bridges after the collapse of those at Milford Haven and Melbourne, told the meeting that they were aware of the possible economic effects of the rules that they hope to publish next year. They went on to promise that they will do their best to make them as simple as possible.

The cost of the mistakes by the construction industry is rising although the total bill for reappraising all the bridges and improving some of them is as difficult to quantify as the cost of the lane restrictions that still exist on some bridges. Box-girder bridges built to new specifications are bound to be too expensive over certain spans. Already designers and contractors are seeking other solutions.

The lowest tender for the A19 Teesside diversion, which includes a bridge with a span of 384ft, has reverted to the well-tried method of using plate girders. But even this has come under Merrison's appraisal rules. Engineers have run checks on plate-girder bridges only to find that some of them do not stand up to the criteria Merrison set in the interim report in September, 1971. Nevertheless, the costs of improving the plate girder design are much lower than improving the box-girder one.

Textiles

The old, familiar lobby

As shareholders of Carrington Viyella, one of Britain's largest textiles combines, trooped into their annual general meeting at the Dorchester Hotel on Wednesday, a small band of demonstrators protested outside against the textile industry's growing demands for protection (they might have bought some shares and asked a few questions at the meeting). The point they were making was that a company reporting a £6m profit (against £1m last year) could have no cause for complaint, and that with the Unctad meeting in Santiago still going on the British should be thinking of ways to help the developing countries rather than the reverse.

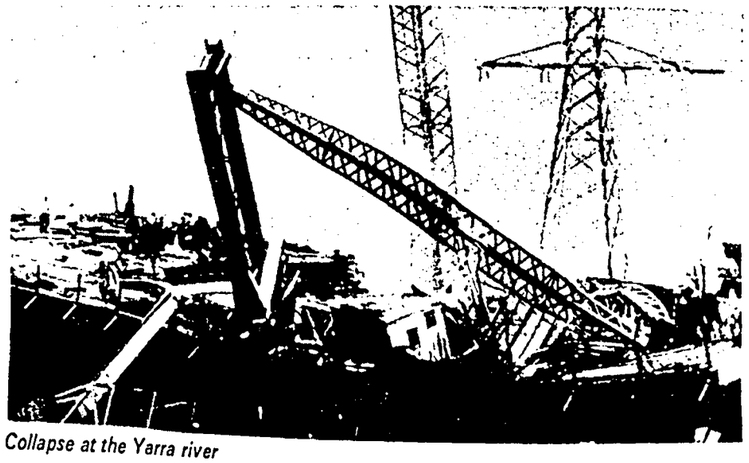
This time round the protectionist lobby is more powerful and better organised than ever before—and those that want to stand against it had better get a move on. The British Textile Employers' Association, under Mr Tom Normanton, a new Tory MP, has submitted a memorandum to the Department of Trade and Industry setting out the bargaining position it would like to see the Government take in the detailed EEC negotiations. The British Textile Confederation, chaired by Carrington Viyella's Mr Jan Lewando, is also working on a position paper; he impressed Conservative backbenchers at a meeting on Wednesday evening.

The common market does not have a textile policy, and as Britain's textile industry will be the largest in the EEC it expects to play a large part in formulating what that policy should be. The British have already joined Comitextiel, the European textiles' industries' association. It is just possible that the commission will have worked out its policy by the summer.

The objection to protection is that it leads to higher prices for the consumer. As a spokesman for the textile employers has said, foreigners are astonished by the cheapness of textile goods in British shops. Exactly. That is why they flood into Marks and Spencers by the coachloads. A by-product of the high level of import penetration into Britain is a textile industry which is probably as strong and efficient as anything on the continent of Europe, which is why the British industry can look forward to joining the EEC with confidence.

In the piece of special pleading sent to the DTI, the employers point to the difference between the 10 per cent that cotton textile imports take of the EEC's market and the equivalent of 28 per cent in Britain. The figure is a trifle misleading. Some European countries are very liberal—Germany and the Netherlands—and some are notoriously restrictionist—like France and Italy. And it is not all coincidence that the French and Italian industries are, in large part, hopelessly uncompetitive; Montecatini Edison, the Italian giant, lost all of £130m in 1971 as it battled to get reorganised and efficient.

Clearly Britain will not keep an open-door policy when other countries' doors are only slightly ajar. It can reasonably take action against dumping and unfair trading practices by others. But the right policy for the British Government is to exert its traditional liberalising influence in textiles on its European neighbours.



Collapse at the Yarra river

Shipbuilding

Name your price, Wayne

Mr Chris Chataway, the new Minister for Industrial Development, announced on Tuesday that he was putting another £3m on tap for Cammell Laird, the Merseyside shipbuilding group, which is now half owned by the Government. Then he began negotiations with Mr Wayne Harbin, president of Marathon, the Texas firm negotiating to buy the last remnant of Upper Clyde Shipbuilders, the Clydebank yard, for oil rig building.

Mr Harbin seemed to be having relatively little trouble in getting the £12m aid he wants from

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Sir Stephen Brown reports:

	1971	1970
	£m	£m
Sales	**£60.1**	£57.3
Profits before tax	**3.6**	3.2
Profits after tax	**2.1**	1.9
Earned for ordinary stockholders	**2.0**	1.7
Earnings per share	**6.2p**	5.3p
Dividend per share	**3.25p**	2.75p
Dividend cover	**1.9**	1.9
Return on capital employed	**12.5%**	10.7%

★ **Sales up 5%; exports 55% of UK output**

★ **Pre-tax profits up 13% to new record**

★ **Earnings per share up 16%; dividend up 18%**

★ **Net bank borrowings down £2.5m to £0.5m**

★ **Better first half profits expected in 1972: trend should continue for full year if world trading conditions improve and cost inflation moderates**

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ROYAL DUTCH PETROLEUM COMPANY

(N.V. Koninklijke Nederlandsche Petroleum Maatschappij)
Established at The Hague,
The Netherlands

FINAL DIVIDEND 1971

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 20th April, 1972 has decided to declare a total dividend for 1971 of N.fls. 7.25 (including the interim dividend of N.fls. 3.50 already made payable in September 1971) on each of the 134,018,522 outstanding ordinary shares, so that the dividend still to be made payable on these shares will amount to N.fls. 3.75.

A. On the Bearer Shares

(i) This final dividend will be payable against surrender of coupon No. 151 on or after 25th April, 1972 **at the offices of N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU** on business days between the hours of 11 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of exchange current in Amsterdam at 2 p.m. on 25th April, 1972 in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. In view of the fact that Netherlands guilder funds are being provided by the Company for payment of this dividend, the usual foreign exchange commission will be deducted from the sterling proceeds. Coupons must be accompanied by a presentation form, copies of which can be obtained from N. M. Rothschild & Sons Limited, and the face of each coupon must bear the stamp or other indication showing the name of the presenter. Lists of the definitive numbers of the share warrants from which the coupons have been detached need not be provided with the presentation form.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depositary presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request. From the gross dividend the Netherlands dividend tax of 25 per cent is to be deducted, except where coupons are presented on behalf of residents of France and the appropriate declaration Model A or B Fr. is provided.

Netherlands dividend tax at the reduced rate of 15 per cent will be deducted where:

(a) United Kingdom income tax has also been deducted;

(b) Coupons are presented on behalf of residents of the United States of America, Austria, Belgium, Canada, Denmark, Finland, Ireland, Japan, Luxembourg, Netherlands Antilles, Norway, Surinam, Sweden or West Germany, provided they lodge the declaration form No. 92 V.S., No. 92 OST, No. 92 B, No. 92 CAN, No. 92 DEN, No. 92 FIN, No. 92 IER, No. 92 JA, No. 92 LUX, No. 92 N.A., No. 92 NW, No. 92 SUR, No. 92 ZWE or No. 92 D respectively.

(ii) On 25th April, 1972 this final dividend will be paid to Depositaries admitted by Centrum voor Fondsenadministratie N.V., Amsterdam, on the shares whose dividend sheets were in their custody at the close of business on 20th April, 1972. Such payment will be made through the medium of N. M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Dividend Claim Form.

Where appropriate, the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Where under the double tax agreement between the United Kingdom and the Netherlands 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 23.75 per cent instead of at the Standard Rate of 38.75 per cent represents a provisional allowance of credit at the rate of 15 per cent.

B. On the Registered Shares registered in the United Kingdom Section of the Amsterdam Register

On 20th April, 1972 the sterling amount of the dividend will be fixed on the basis of the sterling/guilder rate of exchange current in Amsterdam on that date.

The record date will be 1st May, 1972; shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before 23rd May, 1972 dividend warrants will be posted by the transfer agent, Algemene Bank Nederland N.V., Amsterdam, to shareholders registered in their books on the record date.

From the dividend on the registered shares Netherlands dividend tax of 25 per cent has also to be deducted. Where under the relevant tax convention shareholders are entitled to a reduction of the Netherlands dividend tax, this can only be effected through a request for a full or partial refund of the tax withheld on the appropriate tax affidavit. A further announcement will be made as soon as possible after 20th April, 1972 giving the rate of exchange, the amount of the dividend in sterling per share and the amount of the 25 per cent Netherlands dividend tax in sterling per share.

21st April, 1972 **ROYAL DUTCH PETROLEUM COMPANY**

the Government. His main problem is really whether he can make a satisfactory agreement with the unions. The record of the Clydebank labour force is not calculated to inspire confidence in foreign investors.

Mr Chataway has been forced into more rescue operations at the shipyards before he knows the results of a review of the industry, which is one of the first tasks of his new department. The Government is already committed to giving £35m to Govan Shipbuilders to cover the losses of three of the old UCS yards, and to giving £50m across the industry in straight grants. But, on top of this, there are to be a variety of selective aids, including probably £14m for the Belfast shipbuilders, Harland and Wolff, although this has not yet been fixed.

With Government aid on such a scale, it is little wonder that shipbuilding shares have been roaring ahead on the stock market. But there is still no upturn in orders for new ships. On Wednesday the Shipbuilders' and Repairers' National Association published figures showing that the industry's total order book at the end of March stood at 237 vessels, worth £636m. A year ago the order book stood at 312 ships, worth £689m. It has been declining steadily ever since 1969.

Batteries

It's new and it works

The now-defunct Prices and Incomes Board was called on three times in four years to investigate the prices of batteries, both the car and the transistor-radio-cum-hearing-aid type. No one foresaw then that a new type of battery would be put on the market which would break some of the monopolies and near-monopolies that led to the complaints, but how one has, and by companies not in the battery business.

Given the right catalyst, the reaction of air (or the oxygen in it) on a zinc oxide will produce an electric current from a pack small enough to fit into a hearing aid, which is the ultimate test of a compact battery. The project has been nursed along by the National Research Development Corporation to the point where a joint company, Energy Conversion, has been formed with Guest, Keen and Nettlefold and British Ropes; the zinc-air batteries are now in production and being supplied for Multitone's pocket-paging system. The venture could hit the conventional mercury batteries really hard.

Whether it does or not depends on how many customers are prepared to pay 50 per cent more for a battery that is half the weight and has twice the life of a conventional one and keeps up a steady voltage virtually to the end of its life. Only a minority of battery buyers will be impressed by its ability to go on working at 20°C below freezing, when mercury batteries give up at freezing point, but among those who will are the military. The appeal to retailers is that the batteries do not lose power in store, as mercury batteries do; the zinc-air ones are sealed in plastic, to keep air away from the catalyst, and the power loss over a year in store is put at 10-15 per cent at most. This might make shopkeepers take to the new system more warmly than they do to most radically new products. The patent position is complicated; some American techniques are needed for part of the manufacturing process. But many companies have tried to develop a zinc-air battery and this is the first to go on sale.

Capital spending

Upturn coming?

The Confederation of British Industry is due to produce its latest poll of businessmen's investment intentions next week; with luck, it will show that January's more optimistic outlook for spending on plant and machinery has gathered momentum. There was one hopeful pointer this week that also suggested an upturn in plans for factory building. This was the news that in the January-March quarter industrial development certificates were approved for 20m sq ft of new factory space, the highest figure since the last quarter of 1970, and 29 per cent above the average for 1971. However, although in the past there has been some correlation between the issue of IDCs and fixed investment, it has usually been with a lag of over a year. So this would point to a general upturn in investment no earlier than the start of 1973.

There was not much joy in this week's news that the planned increases in spending by the steel and electricity industries will not be enough to lift Britain's capital spending on process plant this year above last year's £394m: indeed, it looks like being about £2m less and much of it will reflect completions of work started in

Key indicators: British economy

			Percentage change on		
	Month	Index 1963 = 100	previous month	three months	one year
Employment No sign of any improvement					
Industrial production*	February	111.9	−10.2	−10.6	−9.6
employment*	February	89.2	−0.6	−0.7	na
productivity*	February	125.4	−9.7	−10.0	na
Retail prices For the second month running the trend indicator (which excludes seasonal foods) suggests success in dampening inflation has come to an end					
Export trade*‡	March	143	−4½	−9	−8½
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	February	112.1	−0.9	−0.7	+6.2
Unemployment*	April	177.2	+0.5	+2.1	+27.0
Cars Registrations (seasonally adjusted) in first quarter below the rate in second half 1971 Production also down, although recovering after miners' strike.					
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	March	154.7	+0.3	+1.4	+7.6
Export prices	February	148	nil	+1½	+7½
Import prices	February	134	− ½	+ ½	+5

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers: latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

previous years. The main culprit, of course, is the chemical industry, which is by far the largest customer for process plant: its forecast for this year is £145m, compared with £166m in 1971. Also, rephasing and cancellations have produced sharply reduced estimates for oil refinery requirements, down now to £54m from the over-optimistic £72m forecast of a year ago.

Interflora

More flower power

If they want to get a bloom boom going in Britain, where the annual £1 a head spent on flowers is half that in France and a quarter of what is spent in Germany, florists are going to have to do a bit more than the Interflora organisation's reiteration of its guarantee of satisfaction, about which it made much fuss this week and on which it will be spending £40,000 of its advertising revenue to promote. Where Interflora is vulnerable is that some of the 2,340 florists belonging to its telephone and telex network (about a third of the flower shops in the country) are ready to take advantage of the normal person's tendency to write effusive thank-yous for flowers obviously past their prime, and the organisation's system of spot checks is inadequate to deal with this. The new guarantee chits now being attached to every bunch delivered on an Interflora order invite complaints to the supplying florist, but is the 24-hour deadline really enough ?

Florists have the problems of most small retailers ; their turnover has been static at around £50m a year ; luckily for them, flower prices have been static too, but rents have been rising alarmingly. The only part of the business to show any growth is that handled through Interflora, where sales have doubled to £54m in the past decade and are expected to go up by 50 per cent between now and 1975. There is the nucleus here of the sort of bulk buying that has been the salvation of many small grocers ; Interflora has access to a computer for market research, and buys such things as overalls and wrappings in bulk. With a little initiative, it could do more to modernise the archaic marketing system of daily haggles over flower prices at dawn in the markets. But florists must then not let the image slip by delivering any more tired blooms or, as has been known, not delivering at all.



Who needs a guarantee ?

Monopolies Commission

Watch it, Rupert

An overblown report from the Monopolies Commission (*HMSO*, 24p) on Wednesday may have more to it than meets the eye. It dissects in lavish detail a proposal to transfer the ownership of four local weekly papers with a combined circulation of 62,000—hardly enough to worry anyone. However, the commission's real purpose may be to warn off several large newspaper chains which are believed to be eyeing the purchase of the Liverpool Daily Post, whose chairman, Sir Alec Jeans, died recently. The Post is in a strong position financially, but if it were up for sale it would prompt some serious questions about the control of the major provincial papers. Associated Newspapers and Mr Rupert Murdoch's News International Ltd are two of the groups reportedly interested in the Post. They have been served notice, indirectly, that the Government might prefer they were not.

Of the four small newspapers that the commission reports on, only one—the County Express, circulating in parts of Staffordshire and Worcestershire—sells more than the 25,000 copies which make a reference to the commission mandatory. However, the other three, the Kidderminster Shuttle, the Ludlow Advertiser and the Tenbury Wells Advertiser, are owned by companies which are all closely linked to the County Express. All four are now likely to become part of the Berrow's Organisation, which owns one daily and 21 weekly papers, including the Kidderminster Times, which is in competition with the Shuttle.

The four papers of the County Express group showed a 30.3 per cent return on trading capital in 1970-71. They could go on happily as they are but the present owners want to sell and think it best to sell to another newspaper publishing company. The commission feels it would be nice if they could be sold to someone other than Berrow's (which Mr Murdoch owns), but the transfer is not against the public interest.

Still, this small local deal gives the commission an excuse to tell the world at large that if present trends continue to bring more and more local newspapers into the control of a few large groups the Government "should consider whether it would be appropriate to arrange for a special inquiry." The Liverpool Daily Post is not the only name that comes to mind.

Savings

Fool's gold ?

"Whereas once people saved out of fear, today saving represents an affirmation of faith in the future." So said Mr Heath in his address on Tuesday to savings bank executives from many countries, who were holding their triennial jamboree in London this week. But how true is this of the British ? National savings in the year to end-March had a lot more bounce in them; investments went up by a net £735m, the highest increase ever, to reach an all-time record of just over £9.5 billion. The Prime Minister would no doubt like to see this as a vote of confidence in the Conservatives. Alas for him, savings chiefs and building society managers alike have recently noticed strong extra interest in areas with heavy unemployment: suggesting that the spectre of a rainy day is still a stronger incentive than the hope of a better tomorrow.

It is surprising that so much extra should have been saved in a year when the inflation rate advanced beyond 10 per cent. One or two longer-term schemes excepted, there was virtually no form of risk-free investment where the post-tax (indeed even the pre-tax) interest rate compensated for the loss in purchasing power. Yet savers are plainly alert to interest rate levels ; this was proved by the huge net gains in those savings channels where the rate has recently been improved, such as National Savings Certificates. But what pulled in £100m in the past year was the prospect of a £50,000 gamble on premium bonds.

Lex 1971 Profit £4·38m.
Earnings per Share 37% Up

Salient points from the statement by the Joint Chairmen for the year ending 31st December, 1971.

Results in Brief	**1971**	1970	
Turnover	**£111,325,000**	£85,016,000	**+30.9%**
Pre-tax Profits	**4,382,117**	2,445,488	**+78.4%**
Pre-tax Margin	**3.9%**	2.9%	**+34.5%**
Earnings per Share			
Basic	**9.15p**	6.69p	**+36.8%**
Diluted	**7.48p**	5.68p	**+31.7%**
Dividend per Share	**3.13p**	1.88p	**+66.7%**
Organic Growth	**46%**	37%	**+24.3%**

Consolidated Balance Sheet	**1971**	1970
Shareholders' Funds	**£25,392,481**	£10,810,858
Long and Medium Term Debt	**8,718,823**	9,500,088
Fixed Assets	**20,080,011**	11,871,637
Cash with Bankers and in hand	**1,002,281**	127,177
Bank Overdrafts	**2,560,771**	4,348,738

5 Years Growth
Compound Growth rate in Earnings per Share since 1967 :—
Basic 40.3% per annum
Fully diluted 33.4% per annum
Average organic growth since 1967—32.5% per annum.

On the first trading day of 1967 Lex ordinary shares were quoted in the Financial Times at eight shillings and nine pence (43¾p). Since that time there have been two bonus issues on a one for one basis. On 12th April, 1972 the Financial Times quoted Lex ordinary shares at 176p. On this basis, £100 invested in Lex ordinary shares in January, 1967 would now be worth £1,609 excluding dividends received.

1972 Trading
Results for the first quarter of 1972 are encouraging and despite the problems caused by the power dispute trading profits are currently well ahead of the same period of last year. All of our passenger car distributorships are experiencing a high level of demand which should be further stimulated by the measures included in the Budget. Initial results from the Carlton Tower have been most satisfactory with room occupancy 10% up on the same period of 1971.

N. N. Chinn, R. Chinn
Joint Chairmen

Copies of the Report and Accounts can be obtained from The Company Secretary, Lex Service Group Limited, 18 Great Marlborough Street, London W1V 2BL.

Lex Service Group

THE EAST ASIATIC COMPANY LIMITED

(Aktieselskabet Det Østasiatiske Kompagni)
COPENHAGEN, DENMARK

The Annual General Meeting of THE EAST ASIATIC COMPANY LIMITED was held in Copenhagen on the Company's 75th Anniversary, Monday, 27th March, 1972, and the following are details of the Report as presented by the Board:

During 1971 no perceptible improvement took place in world market trends, and as a prolonged period was, furthermore, marked by the uncertain state of the foreign exchange market—which was only stabilised when a higher price for gold in terms of US-Dollars was fixed in December, combined with adjustments of exchange rates for a number of important currencies—the year under review must generally speaking be characterised as a difficult one for international trade.

One of the unfortunate consequences of this stagnation was the unusually low world market price level for raw materials, which had an adverse effect on the economy of several of the developing countries. It is hoped that this unfortunate state of affairs can be remedied, for instance by increased local processing of such raw materials.

At the same time a number of political crises in overseas countries remain unsolved, but the admission of the People's Republic of China into the United Nations did mark a significant contribution towards peaceful co-existence. The Company's endeavours of many years to enhance commercial relations with this enormous area thus gain a wider perspective.

Economic conditions in Denmark do unfortunately give cause for grave concern, unless the rising expenditure in the public sector is curtailed. Trading conditions have at the same time deteriorated and the competitive position of Danish exports has been adversely affected.

If the worst comes to the worst and Denmark does not join the European Common Market together with the United Kingdom, the future outlook is gloomy.

Within shipping, the rise in costs has far exceeded the modest increase in the rates of freight on the Company's routes. At the turn of the year there were some signs of an improvement in 1972, but transition to container transport is, as previously pointed out, costly.

FINANCIAL COMMENTS

In 1971 the Company's share capital was increased by kr.110 million to kr.280 million, partly through subscription of kr.51 million new shares at a price of 105 per cent, partly through issue of kr.51 million bonus shares to owners of old shares. In addition, the entire Danish staff of the Company had access to subscribe for kr.8 million new shares at a price of 105 per cent. Subscription took place from 19th April to 6th May, 1971, and was extremely satisfactorily received in spite of current economic conditions.

In connection with the increase of capital the Company takes pleasure in proposing new articles of association, introducing a share certificate system which will make it possible to issue only one certificate to each shareholder, irrespective of the number of shares. The proposal entails a considerable administrative simplification to the benefit of the shareholders and the Company alike.

The East Asiatic Company's Holding Company Ltd. has increased its share capital from kr.50 million to kr.80 million by subscription of kr.15 million new shares at a price of 105 per cent and simultaneous takeover of kr.15 million bonus shares in The East Asiatic Company, Ltd.

The turnover of the Company and its Overseas Branches amounted to kr.5,695 million or a total of kr.11,569 million, including subsidiaries, compared to kr.9,921 million in 1970.

SHIPPING DEPARTMENT

The general tendency towards larger joint sailing concentrations continued in 1971 and the Company participated in this development. The joint sailing agreement with AB Svenska Ostasiatiska Companiet, Gothenburg, and Wilh. Wilhelmsen, Oslo, on the Far Eastern service was thus extended to include the Dutch shipowners, Koninklijke Nedlloyd n.v., Rotterdam. Copenhagen will be the headquarters of this joint sailing arrangement with inauguration on 1st April, 1972, under the name of *ScanDutch*. The joint sailing arrangement on the Europe/Pacific Coast service between the Company and Blue Star Line, Ltd., London, has been extended to include the Swedish shipowners, Johnson Line.

As container transport gains ground new demands on marketing and inland transport are made. With a view to solving these problems effectively as far as Denmark is concerned, the Company and the Danish State Railways have together established *Allfreight Ltd.*, headquartered in Copenhagen.

As a natural link in the Company's considerable commercial and industrial development in West Africa, a new service with fortnightly sailings between Europe and West Africa and vice versa was inaugurated in October.

During 1971, shipping witnessed the heaviest increase in costs for many years, and prolonged port strikes—mainly on the North American east and west coasts—entailed great difficulties and losses, and this applied particularly to the regular liner services.

In September our Nakskov Shipyard delivered the first container vessel, m.s. "Falstria," which entered the Europe/Pacific Coast service. The favourable experience already gained fully meets the Company's expectations from this new type of transport. A sister ship, m.s. "Meonia," was launched in November and will enter the same service in April, 1972.

The two container vessels for the Far East service ordered from Burmeister & Wain, are expected to be ready for delivery in October, 1972 and March, 1973. These two vessels rate among the largest and fastest container vessels so far ordered by any shipowner.

Delivery of the considerable number of containers—of different types and sizes—necessitated by the introduction of container vessels has already commenced from manufacturers in Scandinavia, England, Austria, West Germany, France and Japan and is being financed under leasing arrangements.

The roll-on/roll-off vessel ordered for the Australia service from Eriksbergs Mek. Verkstads Aktiebolag, Gothenburg, is due for delivery in March, 1973.

Freight earnings amounted to kr.453 million, of which about 93 per cent were earned in foreign exchange as compared with kr.445 million and 89 per cent in 1970. The expenditure on bunkers has risen from kr.25 million in 1970 to kr.38 million in 1971, and wages amounted to kr.75 million against kr.68 million in 1970; as will appear from the accounts, profit before depreciation is down from kr.74 million in 1970 to kr.59 million in 1971.

At the end of 1971 the Company's fleet consisted of 29 conventional dry-cargo vessels with a total cargo capacity of 317,614 tons. The average age of these ships is 13 years and the book value is kr.516 per ton d.w. To this should be added one container vessel with a cargo capacity of 18,290 tons taken delivery of during 1971.

TRADE AND INDUSTRY

The Import Department has profitably participated in world trade, covering a wide range of raw materials. In keeping with the Company's policy of furthering establishment of industries in developing countries, the department's turnover of semimanufactures shows a marked increase.

In spite of unfavourable conditions in certain markets the Export Department can look back upon a year with great activity and favourable results. The department succeeded in placing considerable orders for account of Danish industrial firms, and the Company's business in machinery for the printing trade was extended into new markets and from additional suppliers. Trade with China was further enhanced.

The Wood Department continued its efforts in strengthening the Company's position in the international timber trade, but difficult market trends in this sector have restricted turnover as well as profits.

Danish industry encountered a difficult year which necessitated reorganisation of some of the Company's undertakings. This was, however, offset by other industrial operations so that the overall profit in 1971 shows an improvement compared with the previous year.

OVERSEAS BRANCHES

The Company's activities in THAILAND, headquartered in Bangkok, continued under rather adverse conditions owing to the somewhat stagnant economy of the country, but an improvement of the financial result as compared with the previous year was nevertheless achieved. Efforts are made to increase the import of various chemicals and paints, etc., as well as import of machinery within a wide field where the branch acts as sole agent for leading manufacturers. An increasing number of calls enabled the shipping department to improve its profits.

Bangkok is also the seat of our pharmaceutical factory, *Dumex Ltd.*, whose products are increasingly sold in spite of severe competition, as well as the subsidiaries, *Thai-Dan Corporation Ltd.*, which carries on an interesting business in various projects, and *The East Asiatic Company (Brokers) Ltd.* in which insurance activities are concentrated. *Thai Industrial Advancement Company Ltd.* looks after financing and administration of the hire purchase business of the Thailand organisation.

Thai Coconut Industries Ltd. in the southern part of Thailand, processes coconut fibre suitable for e.g. upholstery of seats for automobiles.

In VIETNAM accumulation of stocks has to some extent hampered the Saigon office's import business during the latter part of the year, resulting in a reduced profit compared with the previous year.

The SINGAPORE office's import business which particularly comprises printing machinery, has worked under somewhat more difficult conditions with smaller demand and consequent keener competition. The motor department, which handles sales of Vespa scooters, and sales of Dumex products are important contributors to earnings.

Export of hardwood registered a further increase so that the Company is now one of the largest shippers in the area.

The MALAYSIA organisation has branches in Kuala Lumpur, Penang, and Ipoh in West Malaysia, and in Kota Kinabalu and Kuching in East Malaysia (North Borneo). In the Sultanate of BRUNEI a sales office is, furthermore, maintained.

The financial result for the year was satisfactory, and this applies particularly to Kuala Lumpur where good yields have been obtained both in the import business, which among other items includes machinery for the printing trade and various Danish machinery plants, and in the industries situated in Kuala Lumpur: the *Vespa* assembly plant and the *Dumex* pharmaceutical plant. In cooperation with the Carlsberg breweries a third industrial plant, an 80,000 hectolitres brewery, has been built at Kuala Lumpur and bottling of the first beer commenced before the end of the year.

The Company's timber export from Port Kelang—formerly Port Swettenham—also registered an improvement in 1971. A further increase of the export of sawn as well as processed timber is expected to take place as a result of the cooperation which has already started with the Malaysian government in the Jengka Triangle forest concession.

Although it has become easier to obtain permission to visit BURMA, foreign firms are still not allowed to establish branches of their own in the country, and the interests of the Company are, therefore, looked after by a local representative. In this way it is still possible to take part in the export of teak and rice.

Export of automobiles, machinery, yarn, and textiles, etc., as well as import of timber, machinery, and agar-agar have all contributed to the good financial result of the Tokyo and Osaka offices in JAPAN. Towards the end of the year the Company, furthermore, acquired shares in a Japanese concern which imports machinery for the printing trade.

The HONG KONG branch also shows a most satisfactory financial result. Important bookings of cargo are made for the Far East/Europe shipping service which—as mentioned previously—is being augmented by the Dutch shipowners, Koninklijke Nedlloyd n.v., Rotterdam, under the name of *ScanDutch*. Hong Kong imports large quantities of beer and textile machinery, etc., and has an increasing turnover in Plumrose products.

Activities in connection with the Company's increasing business with CHINA are mainly carried out through the China Trade Departments at Head Office and in Hong Kong. Other of the Company's branches also take part in this effort.

The year under review has witnessed a sizeable increase in activities with regard to the Company's interests in China and at the regular Canton trade fairs the company has registered a constantly increasing turnover. On the buying side it is mainly a question of textiles, feedstuffs and other agricultural produce. On the selling side the Company represents many of the largest manufacturers in Denmark, Sweden, Germany and North America as well as a number of small industries.

In addition to the biannual Canton trade fairs, China is regularly visited by staff members from both Copenhagen and Hong Kong with a view to developing connections with the Government Corporations in Peking, Shanghai and elsewhere in China.

The Manila office in the PHILIPPINES participates in the export of hardwood logs to Europe. Import of copra and copra cake by the Head Office in Copenhagen has yielded a satisfactory result.

The Company's activities in INDONESIA were further consolidated during 1971, but the financial result was adversely affected by the devaluation of the Rupiah. The Djakarta office's main trading activity consists of import and distribution of printing machinery, office machines and insecticides, all under sole agency agreements with leading manufacturers within these fields.

The pharmaceutical factory, *P.T. Dumex* had a satisfactory year. Furthermore the *Vespa* assembly plant commenced production according to plan. The factory for producing paints and related products, which was established in cooperation with Sadolin & Holmblad Ltd., Copenhagen, and local interests, came into production during the year.

The forest concession, *Sumkal Timber Corporation*, situated on Sumatra showed a loss due to the low log prices obtainable in Japan.

In INDIA the Company has investments in *Turner, Hoare & Co. Ltd.*—an affiliate of the Mahindra & Mahindra concern—which is engaged in commerce and industry.

Having dealt with the Company's widespread interests on the Continents of Africa, America and Australasia, the Report continued:

The offices in LONDON, HAMBURG, GENOA and MILAN maintain lively business connections in various fields with the overseas branches.

RESULT AND DIVIDEND

Income for the year totalled Dkr.239,834,900. After meeting interest and financing expenses at Head Office, depreciation and expenses relative to the 1971 capital increase, the pre-tax profit amounted to Dkr.69,837,092. Taxation amounted to Dkr.14,040,016, and the net profit for the year totalled Dkr.55,797,076. With the balance brought forward of Dkr.14,000,167, the amount available for distribution is Dkr.69,797,243. This is to be distributed as follows: Dividend to Shareholders 12% of Dkr.280,000,000-Dkr.33,600,000; 1% Bonus on the occasion of the Company's 75th anniversary—Dkr.2,800,000; Bonus in conformity with the Articles of Association—Dkr.9,195,357. Allocations to: Extra Reserve Fund, Pension Fund, and Research and Development Fund —Dkr.10,000,000. Balance carried forward to next year—Dkr.14,201,886.

The Report and Accounts and Proposals presented by the Board were adopted.

BOARD OF DIRECTORS

Mogens Pagh, *Chairman*; J. Chr. Aschengreen, *Vice Chairman*; Otto Bjorling; Prince Georg; G. Halling-Andersen; Ebbe Munck; J. Saxild; Edvard Strandberg; A. H. Vedel.

Copies of the 1971 Annual Report and the new Articles of Association may be obtained on application to:

THE EAST ASIATIC COMPANY LTD.,
2, HOLBERGSGADE, DK-1099 COPENHAGEN K. DENMARK.

We are pleased to announce that the

European Brazilian Bank Limited

is open for business in London

Mr Rik Verhagen
(Managing Director)

Mr Alfredo Moutinho dos Reis
(Deputy Managing Director)

ST. HELEN'S, 1 UNDERSHAFT, LONDON EC3A 8HN
Telephone: 01-623 8281 Telegrams: Eurobraz-Ldn Telex: 887012/3

IBI

ISTITUTO BANCARIO ITALIANO

Capital L. 10,000,000,000 — Reserves L. 5,100,000,000

Registered Office and Head Office : Milan

Balance Sheet at 31st December, 1971

Liabilities			Assets		
Trustee Deposits	L. 130,077,745,760		Cash and call money with other banks		L. 135,141,404,106
Current Accounts	,, 596,495,974,445	L. 726,573,720,205	Investments in Securities :		
			(a) Government Securities	L. 42,153,970,293	
Bank Drafts outstanding		,, 7,119,820,590	(b) Bonds and Shares	,, 45,538,334,167	,, 87,692,304,460
Bills for Collection		,, 10,867,257,961			
Sundry Creditors		,, 11,251,940,919	Contangos		
Rediscounted Assets		,, 1,598,367,124	Portfolio		,, 6,306,232,311
Staff Retirement Fund		,, 5,269,907,544	Advances to Customers :		,, 33,330,291,476
Sinking Fund :			(a) Secured	L. 17,691,590,442	
(a) Premises	L. 1,263,697,122		(b) Ordinary	,, 321,431,949,121	,, 339,123,539,563
(b) Fixtures and Fittings	,, 1,195,795,230	,, 2,459,492,352			
			Loans		
Share Capital		,, 10,000,000,000	Sundry Debtors		,, 141,957,890,313
Ordinary Reserve		,, 1,636,350,122	Premises		,, 9,500,152,906
Extraordinary and Special Reserves		,, 3,066,614,478	Fixtures and Fittings		,, 8,269,616,888
Profit for the year		,, 609,938,733	Bills for Collection		,, 2,657,507,420
Balance brought forward		,, 3,183,950	Staff Retirement Fund (Invest.)		,, 16,045,233,329
Endorsements and Guarantees		,, 366,901,839,140	Endorsement and Guarantees		,, 432,421,206
					,, 366,901,839,140
		L. 1,147,358,433,118			L. 1,147,358,433,118
Contra Accounts		,, 320,388,454,425	Contra Accounts		,, 320,388,454,425
GRAND TOTAL		L. 1,467,746,887,543	GRAND TOTAL		L. 1,467,746,887,543

BUSINESS *International*

And now, back to worrying about Germany's economy

Having survived Thursday's censure motion in the Bundestag by the skin of his teeth, Herr Willy Brandt can now get back to worrying not only about his Ostpolitik, but also the German economy. His party's poor showing in the state election in Baden-Württemberg last Sunday was attributable as much to recession and inflation as to fears about his foreign policy. His economics minister, Herr Karl Schiller, was wise enough not to visit the state at all during the election campaign.

The truth of the matter is that the Social Democrat government, like Mr Wilson's Labour government in Britain in 1964-67, has proved unable to reflate the economy because it is frightened of outraging the blundering conservative prejudices of the financial establishment. In Britain, the prejudice that frightened Mr Wilson into recession was the belief that devaluation meant dishonour. In Germany, Herr Schiller feels that he cannot offend against the illiterate gobbledygook in which so much of Germany's debate about budgetary policy is still conducted. Because Germany's economic slowdown has caused tax revenue to increase by less than was expected, the budget is in deficit. Because budget deficits in Germany are supposed to be unrespectable, Herr Schiller is not being allowed to carry through the cherished government spending programmes—some of them admittedly pretty silly—on which the Social Democrats had set their heart. Because spending programmes are having to be held back, Germany's economic recovery may be less rapid than it should be. The danger is not that of real recession, but of politically damaging—and economically unnecessary—stagflation. The irony is that the Christian Democrats might reflate faster. But one of the ways in which they might reflate is by trying to run a large balance of payments surplus, and keeping the exchange rate of the D-mark undervalued. This is why it is probably better for Britain's economic interests that Herr Schiller should be at the finance ministry than Herr Strauss—especially in the new Europe where the pound may be being put in the unnecessary straitjacket of the so-called European Monetary Union (see page 77).

Unctad III

To the gallery

Santiago

The political posturing that has dominated the first two weeks of the third United Nations Conference on Trade and Development is considered essential, partly for the audiences back home and partly to let the delegates create what they hope will be the right atmosphere for the more realistic discussions that will follow in committees. Whether anything of substance will emerge will not be apparent until the last few days in mid-May.

The rich countries are manifestly far from having an agreed position among themselves. The Americans are keeping out of sight, but various European countries have seized the occasion to commit themselves to the target for official development aid of 0.7 per cent of gnp, some of them by 1975 (Belgium, Holland, Norway, Sweden, Portugal). Austria has gone so far as to announce a target of 1 per cent. Predictably, some rich countries like Germany have said that much of the additional assistance will be concentrated on the hard-core of the 25 least-developed countries.

But the Europeans are defensive about pressures on them to cut back production of sugar, wheat, cereals, vegetable oil, rice and tobacco, all crops that could be grown equally well in the developing countries. France, in particular, has made much of its ideas for stabilising the commodity earnings of the developing countries as a plausible alternative, and has chosen this moment to announce that it will contribute to the tin buffer stock and the projected cocoa buffer stock, whatever other countries (ie, America) may do. Dr Sicco Mansholt, speaking for the common market commission, bravely offered the hope that the developing countries would gain better access to the EEC for their commodities in future, a view not shared by any of the member governments of the Six.

Monetary affairs have figured less prominently so far than had been expected. It has become clear that the rich countries now favour an informal link between SDRs and aid, by giving the developing countries a bigger share of future issues of SDRs. The managing director of the International Monetary Fund, Mr Pierre-Paul Schweitzer, suggested his own forum for the coming round of monetary reform talks. But Russia, China and others (supported also by Chile) are already pressing for a world monetary conference.

The Chinese—after a predictable speech last week—look like staying out of the developing countries' pressure group, the so-called group of 77. Their strenuous advocacy of self-reliance has embarrassed the 77 (who devote most of their public speeches to the need for more aid). The need to reach agreed compromises within the group would cramp the Chinese.

Not that the 77 are giving much sign of acting as a group. Behind the scenes rival factions are seeking to impose their own draft resolutions ; the hot issue of the least-developed has broken surface again ; and within the Latin American block itself Colombia, supported by other conservative countries, has been quarrelling with the more radical Peru and Chile.

EEC-Efta

A bit easier

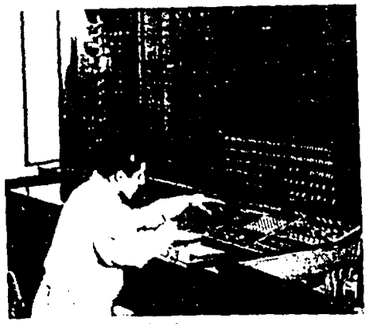
Brussels

Sweden and Finland will get a slightly better deal under the revised mandate given to the European commission on Tuesday by the EEC council of ministers. The Six are being a little more flexible on the rules about the origin of goods, and on the list of sensitive products (for which a slower rate of tariff-cutting is proposed), but they were unable to agree on agricultural concessions.

What the Six have done goes some way on paper towards meeting Sweden's and Finland's objections, but does not amount to a modification of the community's basic position. The removal of tariffs will still take 12 years (not 10, as had been hoped for) and will still not be complete until 1985, that is to say seven years after the Efta countries will be expected to have removed tariffs on all industrial imports from the EEC. The only concessions by the Six are to drop the proposed initial three-year standstill and to introduce a duty-free quota for Britain, as suggested by the British Government, to offset the temporary rise in tariffs against Scandinavian paper.

Although the commission would like to help Finland, which will be hit hard by these restrictions, it has to take account of the reactions not only of the French paper industry but of the lobbying by the Americans and Canadians against anything that would put American exporters at an even greater disadvantage in European markets. As it is, the British papermakers have protested loudly at the duty-free quota for the Scandinavians, even though the Scandinavians already have duty-free access to Britain.

Once again agriculture was the stumbling-block. The original idea was to ask the Efta countries for concessions on agriculture in return for free access to the EEC market for their industry. This ploy was spiked by the neutrals' insistence on reciprocity for their own agricultural exports, which was unacceptable to France. The commission accordingly proposed to exclude agriculture entirely, except for Portugal which has always been recognised as a special case. This solution was then torpedoed by Italy, which has tied any concessions on Portuguese wine, citrus fruit and tomatoes (which compete directly with Italian produce) to similar concessions by other Efta countries.



Some people prefer imports

Electronics

Your embargo's slipping

It takes an electronics slump to make western governments change their minds about what sort of equipment may or may not be sold to communist countries. Ferranti has just been given an export licence by the Department of Trade and Industry to sell plant to Poland for making very advanced integrated circuits, something that would have been unthinkable even six months ago. All that remains now is for the Poles to confirm the order.

Sales of this kind as usually blocked by a committee of the western governments and Japan that sits in Paris but has no official existence. Its powers are said to be purely advisory, but any equipment that appears on the Cocom committee's list has virtually no chance of getting an export licence for sale to any communist country. While the American home market was booming, this hit European manufacturers more than it did the Americans, which caused a good deal of resentment and complaints of bias. A few companies, like International Computers, slugged it out with Cocom and made some sales in east Europe, but what has caused the recent sudden change in the climate is the fall in American demand for computers and advanced electronics. In Russia, plans provide for the installation of about 5,000 computers by 1975 ; the Soviet computer industry is more efficient than it was, but its machines are small and, although the computers turned out by the east Germans and Czechs are advanced by anyone's standards, they are relatively small too. American companies with lean order books want to get into this market, over Cocom's dead body if necessary. And they have made some headway. Honeywell has got approval for the sale of a huge computer system for banking, on the ground that it is a non-military installation even though very advanced. A team of nearly 30 electronics and computer men plans to go to Moscow during President Nixon's visit, and to put on a hurriedly improvised exhibition while he is there.

Money supply

Still in full flower

To the many people who ask plaintively whatever happened to the great American debate over the money supply, Mr Andy Brimmer, a member of the Federal Reserve Board, supplied his own answer on Monday. It is not news that he told an Oxford audience that it would be unwise to recast the conduct of monetary policy along the lines urged by Professor Milton Friedman. Mr Brimmer, and almost every other central banker for that matter, has said that many times before. But this time he included an analytical assessment of the Federal Reserve's monetary policy in the past two decades which, he believes, shows that its ability to alter policy in advance of the needs of the economy has improved. His evidence, one should add, stops short of the most recent developments, when the Fed has come under renewed attack.

Key indicators: world commodity prices

Quicksilver slithers

At $135 a flask (76lb) prices are at their lowest for many months. New supplies are coming on to the market at a time when stocks are already high and changes in various chemical processes are reducing the metal's importance in some industries. Prices could go even lower. Spain, Russia and Italy are the main suppliers; Turkey and Algeria—a new producer—stand to be hit too.

	Index 1963=100 Apr 19	Apr 26	Percentage change on one month	one year
All items	129.2	129.0*	− 0.9	+ 5.5
Food	141.3	141.2*	− 1.8	+ 6.7
Fibres	101.3	101.1*	+ 2.3	+26.2
Metals	184.8	183.2	− 2.5	−11.5
Misc	112.1	113.2*	+ 0.9	+ 4.1

*provisional

Merrill Lynch, Pierce, Fenner & Smith Incorporated consolidated statement of financial condition, as of December 31st, 1971.

Assets

Current Assets

Cash	$ 98,075,000
Securities on deposit with exchange clearing associations, at market value	27,796,000
Receivable from brokers and dealers	115,830,000
Receivable from customers	1,520,025,000
Bankers' acceptances, certificates of deposit and commercial paper, at market value	241,131,000
Securities inventory, at market value	708,981,000
Miscellaneous current assets	41,236,000
TOTAL CURRENT ASSETS:	$2,753,074,000

Other Assets

Membership in exchanges at cost which is less than market	4,301,000
Office equipment and installations less accumulated depreciation	47,277,000
Miscellaneous other assets less reserves	62,903,000

TOTAL ASSETS: $2,867,558,000

Liabilities and shareholders' equity

Current Liabilities

Borrowings on securities – bank loans	$ 1,008,315,000
Repurchase agreements	166,899,000
Payable to brokers and dealers	267,848,000
Payable to customers	711,565,000
Commitments for securities sold but not yet purchased, at market value	104,685,000
Accrued income taxes	54,425,000
Accrued compensation and benefits	80,801,000
Other accrued liabilities and payables	79,838,000
TOTAL CURRENT LIABILITIES:	$2,474,376,000

Shareholders' Equity

Preferred stock, Series A, 4% cumulative, $25 par value – authorised 1,000,000 shares; issued 201,952 shares	5,049,000
Common stock, $1.33⅓ par value – authorised 60,000,000 shares; issued 52,014,517 shares	69,353,000
Paid-in surplus	104,970,000
Retained earnings	314,489,000
TOTAL:	$493,861,000
Less common stock held in treasury, at cost, 19,990,152 shares	100,679,000
TOTAL SHAREHOLDERS' EQUITY:	393,182,000
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY:	$2,867,558,000

MERRILL LYNCH, PIERCE, FENNER & SMITH
International Ltd.

Associated Companies: Europe: London 25 Davies Street – Hamilton House, 1 Temple Avenue (Institutional Office) – Plantation House, Mincing Lane (Commodity Office) **Edinburgh** 48A Queen Street **Rome** Via Lazio 26 **Milan** Via Ulrico Hoepli 7 **Madrid** Torre de Madrid 9-4 **Barcelona** Avenida Generalisimo Franco 534 **Athens** 17 Valaoritou Street **Frankfurt** Bockenheimer Landstrasse 8 **Hamburg** Reesendamm/Jungfernstieg 3 **Munich** Dienerstrasse 21 **Dusseldorf** Koe-Centre Building, Koenigsallee 30 **Brussels** 52 Rue des Colonies **Amsterdam** 107 Weesperstraat **Paris** 96 Avenue d'Iena **Cannes** Carlton Hotel **Geneva** 31 Rue du Rhone **Lugano** Via Balestra 27 **Zurich** Muehlebachstrasse 25

Asia: Tokyo Kasumigaseki Building, Chiyoda-Ku **Hong Kong** 2 Ice House Street **Manila** A.I.U. Building, Ayala Avenue, Makati, Rizal

Latin America: Caracas Apartado 1343, Estado Zulia **Panama** 200 Via Espana, Panama City **Maracaibo** Apartado 3419 **Buenos Aires** Sarmiento 309, 4 Piso

Middle East: Beirut Starco North Building **Kuwait** Kuwait Investment Company Building, Safat Square

Foseco Minsep LIMITED

Highlights from the 1971 Results

	Year ended 31st December 1971 £'000	1970 £'000
Sales outside the Group	**47,701**	45,296
Trading Profit		
Metallurgical Sector	5,093	5,623
Building and Construction Sector	629	339
Water Treatment Sector	(31)	(69)
Waste Management Sector	232	96
Fosmin Industries	231	202
Group Management Services	(333)	(397)
	5,821	5,794
Profit before tax	**5,838**	6,027
Profit after tax	**3,424**	3,328
Profit available for appropriation	**3,084**	2,971
Dividends paid and proposed	**1,892**	1,885
Profit retained	**1,192**	1,086
Earnings per ordinary share	**6.95p**	6.72p
Dividend per ordinary share	**4.21p**	4.21p

Extracts from the Statement by the Chairman, The Rt. Hon. Lord Latymer, at the 105th Annual General Meeting held in London on the 26th April, 1972.

Ottoman Bank

Incorporated in Turkey with Limited Liability

You are aware that the Bank operates under a Convention or agreement with the Turkish Government which can be terminated at the earliest in March, 1975, if two years' prior notice of intention to do so is duly given. If such notice is not given by either party to the agreement, the Convention remains in force, as does the two-year notice period.

You will recollect that I have in past years spoken of negotiations which have taken place between your Bank and American interests, for which Turkish approval was necessary, but these plans, which might have proved commercially successful, did not come to fruition.

For this reason, Monsieur Monick and I visited Ankara in November, 1971 to call on both the Prime Minister and the Minister of Finance, to discuss with them our affairs in Turkey. We were cordially received by both the Prime Minister and the Minister of Finance. The latter informed us that he he was unable to deal with our affairs until the Budget had been submitted and approved by the Turkish Parliament. We have lately been advised that this has been done.

We have every hope, therefore, that a second visit by Monsieur Monick and myself, as soon as this proves possible following recent Ministerial changes, will enable us to agree upon another solution to our problems.

I advised you last year of the changes made in the capital structure of Banque Ottomane (France), subsequent to which the name of the Bank was changed on 1st July, 1971, to Banque Grindlay Ottomane.

Turkey. The economy of Turkey has developed well in 1971, particularly in the agricultural sector.

The rate of increase of the Gross National Product, which was 5.5% last year, reached 9.2% according to provisional figures as at the end of November, 1971, compared with the average annual rate forecast by the Five-Year Plan of 7%.

Industry increased at the rate of 8.7% in 1971 compared with 2.5% in 1970. Output of electricity continues to increase. Total production, which was Kwh. 8,622 million in 1970, rose to Kwh. 9,790 million in 1971.

Work on the Bosphorus Bridge, of which the foundation stone was laid in February 1970, proceeded normally and it should be opened to traffic in 1973.

Tourism continues to be regarded as an important sector for the future. The number of foreign vistors continues to increase; 725,000 in 1970 to about 800,000 in 1971.

More than 500,000 workers left for abroad. Remittances of their savings amounted to $471,700,000 in 1971, compared with $272,900,000 in 1970. This progression has greatly increased the foreign currency Reserves of Turkey ($860,000,000 in March, 1972).

In 1971 exports totalled $676,600,000 and imports $1,170,800,000

The Draft Budget for 1972/73 totals (-for expenditure-) LTq 50,312,000,000 compared with LTq. 37,092,900,000

Balance Sheet. The Balance Sheet totals are up from £79.5 million in 1970 to £92.4 million due to an increase in current, deposit and other accounts, attributable principally to the expansion of our business in Turkey. Advances have also increased by £7.5 million but, of the other assets, Cash, Money at Call and Short Notice have together increased by nearly £5 million, which contributes to a satisfactory liquidity position.

Profit and Loss Account. The available profit for 1971, less profits awaiting transfer, plus remittances in respect of profits of previous years, amounts to £735,000 as against £891,000, i.e. a reduction of £156,000 compared with 1970.

This decline in our profit was to be expected on account of the fall in interest rates during the latter part of 1971. Nevertheless your Committee have felt it wise to place £100,000 to reserve.

From the balance available, your Committee recommend that a dividend of £1.20 per share be paid, which will require £600,000. In conformity with Article 40 of the Statutes, payments will also be made to the holders of Founders Shares of £90.02 per whole share, requiring £19,444 and a similar amount to the Members of Committee, leaving £38,244 to be carried forward to next year.

Staff. I am sure that you would like me to thank all our staff on your behalf for their work during the year.

Copies of the Report and Accounts may be obtained from: The Secretary, Ottoman Bank, 2/3 Philpot Lane, London EC3M 8AQ.

But Mr Brimmer again argued that the sole target of monetary policy should never be just the money stock on any of its many definitions. The central bank should also take account of the behaviour of interest rates and credit conditions, and should recognise that the relationships between spending, interest rates, and money shift significantly according to the state of the economy. Friedmanites will say that this insistence that signposts are always changing is an excuse for not following any signposts at all. It is a bit suspicious that central bankers are usually anxious to play down the extent to which their actions can exert precise control over their domestic economy, while keen to increase their influence in international monetary affairs. Maybe they just don't like being caned. But Mr Brimmer has thrown in some new figures that will require analysis in the great debate.

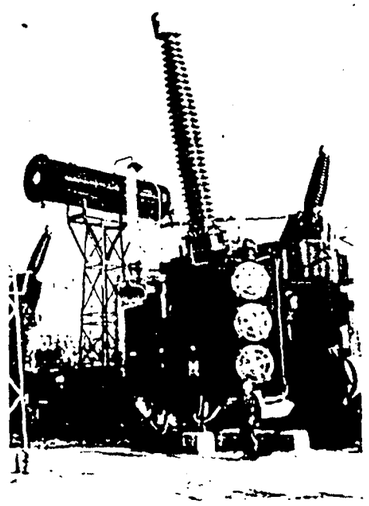
Anti-dumping

Keep out!

Westinghouse Electric won its anti-dumping case against British, European and Japanese transformer manufacturers last week after two years of argument. During this time, while the case was first before the United States Treasury and then the Tariff Commission, no customs clearance for the transformers could be obtained. American anti-dumping procedures specialise in this kind of delay and American firms are suspected of using them as a protection device. Transformers are particularly sensitive. Because production cannot be mechanised, they take a lot of hand labour, and America's wage rates cripple the home industry.

But this is the first case in which a dumping charge has been made to stick on a product that is custom-built, as opposed to mass-produced. Proof of dumping is that the import is priced below its price in its own home market. But each transformer is unique, so how can this be proved?

This has not stopped the Americans from banning British transformers in the past under Buy American rules, but the customs has not thought fit to publish the method of elaborating the price/weight ratio by which it proved dumping. Yet this is the main bone of contention. One of the British companies hit looked at 12 different ways of comparing prices, and only two implied dumping. The Americans say that the dumping margins ranged all the way from 10 per cent to an extreme



You can't dump that here

46 per cent below home prices.

In order to levy dumping duties, the tariff commissioners must also be satisfied that "material injury" has been done to American industry. The 7 per cent of the market held by foreigners in the period Westinghouse was arguing about (1967-69) was held to be "more than adequate" to establish injury, even though it included the large share held by the Swedes, who were not included in the dumping charge. In fact, Westinghouse did discover particular segments of the market (defined geographically, or by type of user) where the market penetration was well above 7 per cent.

Public utilities in America will be far from pleased that their access to foreign supplies will now be curtailed, the more so as there is good reason to suspect that Westinghouse and General Electric may now move against switchgear and other heavy electrical products.

EEC

Regions on their minds

Brussels

The three-day conference on industry and society, organised in Venice last week by the EEC commission, went pretty well for British interests, but showed up the common market's present confusion over such issues as how to deal with inflation, with social and regional tensions and with the threat to the environment. The Colonna memorandum of 1970, which assumed that the essential purpose of the community's industrial policy was to stimulate the industrial development of the Six by helping firms to adapt to the continental dimensions of the common market, is now as dated as the Treaty of Rome.

What has changed is the attitude to economic growth, although few of the delegates, or for that matter few members of the commission, would go as far as the commission's new president, Dr Sicco Mansholt, in advocating a curtailment of growth. It was remarkable how many of the businessmen, economists and civil servants at Venice were prepared to agree that more priority should be given to the environment, to increased social expenditure and to a reduction in the growing disparity between the richer and poorer regions of the community. Instead of seizing the opportunity to preach on the advantages of cross-frontier mergers and co-operation which have been their theme song for the past few years, commission spokesmen tended to insist on the need for a fairer distribution of the fruits of growth.

In practical terms the conference achieved little. There seemed general agreement that to leave regional policy to the unhindered operation of market forces would lead to unacceptable congestion in some areas and even greater depopulation in others. But while the German rapporteur was unwilling to see the community do anything more than issue recommendations and publish information on investment opportunities in the declining regions, the British and Italian spokesmen, the chairman of the National Coal Board and the secretary-general of the communist trade unions, wanted cash payments by the community, with public enterprise being cast for the key role, at least as far as the Mezzogiorno is concerned. From the British point of view the most satisfactory result of the discussion was the recognition by the commission that the community's regional policy will have to be modified after British entry to take account of the problems of declining industries as well as of agriculture.

Industrial Relations

Brief 28 looks at Britain's battle for reform.
Price, including postage, surface mail 25p, airmail 45p
Copies available from Brief Books, Publications Division, The Economist, 25 St James's Street, London, SW1A 1HG.

BUSINESS *Investment*

With a quaint device, the banquet vanishes

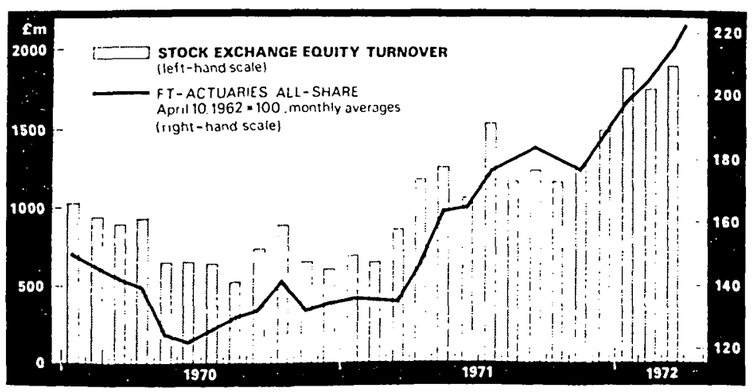
The 17 members of the Accepting Houses Committee, London's top merchant banks, are to go ahead and develop a computerised dealing market for large equity transactions. An existing computer software house, Computage, has been bought, and its name changed to Automated Real-Time Investment Exchange Limited—or Ariel. The shareholders of the company are the 17 accepting houses; the ones with substantial investment departments have large slices of the equity. The chairman is Mr Charles Clay, director-general of the Accepting Houses Committee; the managing director-designate is Mr Colin Leach of J. Henry Schroder Wagg; and the other directors are Mr Sidney Eburne of Morgan Grenfell, Mr Dennis Roberts of Lazard Brothers, and Mr Peter Nutting of Wm Brandt's. The authorised capital of the company is £200,000—and something like half that will have to to be spent on the initial stages of seting up the system.

The system will probably be closely modelled on Instinet, which has been operating in the United States for 2½ years, with a growing number of subscribers (see below), and Ariel is negotiating to buy the Instinet package. Even if the negotiations fall through, Ariel will go ahead on its own. All 200 or so institutions, the pension funds, insurance companies and charities, will be able to subscribe, and stockbrokers and jobbers will be invited to hook up as well, but the stock exchange rules would have to be altered to allow jobbers to deal in this way. The subscriber will have to pay a rental for the terminal and the post office line, costing at most £3,000 a year, and would have the benefit of commissions something like half those charged by stockbrokers.

The London stock market is being presented with an opportunity rather than a threat. Of the £15 billion a year in equities traded in London the institutions account for about 40%, or £6 billion. Of that, the bulk, perhaps £5 billion, is in large trades (over £50,000). Ariel will be lucky to get more than 5% of that business, and so the amount of equity turnover for which Ariel will be competing is around 1-2% of the total. Assuming that Ariel charges half the 0.6% commission levied by brokers on large trades, and gets £200m of business, it should be saving its institutional clients some £600,000 a year—and should itself be earning a revenue of £600,000 as well.

The Stock Exchange Council will be unhappy with this challenge to its hegemony, and the old arguments will be brought out to justify the stock market's pre-eminence. The volume of trading provides depth to the market, and competition among jobbers provides the best prices for the trades. Although the commissions charged may be fixed by a cartel, in return the stock exchange provides a certain measure of protection to investors, and brokers supply research to their clients.

But these are arguments for coming to terms with Ariel rather than objecting to it. What Ariel can introduce is a new technology to the central market, one which is far better adapted to the future pattern of trading than is the existing highly personal, geographical method of market-making. If Ariel uses Instinet, an electronic trading link could be established between Britain and America. It could also link up with European institutions and be a major step in confirming London as Europe's prime equity market.



Instinet

Fourth market

New York

The New York stock exchange is the first market, the regional exchanges are the second market, the over-the-counter market is the third. The 2½-year-old "fourth market" is Ariel's American predecessor. American brokers were once worried about it, but some now think that it may begin to wilt even in its young age. On this fourth market big institutional investors —banks, insurance companies and mutual funds—can trade securities directly among themselves, by-passing the brokers. The fourth market has a nationwide computer system that permits subscribing institutions to locate the opposite side of a bid or offer, and then to negotiate completion and con-

ABRIDGED PARTICULARS

This is not an invitation to the public to purchase or subscribe for shares, and these particulars are printed for information only.

Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the whole of the issued share capital of New Court European Trust Limited ("the Company"). **The subscription list for the Ordinary Shares will open at 10 a.m. on 1st May, 1972 and will close on the same day.**

New Court European Trust Limited

(Incorporated under the Companies Acts 1948 to 1967)

SHARE CAPITAL

Authorised		*Issued and to be issued*
£6,000,000	**Ordinary Shares of 25p each**	**£5,000,000**

N. M. Rothschild & Sons Limited

on behalf of the Company

Offer for Subscription

20,000,000 Ordinary Shares of 25p each at 100p per share

(Payable in full on application)

Firm applications will be made for 13,000,000 Ordinary Shares which will be allotted in full.

DIRECTORS

Evelyn de Rothschild *Chairman*
N. M. Rothschild & Sons Limited
Gilbert de Botton (*Swiss*)
Rothschild Bank A.G., Zurich
The Honourable Michael Bourne
L. Messel & Co.
Alain Chevalier (*French*)
Moët-Hennessy S.A., Paris
Henry Ergas (*Greek*)
N. M. Rothschild & Sons Limited
Daniel Gillet (*Belgian*)
Banque Lambert S.C.S., Brussels
Georges Karlweis (*French*)
Banque Privée S.A., Geneva
Richard Katz
N. M. Rothschild & Sons Limited
Gilbert Klein (*French*)
Banque Rothschild S.A., Paris
Ettore Lolli (*Italian*)
Riunione Adriatica di Sicurtà, Milan
Johan Muntinga (*Dutch*)
Pierson, Heldring & Pierson, Amsterdam
Baron Alfred von Oppenheim (*German*)
Sal. Oppenheim jr. & Cie, Cologne
François Pereire (*French*)
La Compagnie Financière S.A., Paris
David Secker Walker
N. M. Rothschild & Sons Limited

INVESTMENT MANAGERS: **N. M. ROTHSCHILD & SONS LIMITED**

INTRODUCTION

New Court European Trust Limited offers U.K. residents a means of investing in Europe through an investment trust quoted in London. Investors will receive the benefit of experienced and professional management of a diverse investment portfolio consisting mainly of securities in European companies.

INVESTMENT POLICY

The achievement of capital growth will be the principal objective of the Company's investment policy. The Company's portfolio will be concentrated on the securities of leading European companies. In addition, the Company intends to take advantage of opportunities to make investments in unquoted concerns, to undertake the acquisition of suitable European investment trusts and to benefit from short-term market fluctuations through the Company's investment dealing subsidiary.

Although the Directors intend to maintain the Company's European character, they will be prepared on occasions to invest outside Europe if changing conditions make this significantly more attractive.

The investment portfolio will be managed so as to enable the Company to qualify as an approved investment trust for tax purposes. In appropriate circumstances the Directors may introduce an element of gearing with the object of improving the capital growth of the Company's portfolio.

In order to mitigate the full impact of the investment currency requirements of U.K. exchange control regulations the Company is arranging foreign currency borrowings of approximately £16.5 million which will be invested in Europe. As security for these borrowings, £16.5 million will be invested in sterling term deposits and fixed interest securities. The balance of approximately £3 million, raised by the issue, will primarily be invested in North American companies.

The income required to pay the expenses of the Company and to service the foreign currency borrowings will allow the Company only to pay a small dividend initially. However, the Directors believe that the Company's income should grow as the investment portfolio appreciates in value thus enabling increased dividends to be paid in the future.

INVESTMENT MANAGERS

N. M. Rothschild & Sons Limited will manage the Company's portfolio. Rothschilds has wide experience in the field of portfolio investment through the management of substantial funds on behalf of investment and unit trusts, corporate pension funds, individuals and settlements.

Since its beginnings in the early nineteenth century, Rothschilds has been closely involved with Europe. In particular it has developed a close working relationship with the European banking institutions represented on the Board of the Company. Each of these institutions manages substantial investment portfolios and their portfolio managers and analysts meet on a regular basis to exchange investment views. The Company will in consequence be able to draw on the experience of a group of European professional advisers which has been working together for many years.

Copies of the prospectus, incorporating application forms, may be obtained from the following:—

N. M. Rothschild & Sons Limited
P.O. Box No. 185,
New Court,
St. Swithin's Lane, London EC4P 4DU

Derby House,
12/16, Booth Street,
Manchester M2 4AP

4, Russell Street,
Leeds LS1 5TH

N. M. Rothschild & Sons (C.I.) Limited
Hirzel Court,
St. Peter Port, Guernsey.

L. Messel & Co.
Winchester House,
100, Old Broad Street, London EC2P 2HX

BANK LEUMI LE-ISRAEL B.M.

FIRST AND LARGEST BANK IN ISRAEL

240 BRANCHES OF THE GROUP IN ISRAEL—16 SUBSIDIARIES AND REPRESENTATIVE OFFICES THE WORLD OVER

Points from the Statement by the Chairman Dr. E. Lehmann

The 21st Annual General Meeting of the Bank, being the 70th since the establishment of the Anglo-Palestine Bank, was held in Tel-Aviv.

SEVENTIETH ANNIVERSARY

The Chairman, Dr. E. Lehmann, stated that 1971 had been a year of considerable growth and progress. The Bank enters its seventieth-anniversary year with total consolidated assets of IL13.3 billion—over £1.2 billion.

THE BANK LEUMI GROUP (consolidated figures)

	1971 IL million	Increase in 1971	£ million*
Total Assets	13,273	51%	1,240
Total Deposits	10,341	51%	996
Total Loans	4,705	29%	440
Capital Accounts	193	45%	18
Operating Earnings before income tax	84	41%	8

*Rate of exchange IL10.7=£1

NET INCOME UP 33%

Operating earnings of the Group, before tax, reached IL83.8 million (1970: IL59.4 million). Operating earnings of the Bank, before tax, reached IL56 million (1970: IL36.5 million). Net income of the Bank—after extraordinary income (expenditure) net—was IL27.9 million (1970: IL21 million)—an increase of 33%. The Board has appropriated IL10 million (1970: IL6 million) to General Reserve and IL9 million to inner reserve (1970: IL6 million) and recommends a final dividend of 8%, making a total of 15% for the year (1970: 15%). The Directors also proposed a rights issue of 1 for 4 to all existing shareholders and of 1 for every IL10 to the holders of IL25 million Convertible Capital Notes. The issue price to be determined by the Board.

AUTHORIZED CAPITAL INCREASED

An earlier Extraordinary General Meeting had resolved to increase the authorized share capital from IL100,000,000 to IL200,000,000.

CONTINUED INTERNATIONAL EXPANSION

The Group's international business has grown apace in 1971. The great increase in the Bank's foreign-currency deposits in Israel has permitted an appreciable increase in foreign-currency loans and in the business-ties with banking correspondents. The overseas banking subsidiaries, Anglo-Israel Bank in London and Cifico-Leumi Bank in Zurich and Geneva has shown satisfactory progress. First Israel Bank and Trust Company of New York shows in its third year a 69% rise in total assets to $214 million. In Paris a new subsidiary, Bank Leumi le-Israel (France) S.A. was established in partnership with Banque Rothschild S.A., Banque Louis Dreyfus & Cie, S.A. and the brothers Joseph, Marcel and Elie Nahmias. A Representative Office was opened in Hong Kong and another is shortly to be opened in Johannesburg.

ACQUISITION OF THE ARAB-ISRAEL BANK LTD. AND AGUDATH ISRAEL BANK LTD.

The rapid changes and the economic development in the Arab and Druze communities require more modern banking services. In 1971 the Bank further expanded its services to the Arab community by the acquisition of the Arab-Israel Bank Ltd. with its 18 branches in the Arab towns and villages. The Bank Leumi Group now operates 34 branches in service of the Arab communities in Israel and the Administrated Areas.
In January 1972 the Bank acquired Agudath Israel Bank Ltd. with 10 branches which have become branches of Bank Leumi.

ECONOMIC PROBLEMS AHEAD

In the second part of his address Dr. Lehmann reviewed events in 1971. The G.N.P. increased by 7%, while private consumption only rose by 4% or 1½% per capita. Public consumption remained unchanged, in real terms, mainly owing to a decrease in defence expenditure. Investment rose by 17½% as against 8% in 1970. However, the danger of inflation remained the central problem of Israel's economy in 1972 and he outlined proposals for combating it.

TOTAL CONSOLIDATED ASSETS

IL13,273,000,000
$3,152,000,000
£1,240,000,000

firmation of the trade via the wire network. All of its transactions are made under a blanket of anonymity, which has an obvious appeal to many investors.

The system, known as Instinet (for the privately-owned Institutional Network Corporation), has been operative since December, 1969. The institution that wishes to sell a large block of stock has the choice either of broadcasting its intentions or of feeding stock discreetly into the innards of the Instinet computer. A would-be buyer of the same stock either responds to the broadcast or manages to match up its bid with the offer in the computer's quiet confines. The two parties then dicker directly by tapping out messages through the system. When they have agreed on the scope and price of the transaction, they settle up through the Bank of New York, which is used by Instinet as its clearing agent. Throughout, they are known to each other only by number.

Instinet now has 46 subscribers, nearly double the number a year ago. They include a prestigious roster of leading New York, Illinois and Californian banks as well as some of the nation's largest investment and insurance companies. Two leading third-market securities firms are also Instinet members, namely Weeden of New York and J. S. Strauss of San Francisco.

Despite the impressive membership roll, the record number of shares that has changed hands through Instinet in any week has not topped ½m, compared with the total average weekly volume of 60m-70m shares on the NYSE. Its volume is therefore only about half that of two other automated systems that cater to institutional investors, namely Autex and the NYSE's own Block Automation System (BAS); brokers themselves use these two latter systems to declare their interest in buying or selling large blocks for themselves (or clients), and then consummate the deals through normal trading channels. Critics of Instinet (including the by-passed brokers most of all) contend that it has now outlived its usefulness. Its subscribers are charged about 30-35% of the old fixed commissions—but about the same as institutions may now expect to pay under the new regime of negotiated rates. From April 24th brokers must negotiate on orders over $300,000, instead of over $500,000 as before. But Instinet continues to thrive, despite everything that its denigrators can think of saying against it, and it now expects to have 70 subscribers by end-1972.

Wall Street

The Nixon effect

New York

A Wall Street phenomenon of recent years was tested again this week: the nice theory that stock prices usually go up in advance of a nationwide address by President Nixon, but tend to decline on the first opportunity after he has spoken. If, this time, the reactions were not as marked as usual, that is a hopeful sign that the Street may be learning to get its priorities right.

True to form, prices, which had been spinning down, stabilised on Wednesday to 946.9 on the Dow Jones before Mr Nixon took to the air at 10 o'clock that night to talk about Vietnam. The trading volume on the New York stock exchange expanded to 17.7m. The firming action was all the more welcome because it came after the Dow had suffered a loss of 17 points in the first two days of the week. That sudden change in tone had been attributed in part to investors' visible concern over reports of North Vietnamese military successes and in part to a widely publicised assertion by the Price Commission that it would require price rollbacks by some companies which had violated incomes policy guidelines. Mr Nixon's television talk, in which he pledged further troop withdrawals, serious resumption of the Paris peace talks but continued bombing of the north until the invasion halts, apparently did not affect the market all that much on Thursday: in the first hours of trading the index moved up a point or so to 948, but lost some of that later.

If the Street manages to focus again on the economy, it should like the steady flow of statistics from Washington, all telling happily of economic expansion.

Wednesday brought news of a further advance, for March, in the leading economic indicators. There seems no end to the reports of favourable March quarter corporate earnings. **Eastern Airlines**, for one, reported record earnings of $12.3m or 70 cents a share, compared with a deficit of $2.7m in the first quarter of 1971. The big winner was **Polaroid**, whose shares jumped $7¼ to close at $131 on Wednesday, following the company's announcement of a new system of instant colour photography. **Eastman Kodak** also was stronger after it announced that it would be making film for Polaroid cameras.

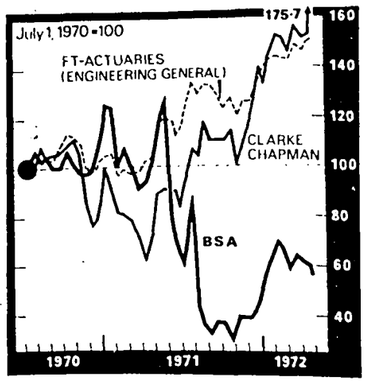
London market

Gathering force

The market has been testing higher levels, finding them good, taking profits, and then waiting for the next move up. It came on Thursday when the Financial Times industrial share index scored a new record, closing at 533.3.

There is nothing so nasty as a prices board in Britain yet. Instead, there is that pleasant feeling of being fed by a growing money supply, unquenched demand for equities by the institutions, a run of good profits results (British Printing Corporation, for instance, has just reported a pre-tax profit of £1.5m in 1971, compared with a loss of £2.4m last time) and a few plummy takeover rumours. The big takeover around, however, the one by **Grand Metropolitan Hotels** for **Watney Mann**, could very well be referred to the Monopolies Commission. On Thursday Watney Mann came out with its defence, which rests on an optimistic profits forecast of a rise of 27%.

Engineering has again been in the company news. **Clarke Chapman**, at the heavy boiler end, is now looking cheap on a p/e of 12 at 124p. But the **Birmingham Small Arms** company reported a half-year loss of £1.7m. The good news there is that last time round the loss was £2.9m and at this rate the company will eventually be back in the black. The board is not very confident, however, of that happening this year, for which the miners are accorded some of the blame; it is during the January to March period that the company works flat out making motorbikes to sell in the United States in the spring (two-thirds of sales go there). It is a pity that the company is not making the type of bikes that are selling best—the heavy 1,000 cc ones. The BSA range stops at 750 cc.





A good spec

Whisky galore

Scotch whisky sales are booming the world over. The latest figures out this week showed that exports to the three top markets are racing ahead : 46% higher than a year ago in the United States and around 90% up in France and Germany.

How can the private investor cash in on this boom directly ? According to the Warden Walker Worldwide Investment Company, if you invest in raw Scotch you can double your money in four years. After whisky is distilled, it is stored in bonded warehouses for three or four years while it matures. The idea is for the private investor to buy the whisky cheaply from a distillery, then sell it for a handsome capital gain later, after it has matured.

Warden Walker claims that investors who did this every year for the past 24 years would have averaged an annual profit of 34%. Neither stocks, shares nor property could match this. Many traditional Scotch brokers, who mainly act for the trade, are sceptical of these claims. They admit that vast capital gains are possible ; sometimes they have been as high as 400% within four years. But they point out that in some years, notably in 1964 and 1965, prices fell sharply. They also point out that holding and insurance costs mean that whisky prices must rise by about 20% over four years if the investor is just to break even. Any profit is treated as income, and is subject to income tax not capital gains tax. But even if you fail to make money on the whisky you can always drink it.

Funds

Rules for the game

A set of guideline rules for unit trusts, investment trusts and the like has now been approved by the council of the Organisation for Economic Co-operation and Development, and will be published in a few months. The council recommends member countries to review their existing fund legislation and to take the standard rules into account when making new laws—and to ensure that when foreign funds apply to sell in member countries they also follow the agreed rules. A body of rules agreed (with reservations) by Europe, the United States and Japan should help the internationalisation of the equities fund movement.

The 33 rules were drawn up by an OECD financial markets subcommittee which got to work after the IOS fiasco. They refer to " institutions for collective investment in equities," and among the more important points are :

- Funds should have prospectuses, approved by a supervisory authority, which state the general investment aims of the fund (eg, maximum capital growth) and broadly how these are to be achieved. The prospectuses should also give statistics of the size, performance and management expenses of the funds over the past three to five years.
- Every year the fund will have to publish a detailed list of securities held—as well as the fund's accounts and a statement on the growth of net asset values.
- The amount that funds can invest in any one company is limited —and not more than 15% of the assets can be in other funds.

Parts of these requirements would necessitate a slight change in British practice and legislation. But few of the others will cause any problems. Control over unit trusts is far advanced in Britain, and has been enhanced now that the industry's self-regulatory body, the Association of Unit Trust Managers, has attracted the M&G Group into its fold. The association looks as though it will be taking a tougher line in future. It now has power to call for financial information from its members.

Despite all these virtues, tax and foreign exchange considerations make the prospect of selling British unit trusts to European customers remote. Save and Prosper, the group with about a third of the British trust market, has decided to carve out lebensraum on the continent peacefully through alliances with native institutions. It has linked with no fewer than five local banks and an insurance company to form a Luxemburg-based management company, Interselex, to sell in the Benelux countries. Two funds were launched this week. They will, avoiding the current fad of all-Europe trusts (like Rothschild's new, well-connected one), invest internationally—under the guidance of Ivory and Sime, star advisers to the Save and Prosper group. Perhaps their efforts will warm stern European officialdom to British fund management. Save and Prosper spent two years setting the venture up.

Japanese market

Be car full

Tokyo

The Tokyo stock market has recently seen some profit-taking, after a dramatic rise in the first three months of the year. But the index was inching up again this week. It closed at 244.91 on Wednesday, not far below its record 250.13. Nothing can hold Tokyo stocks down, it seems, in this period of abundant internal money supply.

But will the favourites of the bull market, such as motor stocks, hold their ground ? **Toyota** and **Nissan**, the two car industry leaders, are still near to their record levels, closing on Wednesday at Y600 and Y480 respectively. Even they have been outshone by **Toyo Kogyo**, the rotary engine maker, now Y459 from a low in 1971 of Y140, on an ambitious p/e of 30. Motor stocks have been bid up partly because of booming exports. That boom has aroused opposition in America and Europe, and it will not be at all surprising if Japan's still unwilling motor chiefs have to restrain export increases in future, perhaps by voluntary controls. With Toyo Kogyo, the worries go deeper. Nobody denies the technological brilliance of its plant at Hiroshima, but everybody says that its marketing power is no match for that of its two bigger rivals. Its answer has been to put all its eggs in the rotary engine basket, developing the Wankel-licensed invention to a point of excellence in the last decade. The trouble is that, with its limited sales ability, it is being compelled to sell rotary engines for installation in cars made by another company—Toyota. And the profit on engine sales is small.

All Japanese export stocks—the big electricals like **Matsushita** as well as auto shares—were hit sharply, but briefly, by the Nixon shock of last August. One reason why they have recovered since is that Japan's export trade continues to boom, and its balance of payments continues in unmaintainable surplus. This will have to be corrected eventually, by another upvaluation of the yen or other means. On the whole, stocks of Japanese companies that sell in the Japanese home market seem a mainly better bet than the auto-makers.

Key indicators: world bourses

	Stock price indices Apr 26	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London	529.1	532.3	470.4	+ 0.8	+ 3.8	+42.0	− 0.6
New York	946.9	968.9	889.2	− 1.9	+ 1.1	− 0.4	− 4.9
Canada	204.9	210.4	187.5	− 0.5	+ 0.3	+11.2	− 2.6
Australia	569.5	584.9	490.1	+ 1.0	− 0.2	+13.6	−14.2
Japan	244.9	250.1	199.9	+ 0.2	+ 5.6	+33.2	− 2.1
H'kong	384.7	388.9	324.0	+ 1.0	+ 9.0	+72.0	− 5.3
Belgium	109.2	110.7	96.9	− 0.6	+ 0.6	+ 9.7	− 1.4
France	80.0	82.2	67.6	− 1.0	+ 4.0	+ 5.5	− 7.1
Germany	111.4	116.5	97.1	− 2.3	− 2.3	+ 4.5	−20.6
Holland	127.6	131.7	105.4	− 1.5	+ 0.4	+ 1.9	− 4.6
Italy	48.6	49.7	43.9	+ 2.3	+ 9.0	−10.5	−58.3
Sweden	347.5	350.9	308.7	+ 1.1	+ 3.3	+31.9	− 7.5

After a sharp rally London took a breather on Wednesday, only to go on to a new all-time record on Thursday. Wall Street overhung by Vietnam and Germany by politics.

Stock prices and yields are on pages 117 and 118

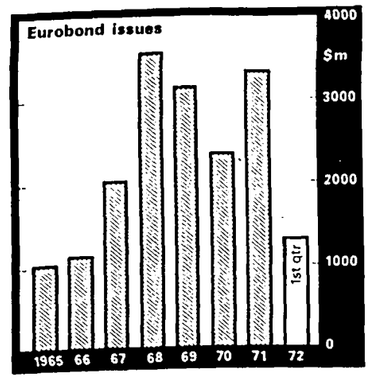
Eurobond market

Bigger—and better

Geneva

There are a lot of international bankers around nowadays. Some 450 of those active in the Eurobond market descended on Geneva last week for the third meeting of the Association of International Bond Dealers. One reason why there are so many is that the volume of trading in Eurobonds appears to be at least twice as large as anyone thought. It is now known that the market's two clearing systems are handling between them transactions worth upwards of $80m a day. Most market professionals had previously accepted $30m as the daily trading volume. Even if one knocks something off for the double counting from trades handled on both Morgan Guaranty's Euroclear and Luxemburg's Cedel, it is a substantial difference.

This removes one of the old anxieties about the Eurobond market :



that although the volume of new issues was large (see the chart), once they had been placed the secondary market did not really provide the liquidity for substantial dealings in them thereafter. Extrapolating very roughly from the newly released figures, it looks as though the annual turnover of the secondary market is something around $2 billion, which is a lot in anyone's currency. The AIBD wants to behave responsibly, and is talking about regularising the flow of new issues, at present totally unco-ordinated, to remove the frequent indigestion in the secondary market that happens when a rush of new issues looking for homes suddenly floods the telexes.

Farmland investment

Head for the hills

The rural property boom has as much steam behind it as the urban one—but the legal complications of getting investment benefit from it are much greater. After a long sort-out with solicitors, **Matthews Wrightson Holdings** has produced a farmland investment scheme hedged with more than just privet. A cool £25,000 (plus a 4% management charge) for a share in a group scheme or a "six-figure investment" (for a farm upwards of 500 acres) bring the investor the capital appreciation and the estate duty advantages of agricultural land ownership without seed and harvest-time worries. Estate duty relief amounts to 45% of the whole agricultural value of the land. The actual farming operation is carried out by another branch of Matthews Wrightson, Fountain Farming, which replaces the local farmer and his tractor by a manager with the support of all the latest mechanised equipment and horticultural knowhow.

The perks of the scheme are long-term, and the annual rent, amounting to 2½% of the initial investment before taxes and a ¼% management charge, is only nominal. But the type of land being acquired for the plan has appreciated fivefold over the past 20 years, and there is no reversal of the trend in sight.

Toys

Back to those good old days ?

The toymakers are happy again. In the Christmas bonanza sales shot up by 20%, and another 10% rise is predicted for this year. Add to this an average price rise in January of around 10% and the prospective profits are attracting attention back to the play-group.

Dunbee-Combex-Marx clocked up an 80% rise in pre-tax profits to £547,000, and yesterday's superstar, **Lesney Products,** weighed in with a £¾m profit against last year's £1.2m loss. Dunbee (on a p/e of 21 at 252p), along with **Airfix Industries** (p/e of 18 at 120p) and **Barclay Securities** (p/e of 26 at 245p), is now reaping the profits from the pieces picked up after the Lines Brothers crash. But the share prices of this trio are perhaps high enough.

Lesney is probably the most highly geared company in Britain ; above break-even point nearly all revenue goes through to profit since the marginal cost of producing a Matchbox car is negligible. That is why the share price is so shaky. The best guess is that Lesney will make £1¼m next year, which would put the shares, at 51p, on a prospective p/e of 18. But that forecast could be wrong by £1m either way. With optimism overflowing in the bull market, the shares could shoot up again. But widows and orphans should sell.

Now is the time to sell **Mettoy,** ahead of results due shortly, which may show another bad loss. It has not recovered like Lesney, although it has had the same problems with diecast cars. It also has liquidity problems.

Institutional investors steer clear of toy companies because most are relatively small. As a result there is less professional analysis than in other sectors, and this gives the small private investor an ideal opportunity to pick out tiddlers on low p/e ratios. **Rosedale Industries, Berwick Timpo, Cowan de Groot** and **J. W. Spear** are all on prospective p/e ratios of under 10. All look good.

COMPANY STATEMENT

SEARS HOLDINGS LIMITED

Principal Activities

Footwear—Dolcis: Saxone: Lilley & Skinner: Freeman, Hardy & Willis: True-Form: Manfield: Curtess
Departmental stores—Selfridges: Miss Selfridge: Lewis's: Robinson & Cleaver
Engineering—Bentley Knitting Machinery Group: Pegson: Alexander Findlay
Motor distribution—SMT Sales & Service: Shaw & Kilburn
Licenced betting offices—William Hill
Jewellery & Silverware—Mappin & Webb: Garrards
USA—Sears Industries Inc.—Consolidated Laundries: Highlander Knitwear

PRELIMINARY RESULTS (subject to final audit)

	1971/72	1970/71
SALES	£324m	£296m
TRADING PROFITS	£'000s	£'000s
Footwear	17,467	15,030
Departmental stores	5,823	6,166
Engineering	9,915	7,333
Motor vehicle sales and service	1,325	779
Jewellery and miscellaneous	499	683
Sears Industries Inc. (USA)	2,835	2,783
	37,864	32,774
INTEREST	(5,475)	(5,480)
PROFITS BEFORE TAXATION	32,389	27,294
TAXATION THEREON	(14,001)	(12,108)
PROFITS AFTER TAXATION	18,388	15,186
Minority shareholders' interests	(1,223)	(1,230)
PROFITS FOR THE YEAR ATTRIBUTABLE TO SEARS HOLDINGS LIMITED	17,165	13,956
Preference dividends (gross)	(225)	(225)
ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	16,940	13,731
PROPOSED ORDINARY DIVIDENDS (GROSS)	(8,746)	(7,289)
Taxation adjustments relating to prior years	437	1,029
ADDED TO RETAINED PROFITS	8,631	7,471
Earnings per share	9.7p	7.9p

The above figures do not include anything in respect of the trading results of William Hill Organization Limited, which became a subsidiary company with effect from December 29, 1971.

DIVIDEND

The Directors recommend a dividend of 5p per share (20%), less income tax, on the Ordinary and 'A' Ordinary shares in respect of the year ended January 31, 1972. (1970/71—Equivalent to 4⅛p per share (16½%) on capital as increased by the scrip issue in June 1971 of one 'A' Ordinary share for every two Ordinary or 'A' Ordinary shares.)

SCRIP ISSUE

The Directors also recommend a scrip issue of one fully paid 'A' Ordinary share for every four Ordinary or 'A' Ordinary shares held on May 19, 1972.

PROSPECTS

Trading for the current financial year to date is satisfactory. It will also have the benefit of a full year's profits from the William Hill Organization, which, for that group as constituted at the time of acquisition, were approximately £2.5m for the preceding 12 months. After charging interest (including interest on the 7½% Convertible Loan Stock issued in respect of the acquisition of William Hill Organization) it is hoped that, in the absence of unforeseen circumstances, Sears group profits before taxation for 1972/73 will reach £40m. On this basis the Board would intend to recommend a dividend of 5p per share on the capital as enlarged by the scrip issue, being an effective increase in the dividend of one-fourth.

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Telephone: 01-930 5155

DIVIDEND NOTICE

ROYAL DUTCH PETROLEUM COMPANY
(N. V. Koninklijke Nederlandsche Petroleum Maatschappij)
Established at the Hague, The Netherlands.

FINAL DIVIDEND 1971

With reference to the announcement dated 21st April 1972 regarding the FINAL DIVIDEND for the year 1971 on the shares of N.Fls.20 registered in the U.K. Section of the Amsterdam Register, Royal Dutch Petroleum Company announce that the rate of exchange fixed for the payment of the dividend is N.Fls. 8·40650 = £1. The gross amount of the dividend will be 44·608p per share and the amount of the 25% Netherlands Dividend Tax will be 11·152p per share: the net amount payable will therefore be 33·456p per share.

25th April, 1972 ROYAL DUTCH PETROLEUM COMPANY

COMPANY STATEMENT

BARTON & SONS LTD.

PROFITS EXCEED £1.5 MILLION

TURNOVER	16,861,477
GROUP PROFIT	1,563,218 UP 6%
EARNINGS PER ORDINARY STOCK UNIT	8.4p UP 10%
DIVIDENDS PER UNIT	4.0p UP 7%

PROSPECTS
When the upturn does come we have much potential capacity available.

Copies of Accounts from:
Secretary, Marriott Road, Netherton, Dudley, Worcs.

TENDER

PREQUALIFICATION ANNOUNCEMENT

for the construction of the KATE buildings in Athens, Thessaloniki, Patras, Larissa and Heraklion

The Ministry of National Education and Religion intends to invite sealed tenders from building contractors from all member countries of the IBRD and Switzerland for the construction of five (5) Higher Technical Education Centres (KATE) in Greece.

The location and pre-estimated total construction cost per KATE are as follows:

Athens	70,000,000 Drachmas
Thessaloniki	90,000,000 Drachmas
Patras	50,000,000 Drachmas
Larissa	65,000,000 Drachmas
Heraklion	65,000,000 Drachmas

In order to proceed with the prequalification of building contractors, interested parties are invited to submit until 10th May 1972 to the Ministry of National Education and Religion—KATE Project Unit, 15 Mitropoleos Street, Athens, Greece, the necessary statements of intent, according to the written instructions obtainable from the above address.

The Project will be implemented according to the Greek laws. The cost of the project is partly covered by the proceeds of a loan agreed between the Hellenic State and the IBRD ratified by the Law No. 860/71.

Statements of intent could be made for one or more KATEs.

GER FRAGATOS
Minister of National Education and Religion

APPOINTMENTS

E·I·U

FINANCIAL ECONOMISTS

To undertake work in relation to acquisition studies, property studies, analysis of returns on different types of investment, and of financial movements and organisation. Practical experience in one or more of these fields essential and a background in economics desirable. Knowledge of languages an asset. Age 25-30.

Apply with details of experience and current salary to:

The Director
Development and Planning Division
THE ECONOMIST INTELLIGENCE UNIT LTD
Spencer House
27 St James's Place
London, SW1A 1NT

APPOINTMENTS

BRUNEL UNIVERSITY

DEPARTMENT OF ECONOMICS

RESEARCHER

The Department is one of several participating in a forecasting programme for an official agency enquiring into trends over the next five years in the building and civil engineering industry in the North and North West Planning Regions.

A young economist with a good first degree who wants to develop research experience and who is capable of statistical computation would be interested in joining this project. (An interest in Regional Economics would be advantageous). The person appointed would work to a programme involving collection, computation and assessment of data, some interviewing and the preparation of reports. This would take approximately half of the year's work, based at the University, which is situated near London, on the Metropolitan and Piccadilly Underground lines. The balance of the time would be spent in preparing for a higher degree, for which the forecast would provide the core of the dissertation. The whole programme is for 12 months, and it is hoped to begin as soon as possible, but not later than June 1972. Remuneration will be in the range £800 to £1,000 (plus expenses).

Please write for further details to Gavin Kennedy, Department of Economics, Brunel University, Uxbridge, Middlesex (or telephone Uxbridge 37188, extension 267).

Uppingham School

Master to teach ECONOMICS at the A level, preferably with some English. A player of games will be well received. Apply for details to Headmaster's Secretary, Uppingham School, Rutland, LE15 9QE.

New Zealand

University of Canterbury

CHRISTCHURCH

Applications are invited for the following positions :

SENIOR LECTURER OR LECTURER IN POLITICAL SCIENCE :

Applications are particularly invited from persons whose qualifications are in the fields of Empirical Political Theory and Methods.

Applications close on *16 June 1972.*

The salary for Lecturers is on a scale from $NZ5589 to $NZ7149 per annum and for Senior Lecturers $NZ7278 to $NZ8579 (bar) $NZ8839 to $NZ9358 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

University of Malaya

FACULTY OF ECONOMICS AND ADMINISTRATION

Chair in Analytical Economics

Applications are invited for the above-mentioned Chair.

There are no Departments in the Faculty and the programme of teaching is organised on an integrated basis among seven divisions : Accounting Division, Analytical Economics Division, Applied Economics Division, Business Administration Division, Public Administration Division, Rural Development Division and Statistics Division.

The Professor of Analytical Economics will be expected to organize courses in the field of Micro Economics at intermediate and advanced levels. Candidates should have high academic qualifications and wide experience in teaching and research. Candidates would be expected to have a grounding in mathematical bases of theoretical economics and be competent to do research in this field. Candidates would be expected to have at least ten years of teaching experience. Qualifications in mathematics would be an added advantage. Subject to academic suitability and experience, preference will be given to candidates competent in Bahasa Malaysia (Malay).

Emoluments : (approximate sterling equivalents at current exchange rates are :

(a) *Salary* : There is a range of basic salaries, to a point on which a Professor is appointed, depending on his qualifications and experience. These are : £2919, £3032, £3146, £3259, £3373, £3486, £3600, £3713 p.a.

(b) In addition a *Variable Allowance* is payable at present at the following rates : Minimum £243, maximum £649 p.a. calculated at 35% of basic salary.

(c) *Supplementary Housing Allowance* of £503 p.a.

Appointment may be made on a short-term contract at a salary higher than those indicated above.

Medical Benefits are provided under the Medical Services Scheme for the University.

Further particulars, details of superannuation and application forms are obtainable from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

The closing date for the receipt of applications in Kuala Lumpur and London is *20 May 1972.*

Chief Economist

Hunting Technical Services, consultants in land and water resource development in developing countries overseas, invite applications from economists for a senior post based at their head office in Borehamwood, Herts.

The successful applicant will be in an overall supervisory position planning and controlling the work of economists on the company's overseas planning studies. Although the post is home-based, considerable overseas travel is likely, mainly in short spells.

Salary by negotiation Generous allowances and additional leave for overseas tours.

Write to the Personnel Manager,
Hunting Surveys & Consultants Ltd.,
Elstree Way,
Borehamwood, Herts

The University of Manchester

Department of Economics

Inflation : Its Causes, Consequences and Cures.
An S.S.R.C. Research Programme.

Applications invited for the post of COMPUTER PROGRAMMER to work with a team of economists and econometricians studying the causes and cures of inflation. Applicants should have experience of scientific computing using FORTRAN and ALGOL and should have a degree or diploma with a substantial mathematical or statistical component. A knowledge of, or interest in, economics would be very useful. Salary range p.a. : £1374-£1860

Further particulars and application forms, returnable by May 10th, from the Registrar, The University, Manchester, M13 9PL. Quote ref : 64/72/E.

Heriot-Watt University

DEPARTMENT OF ECONOMICS

Lecturer in Economic and Social History or Social Economics

Applications are invited for a Lectureship in Modern Economic and Social History or Social Economics. It is hoped that the person appointed will assume primary responsibility for developing a course in the growth of government involvement in social and economic policy in Britain in the 20th century.

Salary will be on the scale £1,641 to £3,999 per annum F.S.S.U.

Further particulars and application form may be obtained from the Secretary, Heriot-Watt University, Chambers Street, Edinburgh, EH1 1HX, with whom applications should be lodged not later than 20th May, 1972. Please quote reference 32/1/3045

University of Sydney

Lectureships in Economics

For two of the appointments preference will be given to candidates specialising in either quantitative economics or microeconomics, including industry or managerial studies.

Salary range : $A6,697-$9,286 p.a.

Applications, including curriculum vitae, list of publications and names of three referees, by *26 May 1972*, to the Registrar, University of Sydney, N.S.W. Australia 2006.

Information about conditions of appointment and application procedure available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

University of York

Department of Economics and Related Studies

READER OR SENIOR LECTURER IN ECONOMICS

Applications are invited for the post of Reader or Senior Lecturer in Economics from 1 October 1972. No particular special field is asked for but the successful candidate will be expected to have experience in graduate teaching.

Salary scale £3,852-£4,734 with FSSU.

Six copies of applications (one only from overseas candidates) naming three referees, should be sent by 12 May to the Registrar, University of York, Heslington, York, YO1 5DD, from whom further details may be obtained. Please quote reference no. 12/2001.

University of Dundee

Department of Accountancy

Applications are invited for a Research Fellowship financed by THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES. The successful candidate will work under the supervision of Professor R. H. Parker of the University of Dundee but spend most of his time in London. The post is tenable for one year from 1 October 1972. The Fellow will work on a project on company financial reporting in the E.E.C. He should preferably have a United Kingdom accountancy qualification and a knowledge of French and/or German. Salary will be in the range £2,082 to £2,970. F.S.S.U.

Applications, mentioning the names of three referees, should be addressed to The Secretary, University of Dundee, Dundee DD1 4HN, from whom further particulars may be obtained, to reach him by 15 May or as soon thereafter as possible.

APPOINTMENTS

The Institute of Social Studies,
The Hague
has a vacancy for a

METROPOLITAN PHYSICAL PLANNER

Applications are invited from physical planners with wide experience in the planning of metropolitan areas in developing countries.

Candidates should be able and willing to work full-time in an interdisciplinary team charged with implementing a post-graduate teaching programme in Regional Development Planning. Candidates should furthermore be prepared to undertake responsibility for preparing and implementing an advanced specialization in regional metropolitan planning.

All courses are conducted in English.

Employment will be for the initial period of one year.

The appointment, dependent on qualifications and experience, can be up to the rank of visiting professor. Salary according to qualifications.

Applicants are invited to send their curriculum vitae to the Secretary of the appointments and Promotions Committee of the Institute of Social Studies, Molenstraat 27, The Hague, Netherlands, before May 15, 1972.

COUNTY BOROUGH OF BRIGHTON

Required for September 1972 :

Lecturers

1. Management Systems Theory & Practice
2. Business Systems Theory & Practice
3. Sociology

Candidates will be required to lecture to BA degree and Postgraduate Management courses.

Applicants for posts 1 and 2 must have experience in quantitative methods and relevant experience of computer applications and model building.

Salary Scales :
Lecturer I £1500-£2525 + 2 increments of £81 for good hon. degree
Lecturer II £2355-£2083

Particulars and application form, returnable by 16th May, 1972, from Bursar (S 5/4), Brighton Polytechnic, Moulsecoomb, Brighton, BN2 4GJ.

Please *specify* post concerned by number.

Brighton Polytechnic

Director G. R. Hall, BSc, CEng, FRIC, FInstF.

COMPUTER MANAGER

Applications are invited from suitably qualified persons to fill the above post with a large organisation in Kenya. The present equipment comprises I.B.M. 360/30s.

In addition to being responsible for the efficient administration and functioning of the computer division, he will prepare overall plans and budgets for the division and promote the application of techniques and systems by user departments. Hardheadedness in assessing costs and benefits of present and future operations will be an essential characteristic.

The appointment will interest a mature computer professional, aged at least 30 years, but preference will be given to those who are 35 years of age and above and who have had several years' experience in line management of a similar installation, preferably in or associated with the aviation industry.

A four-year contract with very generous fringe and terminal benefits is contemplated for expatriate personnel. The basic salary attached to the post will be £3,500 per annum plus all applicable allowances. Expatriates will, in addition to all other allowances, be eligible for £1,000 per annum non-pensionable overseas addition and admissible perquisites.

Applications should be addressed to Voucher No 2439, Economist, before May 19, 1972.

A S C O

ECONOMIST/PLANNER

ZAMBIA

U.S. $1,400

2 years contract. Free passage to and from Lusaka extended to the family. Free housing and medical benefits. 35-45 years of age. English mother language. To work in collaboration with our Town Planning and Civil Engineering section on Regional and Town Planning and/or Transportation studies.

Interested candidates should write, giving full details of qualifications, age, experience, nationality and marital status, to :

ASCO ZAMBIA, P.O. BOX 1340, LUSAKA, ZAMBIA, OR C.C. (ITALASCO VIALE REGINA MARGHERITA 279 00198 ROMA).

APPOINTMENTS

The University of Manchester

APPLICATIONS ARE INVITED FROM GRADUATES FOR

Research Studentships

in the Faculties of ARTS and ECONOMIC SOCIAL STUDIES. Values as for state studentships, renewable after first year. Particulars and application forms from the Registrar, The University, Manchester, M13 9PL. Quote ref : 54/12/E and name of Faculty in which award is to be held. Closing date June 1st, but later applications may be considered from those who have had to await degree results.

University of Strathclyde

Department of Economics
Lectureships

Applications are invited from suitably qualified candidates for two Lectureships in the Department of Economics.

Salary scale £1,641-£3,999 per annum with F.S.S.U.

Application forms and further particulars (quoting 19/72) may be obtained from the Registrar, University of Strathclyde, George Street, Glasgow, G1 1XW with whom applications should be lodged by 15th May, 1972.

Ulster College

NORTHERN IRELAND POLYTECHNIC

SENIOR LECTURER in BUSINESS ORGANISATION
£3,131-£3,495 (to be confirmed)

SENIOR LECTURER in MANAGEMENT STUDIES
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Closing date for receipt of applications Friday 12 May.

More information and application forms are available from :

The Establishment Officer, Ulster College, The Northern Ireland Polytechnic, Jordanstown, Newtownabbey, Co. Antrim.

University of Southampton

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Postgraduate instructional courses leading to a Master's degree, a University diploma, or, in some cases, to a certificate, are also offered as follows :

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Social Sciences	Economics & Econometrics (incl. OR) Financial Managerial Controls, International Studies, Social Administration, Applied Social Studies, Education Psychology.
Law	Maritime Law, Public Law & Planning Law.
Science	Photochemistry, Electronics, Mathematics, Statistics, Computation, Oceanography, Cryogenics, Biochemical Pharmacology.
Engineering and Applied Science	High Temperature Gas Dynamics, Rotorcraft & V/Stol Transport Systems, Advanced Structural Engineering, Foundation Engineering, Irrigation Engineering, Transportation Planning & Engineering, Microelectronics, Audiology, Environmental Aspects of Automotive Engine Design, Sound & Vibration Studies (various options)

For further details of courses and research facilities and for the booklet *Postgraduate Entry* please write to the Academic Registrar, The University, Southampton SO9 5NH stating the field of interest.

South Hampstead High School, 3 Maresfield Gardens LONDON, N.W.3. Economics Graduate, man or woman, wanted part-time for September to teach up to 'A' level and University entrance. Apply in writing to Headmistress.

The University of Lancaster

Applications are invited for the post of Lecturer in Economics.

Candidates should be interested in teaching principles or micro economics at first and second year level. Principal research and teaching specialisms for this post should be at least one, and preferably more than one, of the following : social economics, Marxian economics, industrial organisation and public policy, or public finance.

Further particulars may be obtained (quoting reference L.662/B) from the Deputy Secretary and Establishment Officer, University House, Ballrigg, Lancaster, to whom applications (five copies) naming three referees, should be sent not later than 10 May 1972.

University of Aberdeen

Research Fellow and Research Assistant in Political Economy

Applications are invited for above TWO posts for work on a study of the regional impact of defence expenditure in the UK which is being undertaken in the Department of Political Economy. The project is financed by the Social Science Research Council (SSRC). The appointments are for two years from 1st October 1972. Candidates for both posts should have a good honours degree in Economics, and preferably have specialised in regional economics. For the Research Fellowship a higher degree or relevant teaching/research experience is required.

Salary : Research Fellow within range £1641-£2082.

Research Assistant £1200 per annum with Superannuation (F.S.S.U.)

Further particulars from The Secretary, The University, Aberdeen with whom applications (2 copies) stating age, qualifications and experience, and names of two referees should be lodged by 15th May 1972.

The University of Leeds

Institute of Transport Studies

Applications are invited for :
1 a post of ASSISTANT DIRECTOR OF RESEARCH in the Institute for Transport Studies to co-ordinate the research of a multidisciplinary research group in Transportation Planning jointly directed by Professor K. M. Gwilliam (Transport Economics), Professor C. A. O'Flaherty (Transportation Engineer) and Professor A. G. Wilson (Urban and Regional Geography). Candidates must have a wide experience in urban transport planning.

2 a number of posts within a research group in the Institute for Transport Studies of RESEARCH FELLOW, RESEARCH OFFICER and RESEARCH ASSISTANT. Candidates should possess qualifications and/or experience in economics, mathematics, transportation engineering, or urban geography.

Starting salaries will depend on age, qualifications and experience, within the following ranges :

Assistant Director of Research £3852-£4734. Research Fellow £1641-£3999. Research Officer £1641-£2676. Research Assistant £1212-£1542.

Informal enquiries may be made to Professor Gwilliam, Director of the Institute. Forms of application and further particulars of the posts can be obtained by writing to the Registrar, The University, Leeds LS2 9JT, quoting reference number 68/5/I. Applications should be returned to the Registrar not later than 22nd May, 1972.

University College London

SCHOOL OF ENVIRONMENTAL STUDIES
DEVELOPMENT PLANNING UNIT

Research in Planned Urban Growth

Applications are invited for three Research Assistants or Research Fellows, to work under the direction of Professor O. H. Koenigsberger. Appointments will be for two years and will include eighteen months of field work in Africa. Priority will be given to candidates with the following qualifications : (1) An Urban Economist with experience of or interest in developing countries ; (2) An Urban Planner with experience in developing countries and knowledge of modern analytical techniques ; (3) An Urban Sociologist with experience of or interest in developing countries. Salary Scale : £2316 to £2970 plus £162 London Allowance. Starting pay according to age and experience. Applications before May 15th to the Secretary, Development Planning Unit, School of Environmental Studies, University College London (TE 291), 10/11, Percy Street, London W.1.

APPOINTMENTS WANTED

MULTILINGUAL EXECUTIVE

with background experience in corporate planning, new business development and financial control. Currently senior economist with large Canadian corporation. Desires challenging management position with a multinational company. Available for interviews in U.K. or Continent July 10-17. P.O. Box 1281, Station B, Montreal, Quebec, Canada.

FRENCH LAWYER (female) seeks position in Bank or Industry.

Four years' Legal practice in bank in Paris—2 year post-graduate course—French, International, Maritime, Public, Civil and European Law. Permanent resident in London (married to an Englishman). Please write to Box No. 2441.

Senior overseas civil servant seeks post as economic/financial consultant to large firm or finance house undertaking investment in developing tropical countries. Would prefer residence overseas with travel to UK.

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For further announcements see pages 5, 108 to 112

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Europa Hotel, Grosvenor Square, London, W.1.

'BUSINESS CONFIDENCE AND THE UNCERTAIN ECONOMIC FUTURE'

The uncertainties facing the British economy over growth, taxation, prices and incomes, the EEC and international monetary problems will be discussed by leading authorities.

Chairman: Douglas Hague, Professor of Managerial Economics, Manchester Business School.

Speakers will include:

Campbell Adamson,	Director General of the Confederation of British Industry.
Sir Frederick Catherwood,	Managing Director, John Laing & Son Ltd.
Peter Jay,	Economics Editor, *The Times*.
Alan Prest,	Professor of Economics with special reference to the Economics of the Public Sector, London School of Economics.

Details from Miss Rosemary Weston
Manchester Business School, Booth Street West, Manchester M15 6PB Tel: (061) 273 8228.

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Crus Bourgeois are first class investments for future drinking. E. Penning Rowsell confirms this in the Financial Times, 28th March and names the leading Châteaux. **Wines of the 1971 vintage, very limited in quantity but of excellent quality, can still be secured now at the Châteaux at "Premiere Tranche" prices, by far the most favourable time to buy in time of fast escalating demand, rising prices, and the now imminent V.A.T.** Apart from many Crus Classés we offer these leading Crus Bourgeois—tomorrow's famous names :

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Louis Turner,
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BUSINESS

Associates Wanted : U.S. attorney—Merger-acquisition specialist seeks to establish relationships with European COUNTERPARTS (i.e. attorneys, chartered accountants, merchant bankers, merger brokers etc) having clients interested in acquiring American business firms. References exchanged. Box 2440.

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Englishman, Chartered Engineer, with local contacts and recent business experience in the area, proposes establishing a business promotion office in Beirut to cover all Arab countries and Gulf States for creating and advancing prospects for British manufacturers, contractors and exporters in the field of electro-mechanical equipment. Serious enquiries to Box 2437.

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Pre-tax profits up from £22m to £28m. Earnings per share increase by 25%



"Your Board look forward with confidence to the continued progress of the Group both in the UK and overseas in 1972 and the future"

Chairman.

TRADING. The Group made further substantial progress, pre-tax profits increasing by 25·8% to £28m and after tax by 25·4% to £15m. Earnings per share at 11·59p were almost 25% up and the total dividend is increased to 7·75p (7p). The heavy capital expenditure of recent years benefited both UK and overseas trading and increasing costs were largely contained. Pre-tax return on capital employed improved from 14·7% to 16·2%.

OVERSEAS. Our overseas group with factories in 16 countries accounted, with our share of profits from Associated Companies, for 54·6% of operating profit. Total overseas profits were up by 12%—a new record.

EXPORTS. Direct exports to over 120 countries increased to £71m in value continuing the unbroken upward trend of many years.

UK CABLES GROUP accounted for 27·9% (27·8%) of total sales and 31% (19·5%) of operating profit—'a really splendid performance'.

UK METALS GROUP. Sales to outside customers accounted for 19·9% (21%) of total. Few problems in the copper field, a disappointing year in aluminium.

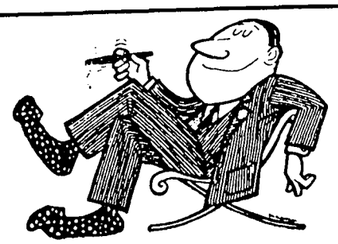
CONSTRUCTION—BALFOUR, BEATTY & CO., LTD. The Board look forward to a continuing upward trend in direct and indirect benefits from the integration of BICC and Balfour Beatty construction activities. Outstanding orders amount to some £100m—50% for overseas.

GENERAL CABLE CORPORATION. Earnings were maintained in a difficult year at 1970 level of $1·2 per share. Given the anticipated upsurge in the US economy earnings should show a substantial increase.

Copies of the full statement and the Directors' Report and Accounts may be obtained from the Secretary of the Company at P.O. Box No. 5, 21 Bloomsbury Street, London, WC1B 3QN. The 27th Annual General Meeting of British Insulated Callender's Cables Limited will be held at The Adelphi Hotel, Liverpool.

BICC

British Insulated Callender's Cables Limited constitutes the largest organisation in the world with complete facilities for research, manufacture and contracting in transmission and distribution of electric energy for power and communication purposes.



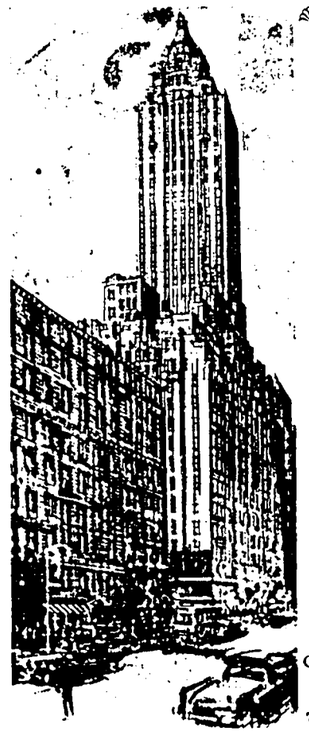
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PHOENIX
ASSURANCE COMPANY LIMITED

In total, a prosperous year

Summary of the Statement by the Chairman, Viscount De L'Isle, V.C., K.G., P.C., G.C.M.G., G.C.V.O., F.C.A., on the Directors' Report and Accounts for the year ended 31st December, 1971.

The substantial improvement in underwriting profits earned by the group in 1971 was due mainly to good results from the United States and the United Kingdom.

In total, it was a prosperous year for your company and in each of our major underwriting accounts, Fire and Accident, Marine and Aviation, and Long-term (Life) a profit was achieved.

We continued to expand our world-wide business.

In both life and non-life classes past records were broken. The net after-tax trading profit of £6,219,000 compares with £4,917,000 for the previous year.

DEVELOPMENTS WORLD-WIDE

Your company has acquired the Bradford & Pennine companies and we believe that after the reorganisation now in progress, these companies will help us to expand in a specialist field.

We have continued our policy of setting up local subsidiary companies wherever practicable to carry on our overseas business.

UNDERWRITING RESULTS—

Fire & Accident

World-wide premiums advanced by £7·5m to £95m. Australian figures have been excluded from the 1971 accounts following a change in procedures but will be included in 1972. As a consequence, the growth in premium is somewhat greater than would appear from the above figures. The improvement of underwriting experience, particularly at home and in the United States, has turned a world-wide underwriting loss of £982,000 in 1970 into a profit of £630,000.

1972
"for export achievement"

The HOME account has provided a profit of £939,000 (£530,000 in 1970) after providing for an underwriting loss on motor business. An increase of over 28% in premiums written, less reinsurances, has enabled the expense ratio to be reduced to 28·9% compared with 30·2% in 1970. In the UNITED STATES our share of the Continental pool has earned a profit of £462,000 in the fire and accident classes against a loss of £1,120,000 in 1970.

In CANADA the overall underwriting loss was £97,000 (£85,000 loss in 1970). In the GENERAL OVERSEAS sector a net loss was recorded of £674,000 (£307,000 loss in 1970).

Marine & Aviation

Marine business has continued to grow and a profit of £226,000 (£240,000 in 1970) was transferred.

Aviation premiums show a substantial increase and the account contributed £668,000 (£312,000 in 1970) to the year's profit.

Long-term Business

1971 was another year of vigorous expansion. In the United Kingdom new life sums assured increased by 44% from £210m to £302m. There was also a notable expansion in most overseas territories.

The profit on long-term business for the group after grossing up for tax amounted to £1,224,000.

PROFIT & LOSS ACCOUNT AND DIVIDEND

The group net profit amounted to £6,219,000 compared with £4,917,000 in 1970.

The directors recommend a final dividend of 5·5p per share, making a total distribution for the year of 9·5p per share, costing £3,818,000 (£3,416,000 in 1970).

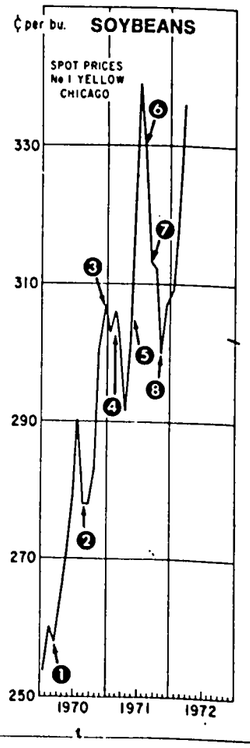
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SPOT PRICES No 1 YELLOW CHICAGO



Recommendations of:
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2. August 1970 — BUY.
3. December 1970 — lower prices first quarter 1971.
4. February 1971 — make major commitments around 287 — 290.
5. June 1971 — prices above 340 soon.
6. August 1971 — BUY late October early November.
7. September 1971 — prices at 285 undervalued.
8. November 1971 — BUY. Significantly higher prices.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds		Price, Apr. 19 1972	Price, Apr. 26 1972	Net red. yield, Apr. 26 1972§ £p	Gross red. yield, Apr. 26 1972 £p
98¹¹/₃₂	98	British Electric 3%	1968–73	98⅛	98³³/₃₂	2·695	4·490 *I*
89½	84	British Electric 3¼%	1976–79	84½*	85*	4·445	5·970 *I*
109	105¼	Treasury 8¼%	1980–82	108½	109	3·950	7·355 *I*
108⅛	104	Treasury 8¼%	1984–86	106¼	*108*	4·405	7·795 *I*
96½	88¼	*Funding 6½%*	1985–87	90*	91¼*	4·730	7·490 *I*
66½	61⅛	British Transport 3%	1978–88	63	64	5·160	6·805 *I*
86½	78	*Funding 6½%*	1993	80	81¼	5·080	7·895
111¼	102⅝	Treasury 9%	1994	103⅝*	104⅛*	5·030	8·490
58	52¼	British Gas 3%	1990–95	52¼*	53¼*	5·315	7·130 *I*
89½	81¼	Treasury 6¾%	1995–98	83¼*	84½*	5·135	8·195 *I*
73⅝	66¼	Treasury 5½%	2008–12	68⅛	69¼	5·140	8·175 *I*
43½	40¼	*War Loan 3½%*	after 1952	41½	40⅝*	5·145	8·545 *f*
30½	28¼	Consols 2½%		29¼	29⅛	5·165	8·630 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	103½–4½	104–5	8·21
Barclays 8¼%	1986	101⅛–2⅛	101¼–2¼	7·76
Borg Warner 8%	1979	100⅛–1⅛	100⅛–1⅛	7·54
Commercial Union 8½%	1986	101–2	101–2	8·09
Esso 8%	1986	100⅜–1⅜	*101–2*	7·61
Ford 8%	1981	100⅛–1⅛	101⅛–2⅛	7·47
General Motors 8¼%	1986	103⅜–4⅜	104⅛–5⅛	7·92
General Telephone & Electric 8¼%	1986	100⅜–1⅜	101¼–2¼	7·82
Shell 8%	1986	100⅛–1⅛	100⅛–1⅛	7·67
Hill Samuel 8¼%	1986	100⅜–1⅜	100⅛–1⅛	8·15
Rank 8¼%	1986	101⅜–2⅜	102⅛–3⅛	8·15
Transocean Gulf 8%	1986	100⅛–1⅛	100⅛–1⅛	7·70
Firestone (DM) 7¼%	1986	104⅛–5⅛	105⅛–6	7·08
Prov. of Nova Scotia (DM) 7¾%	1986	102⅛–3⅛	104–5	7·19
ICI (£/DM) 8%	1986	105–6	104⅜–5⅛	7·38

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26, 1972	Change on week	Yield Apr. 26
		Banks, other financial			
347	268	Algemene Bank	Fl 323½	+1*	5·2
78	57·8	Amsterdam-Rot	Fl 70·4	–3	4·9
360	262	Aust & NZ Bank	$22p	–*10*	3·1
44¼	37⅜	Bank of America	$44¼	+¼	2·5
455	370	B of Ireland	430p	+15	3·3
1131½	886	B of Montreal	1000p	+12	3·2
116¾	85	B Nac de Mexico	P 89	–¼	8 3
455	308	B of NS Wales	415p	–5	2·3
740	525	B of Scotland	680p	+50	2·9
2625	2310	B Bruxelles	Fr B 2590	–20	4·6
266½	221	B de Paris Pays Bas	Fr 265½	+2	5·1
64¼	54½	Bankers Trust	$61½	…	4 6
480	298	Barclays	460p*	–12	2·1
15½	11¹³/₁₆	Can Imp Com	£13*	–½	2·1
111	78	Charterhouse Group	106p	+1½	3·9
60½	52	Chase Manhattan	$59½	+⅜	3·4
59½	51⅜	Chemical Bank NY	$57¼	–¼	5·0
257	233	Commerzbank	DM 235	–3½	3·6
174	148½	Credit Commercial	Fr 172·8	–1	4·3
435	370	Credit Foncier	Fr 416	–14	5·1
4225	3695	Credit Suisse	Fr S 3950	+5	2·0
350	313½	Deutsche Bank	DM 324	–6½	2·8
288	262	Dresdner Bank	DM 266½	–5·4	3·4
57½	43½	First Nat City	$57¼	+⅛	2·3
480	355	Fuji	Y 480	+5	1 3
475	335	Hambros	475p	+35	1·6
208	142	Hill, Samuel	$1¼	…	1·8
1⅜	1¼	IOS Mgnt	£16⅜	–⅛	…
16¼	13⅜	Hongkong & Sh	202p	–2	2·2
208	130	Kleinwort Benson	Fr B 6900	–80	1·9
6980	5830	Kredietbank	DM 360	–10	2·7
395	330	Kundenkredit	Fr B 2160	+5	2·8
2180	1840	Lambert L'Ind	422	–18	3·7
457	320	LBI	824p	–6	2·3
850	601	Lloyds	$35⅜	–⅛	1·9
36½	30	*Manuf's Hanover T'st*	L 80200	+2850	4·4
81000	62670	Mediobanca	275p	+9	1·4
280	216	Mercantile Credit	252p	+4	2·8
256	176	Mercury Secs	774p	–16	1·2
796	522	Midland	Y 295	…	2·3
327	202	Mitsui	292p	–2	1·7
294	205	Montagu Trust	$90¾	+2¼	1·2
90⅜	71½	Morgan J P	$50p	+30	3·1
550	355	Nat & Grindlays	$A4·07	+0·01	3·0
4·15	2·80	Nat Australasia	245p	+13	2·9
250	176	Nat Com Grp	452p‖	–8	1·9
462	300½	Nat West	⅝121	…	2·0
144	120	Norsk Creditbk	£15⅝	+⅛	7·4
17	13⅞	Royal Canada	855p	–10	2·3
870	608	Schroders	399p	+6	1·2
403	324	Slater Walker Secs	Fr B2940	–155	2·1
3135	2940	Soc Gen de Banque	Fr B2690	+10	4·7
2800	2640	Soc Gen de Belgique	450p	+5	5·2
450	328	Standard & Chart	Fr 368	–13	2·7
384	280	Suez	Y 489	+9	5·1
489	365	Sumitomo	Fr S 4190	+40	1·2
4200	3710	Swiss Bank Corp	Fr S 4270	+25	1·9
4290	3885	Union Bank Switz	*630p*	+30	2·3
630	490	Union Discount	285p	+5	3 8
290	237	United Dom Tst			2·2
		Insurance			
69⅜	58	Aetna Life & Cas	$67	–2⅜	2·4
475	388	Allianz Versich	DM 445	–20	1·3
258	223	Comm Union	254p‖	+2	3·2
618	496	Eagle Star	600p	+18	2·0
214⅜	164	Gen Accident	200p*	–2	3·3
56990	48350	Generali	L 55920	+1170	0·8
312	252	Gdn Royal Exch	284p	–1	3·2
420	326	Legal & General	406p*	+4	2·6
90	65 8	Nat Nedrlandn	Fl 74·1	–6 1	2·7
396	308	Pearl	378p	+6	3·0
310	252	Phoenix	302p	+4	3·2
224	171	Prudential	216p	+10	2·7
452	394	Royal	442p	+2	3·4
640	502	Sun Alliance	632p	+12	2·9
362	285	Talsho Mar & F	Y 312	–3	1·8
545	476	Tokio Marine	Y 514	+4	1·1
5800	4775	Zurich Ins	Fr S 5500	–50	1·8 3·3

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26, 1972	Change on week	Yield Apr. 26
		Breweries, etc.			
116	61½	Allied Breweries	116p	+1½	3·0
69	55	Anheuser-Busch	$65	–⅞	0·9
183	148	Bass, Charrington	183p	+5	2·7
155	132·8	Bols NV	Fl 142	–2·2	2·5
181	117	Courage	181p	+4	2 1
199	153	Distillers	197½p	+1½	3·2
37⅝	33⅛	Distill Seagrams	$37½	…	1·8
470	420	Dortmund Union	DM 443½	–26	2·2
234	184	Guinness	234p	+3	3·1
299½	239½	Heineken	Fl 292½	+16	1·2
285	234	Kirin Brewery	Y 279	+8	2·7
18⅛	15⅝	Nat Distillers	$17	–⅛	5·3
114	88½	Scottish & Newc	110p	–1	2·6
97	70	Sth African Br	90p	–2	3·4
264	163	Watney, Mann	229p	–12	2·3
110½	84½	Whitbread 'A'	109p	+4	2·9
		Building, building materials			
511	419	Assoc Portland	510p	–1	2·8
226	178	BPB Industries	226p	+2	2·9
20⅝	16	Boise Cascade	$17⅝	–⅞	1·4
344	252	Bovis Ltd	342p*	+5	1·7
247	195	Ciments Lafarge	Fr 237	–5·1	5·9
2650	2100	Cimenteries Briq	Fr B 2565	–85	5·1
387	233	Costain	383p	+13	2·9
143	105	Eng China Clays	133p	–9	1·9
23000	19050	Italcementi	L 22400	+500	2·2
224	179	Laing 'A'	215p	–9	1·1
175	115	London Brick	167p*	–8	3·0
219	158	Marley	219p	+3	2·5
375	325	Pilkington Bros	373p	+2	2·7
169	124	Redland	165½p	–3½	1·8
180	149	Rugby Portland	180p	+8	2·1
174	151	Steetley	153p	+2	3·4
294	250	Tarmac	294p	+3	3·0
360	308	Taylor Woodrow	325p*	–3	1·8
275	212	Wimpey	238p*	–16	1·1
		Catering, hotels, entertainment			
168	43	ATV 'A'	168p	+6	4·2
57⅜	45½	CBS	$51⅞	–1⅝	2·7
277	202½	Granada 'A'	275p	+7	2·0
275	200	Grand Metropolitan	247p	+3	1·1
55⅜	43⅜	Holiday Inns	$53⅛	–⅜	0·5
707	600	Lyons 'A'	707p	+5	1·9
241	167	Trust Houses-Forte	230p	+4	4·4
		Chemicals			
77·1	63·6	AKZO	Fl 64½	+½	5·6
815	713	ANIC	L 733½	+15½	…
40⅛	33⅜	Amer Cyanamid	$36¼	–⅜	3·4
168	137	BASF	DM 165	–2½	…
152	129·2	Bayer	DM 146	–3½	…
2940	2580	CIBA-GEIGY	Fr S 2855	–15	0·8
93½	78	Dow	$92½	+⅛	1·9
175½	144½	Dupont	$168¾	–2⅜	3·0
398	327	Fisons	397p	+2	2·9
30⅜	25½	W R Grace	$25½	–1⅜	5·9
176 9	146	Hoechst	DM 163	–5	4·6
305	238	ICI	251p	+9	5·5
101	83	Laporte	87p	–3	2·3
55	46	Monsanto	$53½	–1½	3·4
751	664¾	Montecatini-Edison	L698½	+20½	…
1030	875	Norsk Hydro	Kr 990	+25	1·1
199	156	Rhone Poulenc	Fr 182·6	–6·4	6·6
2710	2370	Solvay 'A'	Fr B 2650	–60	5·8
184	136	St Gobain	Fr 175·1	–7·7	5·3
219	198	Takeda Chemical	Y 205	–3	4·1
49	41⅞	Union Carbide	$48⅛	–⅛	4 2
		Coal & steel			
4645	3875	Arbed	Fr B 4340	–200	5·7
34½	28¼	Bethlehem	$31	–1½	3·9
12·80	11·65	Broken Hill Pty	$A 12·35	…	…
171·9	136·6	Denain Longwy	Fr 166½	–5·4	8·1
321	286	Finsider	L 310	+10¼	12·1
145	134	Fried Krupp	DM 142½	…	7·0
164	151	Granges A B	Kr 164	+8	7·3

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26, 1972	Change on week	Yield Apr. 26
71·8	58 7	Hoesch	DM 69	–0·7	4·3
73	60·9	Hoogoven	Fl 69·8	+2·4	5·7
191·3	145½	Mannesmann	DM 185·9	–5 4	6·4
60	52	Nippon Steel	Y 53	–1	9·4
93	65·2	Rheinstahl	DM 93	+3·1	5·4
85·8	68	Thyssen Huette	DM 83·3	–0·7	4·2
34⅛	30⅜	US Steel	$30⅛	–2	5·2
114·9	85·9	Usinor	Fr 109·6	–5·3	8·2
52·2	40	Wendel-Sidelor	Fr 52	+½	9·4
		Electrical, electronics			
185½	132½	AEG Telefunken	DM 166	–9	3·0
295	260	ASEA	Kr 260	–6	3·8
206	169	BICC	200p	+19	3·9
478	402	CGE	Fr 463	–15	4·3
189	162	Chloride Electric	174p	–4	2·6
75⅜	56⅛	Comsat	$62⅜	–⅛	0·8
402	260	Decca	402p	+6	2·3
232	195	EMI	216p	–2	2·9
264	181	Electrolux 'B'	Kr 259	–2	3·8
295	263	LM Ericcson 'B'	Kr 274	+1	2·0
68⅛	46⅞	General Electric	$66⅛	–2⅛	2·1
195	170	GEC	190p	+3	2·0
33	28⅛	Gen Tel & Elec	$29⅛	+⅛	5·1
124	106	Hitachi	Y 112	–1	5·4
160	127⅛	Honeywell	$144⅛	–4⅜	0·9
79½	32	Hoover	$78¼	+⅛	1·5
397½	331¼	IBM	$380	–11	1·4
155	135	Int Computers	147p	–2	7·7
91	77	Machines Bull	*Fr 80*	–1·2	…
769	509	Matsushita	Y 698	–1	1·4
705	537	Philips	684p	–1	2·8
162	133	Plessey	155p	+5	3·2
45	36⅛	RCA	$38	–⅛	2·6
127	104	Rediffusion	120p	…	3·4
122	94	Reyrolle Parsons	97p	–5	(n)
269	204·3	Siemens	DM 262½	–6½	2·7
4880	3240	Sony	Y 4590	+90	0 3
38⅛	29⅜	Sperry Rand	$33¼	–1⅛	2·1
152⅛	117¼	Texas Instruments	$152⅛	+9	0·5
137	95	Thomson-Houston	Fr 129½	–7½	4·6
552	458	Thorn Electrical	542p	+2	1·1
77	68	Toshiba	Y 69	+1	7 2
63	41⅞	Western Union	$63	+3	2·2
54	43	Westinghouse	$52	–1	1·7
		Engineering, shipbuilding			
237	200	Acrow 'A'	212p	–3	2·2
245	214	Atlas Copco	Kr 238	+5	2·1
45	30½	BSA	36p	–3	…
414	297	Babcock & Wilcox	411p*	+7	2·6
187	154	John Brown	154p	–3	7·5
1460	1150	Brown Boveri 'A'	Fr S 1250	–30	4·0
100½	79	Cohen 600	88p	–2	5·1
71	49½	Davy Ashmore	63p	–1½	2·0
221	167	Demag	DM 212	–9	3·8
60	36	B Elliott	51p	+1	1·2
166½	109	Firth Cleveland	143p	+1	4·9
420	349	GKN	415p	+13	3·1
185	148½	Gutehoffnungs	DM 171	–8½	4·1
60	21½	Harland & Wolff	41p	–19	…
82	65	Head Wrightson	79p	+4	3·8
71	40	Alfred Herbert	53p	+1	
93	76	IHI	Y 76	–1	7·9
25½	17⅛	Inter Combstn	24½p	+1¼	…
152	139	Inter Comp Air	147p	+7	2·4
85	42½	Laird Group	85p*	+5	2 9
206	169	MAN	DM 195	–6	4·6
104	76½	Macher & Platt	104p	–3	3·0
415	376	Metal Box	404p	+6	3·1
87	75	Mitsubishi Heavy	Y 75	…	8·0
139	107	Morgan Crucible	139p	+4	3·8
422	369	SKF 'B'	Kr 420	+17	2·9
77	66	Serck	72p	–3	2·8
136	114	Simon Enging	122p	+8	6·2
85	71½	Stone-Platt	84½p	+2½	3·9
160	49	Swan Hunter	153p	+2	6·8
3675	3200	Sulzer	Fr S 3540	–135	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‖ Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*t*) To latest date (*n*) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26, 1972	Change on week	Yield Apr. 26
500	418	Tube Investments	450p	+17	4·2
28⅛	23⅜	US Industries	$26⅜	+1⅛	2·3
121	82	Vickers	109p	−6	...
141	93	Weir Group	134p	−1½	4·1
123	103½	Thos W Ward	112p	+2	3·8
		Food, pharmaceuticals			
87½	69½	Assoc British Foods	87p	+1½	2·1
83	68	Assoc Fisheries	75½p	+1½	5·0
126	94	Avon Products	$111½	−6½	1·2
321	281	Beecham Group	295p	+8	2·1
192	139 [1]	Beghin	Fr 181·6	−10·4	5·4
89½	73	Brooke Bond 'B'	89½p*	+3	3·0
132	87½	Cadbury Schweppes	132p	+12½	3·1
327	187	Cavenham	327p	+49	1·1
69¼	57½	Colgate-Palmolive	$63¼	−1	2·3
5·56	4·80	Col Sugar Ref	$AS 26	+0·04	...
162	115½	Fitch Lovell	144p	−11	2·1
36⅛	27½	General Foods	$28⅛	+⅜	4·9
51⅜	38⅜	*General Mills*	$47⅜	−2⅝	2·0
545	437	Glaxo	532p	...	1·9
47½	40⅝	Heinz	$44⅝	−⅞	2·2
194500	176500	Hoffman La Roche	Fr S 194000	+2250	0·5
47⅛	42⅛	Kraftco	$45⅛	−⅜	3·8
2135	1605	L'Oreal	Fr 2004	−128	1·2
3095	2595	Motta	L 2999	−1	...
3770	3000	Nestlé	Fr S 3770	+115	1·6
47⅜	36⅛	Pfizer	$39⅛	−1⅜	1·5
91¼	76⅛	Procter Gamble	$88¼	−2¼	1·7
247	155	Ranks-Hovis	238p	−2	3·3
373	270	Reckitt & Colman	355p*	−1	2·7
5150	4180	Sandoz	Fr S 4950	+20	1·3
87	60½	Spillers	85p	+5	3·7
38⅜	32	Swift	$32⅛	+⅛	2·2
209	179	Tate & Lyle	196p	−2	5·1
185	138¼	Unigate	166p	−13	2·5
394	318	Unilever	385p*	−7	2·9
143·6	79·4	Unilever NV	Fl 141·4	−1·7	4·4
369	244	*United Biscuits*	364p	−4	2·2
		Motors, aerospace			
56	40½	BLMC	40p	−½	5·0
26½	19	Boeing	$22¼	−¾	1·8
55⅛	46¾	Caterpillar Tract	$54⅜	−⅝	2·6
36	28	Chrysler	$33⅛	−2	1·8
96	79·1	Citroen	Fr 91½	−3½	...
407	323	*Daimler-Benz*	DM 407	+1	2·1
199	167	Dunlop	185p	−8	4·3
2440	2068	Fiat	L 2358	−5	5·1
27	24⅜	Firestone Tire	$25⅛	−1⅛	3·1
76⅛	68⅛	Ford	$70½	−5⅛	3·7
32	22⅜	General Dynamics	$32	...	...
84⅜	76¼	General Motors	$79⅜	−1⅞	4·3
33⅛	29½	Goodyear	$31⅛	−1⅛	2·7
400	317	Hawker Siddeley	386p	−9	3·4
379	254	Honda	Y 328	+7	2·7
203	155	Komatsu	Y 200	−3	4·3
15⅛	10	Lockheed	$12⅜	−⅛	...
438½	383½	Lucas	396p	+4	2·5
15⅛	11⅝	Massey Ferguson	$C 14	⅜	...
45⅜	34¼	McDonnell Douglas	$42½	2⅛	0·9
1520	1229	Michelin 'B'	Fr 1460	−60	1·4
500	246	Nissan Motor	Y 460	...	1·7
36⅜	30⅜	N Am Rockwell	$32¼	−2⅜	4·3
379	242	Peugeot	Fr 345	−34	3·0
1839	1540	Pirelli-Spa	L 1778	−25	6·2
231	200	Smiths Indust	208p	−16	3·0
207	186	Steyr-Daimler-Puch	%206	...	4·4
630	405	Toyota Motor	Y 600	−5	1·3
39⅝	28⅝	United Aircraft	$38½	−1¾	4·7
163·8	133¼	Volkswagen	DM 153	−4½	2·9
273	226	Volvo	Kr 252	+2	1·6
73⅛	57	Westland	58½p	−5	5·2
120	92	Wilmot-Breeden	115p*	−3	3·0
		Office equipment, photographic			
228	180	Canon	Y 198	−9	3·8
121	93¼	Eastman Kodak	$116⅞	−⅝	1·1
427	380	Fuji Photo	Y358	...	2·1
1750	1600	Gevaert Agfa	Fr B 1615	−5	3·7
178	150	Gestetner 'A'	172p	+8	1·8
381	349	Nippon Optical	Y 361	...	2·1
2065	1439	Olivetti	L 2065	+166	3·4
262	228	Ozalid	258p	−4	2·4
133	86⅛	Polaroid	$131	+2¼	0·2
1100	825	Rank 'A'	1075p	−25	1·0
145⅞	120⅛	Xerox	$134⅛	−3¾	0·6
		Paper, publishing			
110	99	Borregaard	Kr 106	−2	...
197	151	Bowater Paper	172p	+18	2·9
124	110	Bunzl Pulp	119p	−4	3·7
34⅛	27¼	Crown Zellerbach	$31¼	−1⅜	3·8
179	149	DRG	178p	+4	4·0
28	23¼	MacMillan Bloedel	$C 24⅝	+⅞	...
20⅞	15¼	McGraw Hill	$18⅝	...	3·2
310	207	News International	310p	+3	3·0
216	174	Pearson Longman	216p	+4	2·6
325	274	Reed Int	317p	−7	4·0
134	78	Thomson Org	131p	−1	5·3
		Property			
135	96	Capital & Counties	132p	−2	2·0
615	530	*Hammersons 'A'*	615p	+20	1·0
230	181	Land Securities	230p	+11	1·9
147	107½	LMS	145p	+5	1·6
274	225	MEPC	269p	+1	1·9
234	180	St Martins	224p	−10	1·2
314	293	SG Immobiliare	L302	...	3·3
398	259	Star (Gt Britain)	383p	−15	2·4
845	735	Stock Conversion	840p	−5	0·7
219	150½	Trafalgar House	218½p	+16½	1·8

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26 1972	Change on week	Yield Apr. 26
		Transportation			
49½	39⅝	American Airlines	$45¾	−3	...
294	229	Brit & Comm	294p	+22	2·8
15⅜	14¼	Canadian Pacific	$C 14⅛	−⅛	...
382	318	*Furness Withy*	336p	−1	4·5
23¼	18⅛	Greyhound	$18⅛	−⅜	5·4
2200	1580	Japan Air Lines	Y 1850	−130	2·2
131½	115	KLM	Fl 124½	−3½	...
78·8	63·7	Lufthansa	DM 73½	−3	3·4
174	138½	Ocean Steam Ship	151p	−4½	5·1
17⅜	13⅛	Pan American	$15	−1	...
266	186	P & O Defd	259p	−2	4·6
730	575	Swissair (Bearer)	Fr S 703	−9	4·3
56⅜	39⅜	TWA	$52	−2	...
54	39⅜	UAL	$50½	−3¼	...
		Stores			
283	216	Boots	264p	−14	2·1
345	260	Brit Home	340p	−20	1·9
305	225	Burton Group	265p	−21	2·3
350	234	Debenhams	349p*	−1	3·2
185½	119·8	Galeries Lafayette	Fr 169	−14	...
390	341	Galerias Preccdos	%345	+4	3·3
334	255	Grattan Ware	334p*	−16	2·2
22	18	Great Atlantic	$18⅜	−½	7·0
340	259	GUS 'A'	335p	+6	2·1
296	223	House of Fraser	282p	−4	2·9
2100	1460	Innovation	Fr B 2010	−10	4·5
109·9	82·3	KBB	Fl 102·4	−5·6	3·5
409	330	Karstadt	DM 390½	5½	2·6
295	243	Kaufhof	DM 282½	−10½	3·6
622	484	La Redoute	Fr 592	−9	2·0
272	227	La Rinascente	L 267¾	+11¾	3·0
31⅞	27⅜	Marcor	$29⅝	−⅜	2·7
308	277	Marks & Spencer	303p	+10	2·6
471	410	Mitsukoshi	Y 456	−5	2·0
2·30	1·70	Myer Emportum	$A2·30	+0·03	...
136	107	Neckermann	DM 134·8	+1·8	2·6
172	114	Nouvelles Gals	Fr 155	−17	2·4
80⅛	67⅛	JC Penney	$77¼	−2¾	1·3
186	130·7	Printemps	Fr 168½	−1·4	...
395	281	Provid Clothing	395p	+9	2·1
242	162	Sears 'A'	237½p	+15½	2·8
116¼	97⅜	Sears Roebuck	$112	−3	1·4
830	643	WH Smith 'A'	820p*	...	1·8
87	75½	Tesco Stores	85p	+1½	1·7
168⅜	138½	United Drapery	163p	3½	3·4
47⅛	39⅝	Woolworth	$39⅛	−1⅛	3·0
		Textiles			
40	33¾	Burlington	$37	−1¾	3·8
172	132	Carpets International	172p*	+5	3·9
80	68	Coats Patons	74½p	−½	4·7
150	129½	Courtaulds	133p	−2	5·2
103·1	80	Dollfus-Mieg	Fr 103·1	+1·6	5·1
58½	48½	English Calico	58p	+1¼	4·4
1813	1245	Snia Viscosa	L 1378	−43	...
31¼	25⅜	Stevens, JP	$29¾	+⅜	5·0
78	71	Teijin	Y 78	+1	7·7
115	95	Toray Ind	Y 113	−2	7·5
57½	43	Woolcombers	50p	+2½	...
		Tobacco			
348	286	Brit Amer Tobacco	305p	−8	4·1
203	172	Gallaher	200p	−1	5·2
117½	94⅛	Imperial Tobacco	117p	+3	4·5
76¼	58¼	*RJ Reynolds*	$73½	−3¼	3·3
		Utilities			
47⅛	42⅛	AT & T	$42½	−⅜	6·1
855	790	Chubu	Y 838	+4	6·0
840	780	Chugoku	Y 840	...	6·0
27⅛	25⅛	Cons Edison	$25⅛	...	7·0
2875	2600	EBES	Fr B 2810	−20	5·6
2300	1995	Intercom	Fr B 2240	−30	5·3
836	780	Kansai Electric	Y 835	...	6·0
191	171½	RWE	DM 171½	−8½	4·7
845	795	Tokyo Electric	Y 843	−1	5·9
105	89	Tokyo Gas	Y 97	+1	6·2
		Investment trusts			
279	234	Alliance Trust	260p	−7	2·3
181	146½	Atlas Electric	181p	+3	2·2
168½	137	BET *Deferred*	162p	+3	3·4
98⅛	86	British Assets	95½p	+1½	1·6
180	151	Cable Trust	177p	−1	2·4
192	157	Foreign & Col	183p	+1	1·6
189	154	Globe Investment	188p	+6	2·1
167	133	Industrial & Gen	166p	+2	2·6
71	58¼	Mercantile Inv	69½p	−1	3·1
253	225½	Robeco	Fl 248·7	−4·3	4·7
194·3	167	Rolinco	Fl 191	−3·3	1·6
119½	100½	Witan Investment	119½p	+2½	1·5
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 412	+2	3·4
1393	1009	BSN	Fr 1302	−23	2·2
203	142	Bookers	200p*	−1	3·3
230	171	*British Match*	185p	−7	5·1
75½	66	British Oxygen	70½p	−1½	4·3
132	111	*British Ropes*	115p*	+1	3·9
77	53½	Cope Allman	61½p	+1	4·5
271	194	Dalgety	252p	+8	4·0
239	188	De La Rue	237p	+4	4·7
27⅝	21¼	Engelhard Minerals	$25½	−⅛	1·6
44¼	28	Gulf & Western	$40¾	−1¼	1·5
95⅛	67¼	Halliburton	$92⅜	−2⅜	1·1
482	388	Hays Wharf	445p	−7	1·5
1062½	840	Hudson's Bay	850p	+7	2·5
64⅞	53⅝	IT & T	$54½	+⅞	2·1
540	404	Inchcape	500p	−6	2·4
416	345	C Itoh	Y 382	−1	1·6
14¾	10⅝	Ling-Temco-Vought	$11⅜	+⅛	...
26⅜	16⅛	Litton Industries	$16½	...	...
148⅛	129¼	Minnesota Mining	$141	−5⅞	1·3

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 26 1972	Change on week	Yield Apr. 26
266	202	Mitsubishi Shoji	Y 242	...	2·9
305	219	*Mitsui*	Y 283	+7	2·5
285	240	S Pearson & Son	277p	−4	2·3
36⅜	30	TRW	$34	−⅛	3·1
27	23⅞	Tenneco	$24⅝	−⅜	5·4
36¼	30¼	Textron	$34½	+⅛	2·6
174	137	Thomas Tilling	169½p	+7	2·5
245	204	Turner & Newall	240p	−2	4·5
		Oil			
614	545	Aquitaine	Fr 585	+10	3·1
610	498	BP	493p	−19	4·3
434	363	Burmah Oil	387p	−3	4·3
229½	205	Cie Petroles	Fr 228	+8	5·2
93½	83·6	Gelsenberg AG	DM 87	−2½	...
30	25¼	Gulf Oil	$25⅛	...	5·9
56⅞	50¼	Mobil Oil	$51¼	+⅞	5·1
4690	3650	Petrofina	Fr B 4610	+70	2·4
30⅝	25¼	Phillips Petroleum	$28	−1¼	4·6
125	111½	Royal Dutch	Fl 114·1	−3·9	6·3
359	298	Shell Transport	292p	−11	5·1
60⅝	54⅛	Standard Oil (Calif.)	$55	−1¼	5·1
70½	63	Standard Oil (Indiana)	$64⅛	−⅛	3·6
77⅛	69⅛	Standard Oil (NJ)	$70	−½	5·6
87⅛	80	Standard Oil (Ohio)	$84⅛	−2⅛	3·2
36	29⅛	Texaco	$30⅛	−⅜	5·2
325	255	**Gold mines – finance** Anglo-American	317p	−2	2·8
295	220	Charter Cons	257p	−6	2·7
235	206	Cons Gold Fields	218p	−6	3·4
1012½	790	General Mining	975p*	−37½	4·5
1400	1100	*J'burg Cons*	1400p	+50	3·1
720	535	OFSIT	690p	−15	5·9
635	505	*Rand Selection*	590p	−30	3·7
234	150	Union Corp	225p	+2	3·0
22½	17⅛	**Mines, metals** Alcan	$C22¼	+⅜	...
70	37⅛	Alcoa	$53¼	−2	3·4
2260	1875	Alusuisse	Fr S 2030	−100	3·0
32¾	27½	Amer Met Clim	$29⅝	−⅛	4·7
20¼	15⅝	Anaconda	$19¾	+⅛	...
205	152	CAST	176p	+3	2·5
288	223	De Beers *Defd*	285p	+11	2·7
150	120	Delta Metal	147p	−1	3·4
99⅛	80¼	Falconbridge	$C85	−13	...
35¼	29⅝	Inter Nickel	$33¼	...	3·0
375	288	Johnson Matthey	360p	−2	3·5
29⅝	23½	Kennecott	$24¼	−1	7·2
109	70	Lonrho	83p	+2	3·3
3·90	2·35	MIM Holdings	$A 3·30	+0·02	2·7
353	275	Metallgesellschaft	DM 326½	−3½	...
169·6	135	Pechiney	Fr 159½	−9	7·5
75	52½	Penarroya	Fr 69½	−½	4·3
119	79	Potgietersrust Plat	119p	+6	*(n)*
22½	17⅛	Reynolds Metals	$20⅝	−⅝	2·9
248	196	RTZ	224p*	+7	2·7
234	175	Roan Cons	228p	+2	*(n)*
620	540	*Selection Trust*	610p	+5	2·6
1600	1426	Union Miniere	Fr B 1550	−30	4·8
5·24	2·10	*Western Mining*	$A3·14	−0·02	0·5
220	182	Zamanglo	195p	−5	*(n)*
340	210	**Plantations, etc** Consolidated Tea	225p	+10	...
303	267	Guthrie	302p	+10	5·3
48	40	Highlands & Low	47p	+½	6·4
70	43	Jokai	68p	−2	3·7
164	118	*Longbourne*	148p	...	*(n)*
38	30	Plantation Hldgs	38p	+2½	5·3

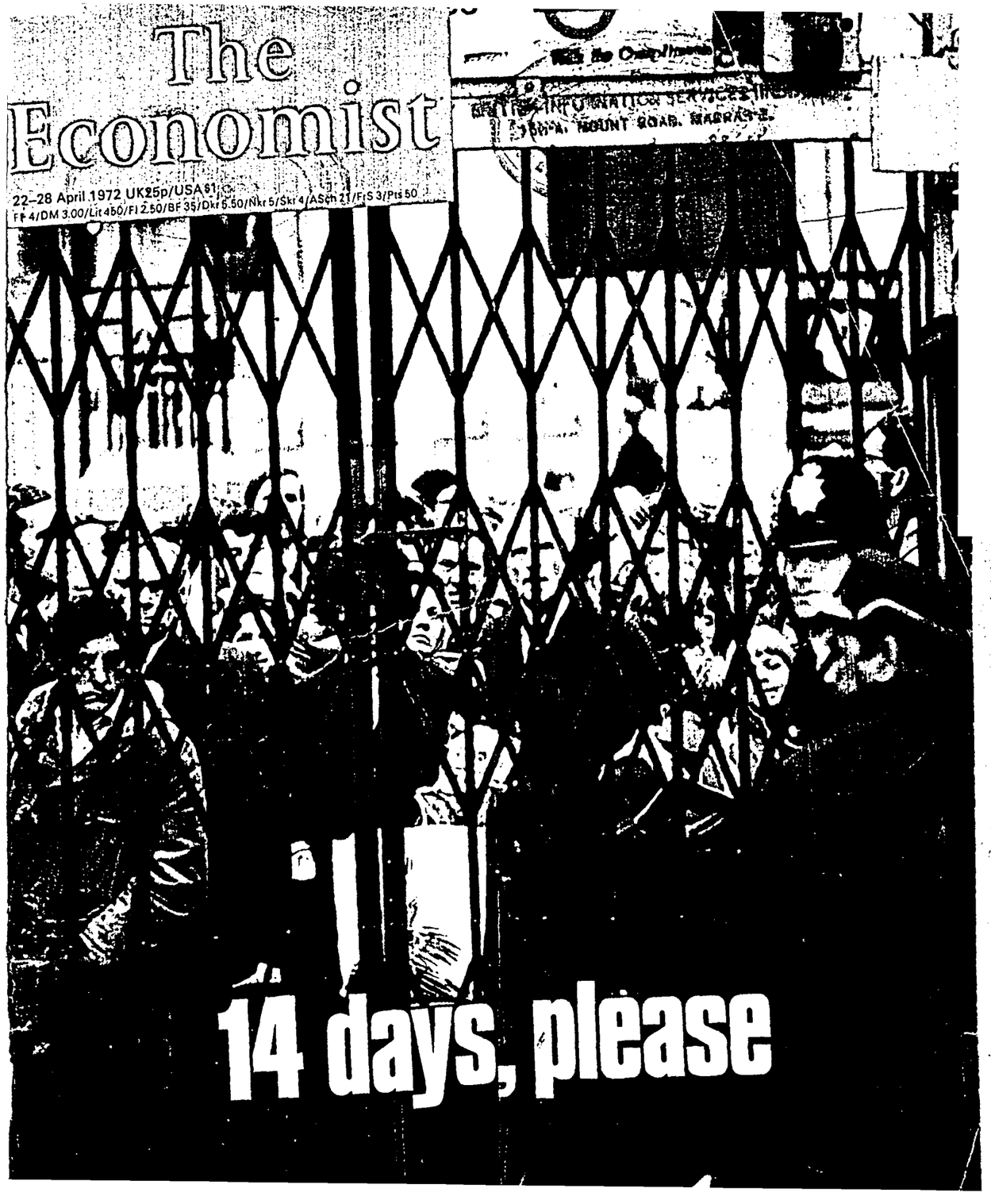
Money Market Indicators

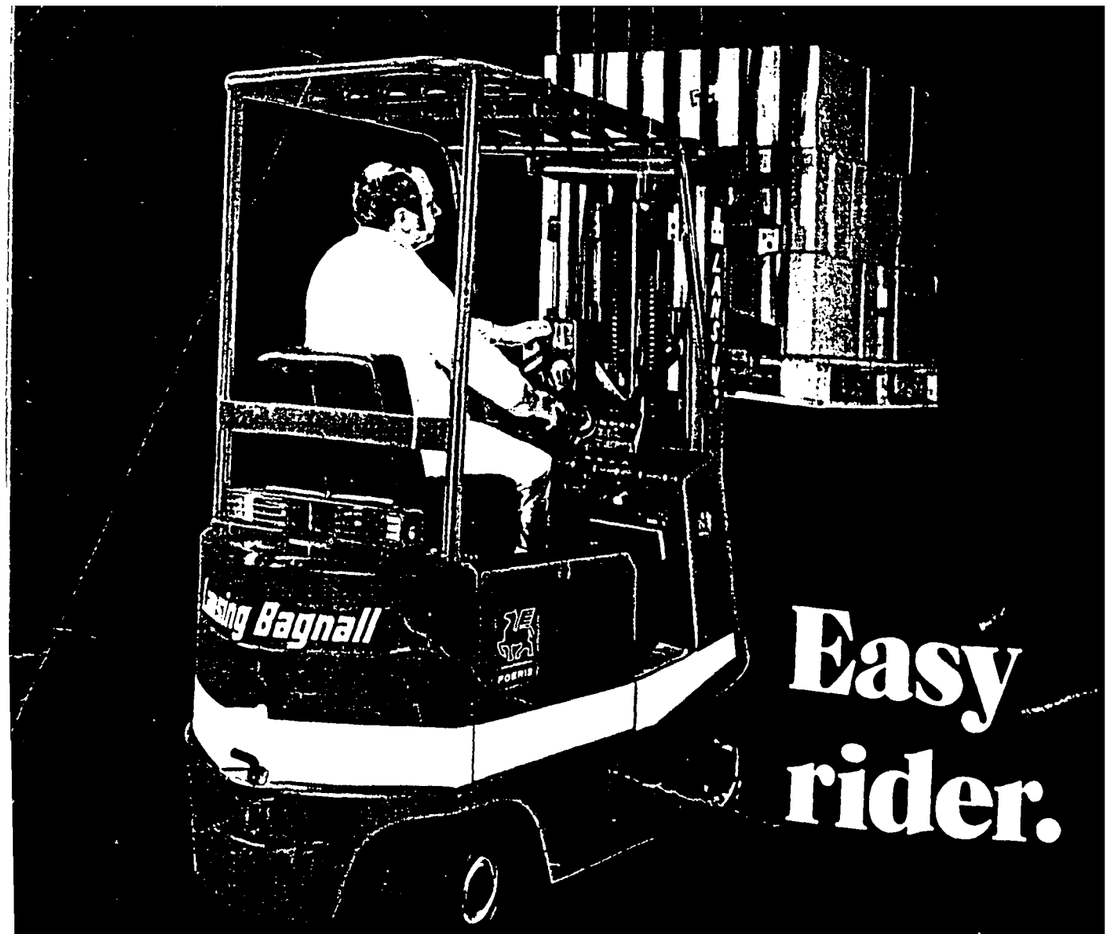
Rates on American short-term Treasury bills fell another notch on Federal Reserve sizeable buying Eurodollar rates were unchanged.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4¾%

Deposit rates		**Eurosterling deposits** *(in Paris)*	
7 days' notice:		2 days' notice	4⅝
Clearing banks	2½	3 months'	5¼
Local authorities	4½	**New York**	
3 months' fixed:		Treasury bills	3·51
Local authorities	4⅝–4¾	Certs. of deposit	4·55
Finance houses	4¾	*Sterling:* Spot rate	$2·6111
Interbank rate		Forward discount (*3 months'*)	0·08 cents
7 days'	4½	**Forward cover** (*3 months'*):	
Treasury bills		Annual int. cost	0·12%
3 months'	4·29	**Investment currency:**	
Eurodollar deposits		*Investment $*	21¼% prem
7 days' notice	4		
3 months'	5⅛		

Covered arbitrage margins (*3 months'*)	**In favour of** Last week %	This week %
Treasury bills	London 17/32	London 21/32
Eurodollar/UK local authority loans	N. York 17/32	N. York 21/32
Eurodollar/Euresterling	London 11/32	Neutral
Uncovered arbitrage margins (*7 days'*)		
Eurodollar/UK local authority loans	London ⅛	London ⅛
Eurodollar/Interbank	London 7/16	London ⅛





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April 22, 1972



Ticket to court

The Government had to use its new law once the railwaymen would stop for no one, not even an arbitrator. It is the old labour relations establishment that is chiefly responsible for the crisis, and if the unions are cooled off it should be choked off, page 11. The unions may regret one day that they boycotted the court, but their wage claim still has to be settled now, page 81.



The war's in the south

Mr Nixon's decision to bomb Haiphong is a retaliation for North Vietnamese aggression but cannot greatly affect the course of the struggle in South Vietnam, page 16. The tank battle at An Loc, page 39.



That Sunday in Derry

The Widgery report on the paratroopers' behaviour in Londonderry has not pleased those Catholics who had already made their minds up about it, but it should not please the army as much as it pretends either, page 63.



Tony's warning

Mr Crosland came bottom in Labour's deputy leadership election. But he served his party well, page 12.



Willy's in town

The world loves Herr Brandt, but back home in Bonn he faces a hard fight, page 14.



Say oui

President Pompidou has got his left-wing opposition on the run in his referendum on Britain's entry into Europe—which was the main idea anyway, page 31.

How badly hit?

How international sanctions have, and have not, affected the Rhodesian economy, page 43.

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Letters

Ireland

SIR—I have just read your editorial, "Can Ulster forget?" (April 1st), and, like so many other journalistic and political commentaries from around the world on the subject of Ulster, it completely depresses me. I have yet to see in the world's news media, or hear from a responsible politician, any sympathy for the Protestant population of Northern Ireland, and yet they are the only people to emerge from the gory mess with any honour; and I have yet to hear or read any commentary that indicates that the commentator has any comprehension of the fundamental reasons for the trouble in Ulster.

I am continually mystified at the acceptance of the double standard of justice that is applied throughout the world towards Wasps (white, Anglo-Saxon Protestants) and non-Wasps. The double standard is accepted even by Wasps themselves, as if suffering from a massive guilt complex over their colonial past and indulging in self destruction as expiation. A non-Wasp can throw stones at, shoot at, murder, maim, kidnap, assassinate, steal from a Wasp and his behaviour is excused as the understandable reaction of a member of a poor, oppressed, discriminated-against minority. If the Wasp turns on his tormentor he is branded a fascist pig, an imperialist oppressor. American negroes, who are unquestionably guilty of savage murder, are hailed as heroic fighters against oppression by educated and supposedly intelligent people, white as well as black. It is reasonable for the French Canadians to agitate for the preservation of their language and "Frenchness", but if an Anglo-Saxon wants to retain his British heritage he is a colonial blimp.

The events of "Bloody Sunday" raised screams of rage around the world. The local branch of the Irish mafia organised a march on the British consulate in Toronto, the New York branch started a boycott of British goods, Ted Kennedy got up on his soapbox and spewed out invective about Britain's My Lai, and detailed pictures were spread across the newspapers and television screens. But when the IRA massacred and maimed women and children in the Abercorn restaurant atrocity, these self-righteous bigots remained silent.

Cardinal Conway, the spiritual leader of Ireland's Roman Catholics, has just called for an end to the violence: "What right have you [to Sean MacStiofain] to continue the campaign of violence against the unanimous voice of the Irish people?" At the same time he complained that if IRA violence had ceased after the British initiative four people would not have died. In the good Cardinal's Christian ethics, apparently, the IRA did have a mandate for the violence and murder before the British initiative. If the Irish Catholics, the Catholic church and the Lynch mob had not sheltered the IRA murderers, over 250 people would not have died. Such monumental hypocrisy is nauseating.

The IRA has been guilty of the most savage atrocities ever perpetrated by man against his fellow man, and the British Government has seen fit to come to terms with these savages at the expense of the democratic rights of an honourable segment of the British people. The British Government has an unenviable record of double-dealing in international affairs, and its perfidy was predictable. The depressing aspect is that the British people seem to condone the Government's action and for the sake of expediency have turned against their own kin.

There are no guts nor backbone left in the British race. The breed is dying, and Heath is about to hammer the last two nails into the coffin. Unfortunately, democracy will die with the people who developed it.—Yours faithfully,

Weston, Ontario GRANT FINLAY

Wages

SIR—Mr J. W. Stobart's letter (April 1st) raises the old chestnut of whether a miner is "worth" more or less than a teacher. Worth to whom? Surely a person's remuneration is simply what his employer has to provide to get him. No more (or the employer is increasing his costs unnecessarily) and no less (or the employee won't do the job). It's as simple as that. Arbitrary evaluations or comparisons, though interesting, are irrelevant.—Yours faithfully, J. P. HARPER

London, SW3

SIR—Mr J. W. Stobart's solution to the problem of comparative wage scales (Letters, April 1st) is a rational one, and indeed something very much like it has been in use within North American companies for at least 30 years, especially for office and professional personnel.

But a problem arises when wages are formally negotiated, and, more specifically, negotiated by union officials whose tenure may rest on their ability to produce, ie, to obtain higher wages for their constituents. If a job evaluation scheme were introduced, wages per se might not be the principal area of negotiation, but the operating features of the scheme might.

The miners might argue, with some justification, that Mr Stobart's system does not include a health hazard or danger factor, that this factor should have the highest weighting, and that mining is one of the most dangerous of occupations. The other side might argue, with equal justification, that Mr Stobart's plan does not include a mental effort factor, and that business managers, under constant mental strain, should receive top score on this one, to the detriment of the miners, on a relative measurement scale.

Most of the factors involved in job evaluation are a matter of judgment, with few being subject to quantitative measurement. The factoral weightings given, even by men of unquestioned good will, are therefore subjective in nature.

Job evaluation is certainly a logical approach to comparative wage scales, if one could assume the complete impartiality of the evaluators, and the gracious acceptance of their findings by the parties affected. But, as is evident, these are not easy assumptions to make.—Yours faithfully, EARL P. LIONS

Pully, Switzerland

At Harold's court

SIR—One of your reviewers (April 8th) has admirably identified reasons for the failure of economic advisers to government to achieve either a respectful audience or the complete implementation of their ideas. Many of your readers may have missed the full impact of his comment that "... the doctrine of the 'politically possible' castrates all progressive or original thought." But why is this so?

First, economic advisers, through their political interests or their seniority of contact with politicians, too often present schemes that they feel will have a high probability of being acceptable. They interpret their brief incorrectly and, may I add, irresponsibly. Rather than present a list of alternatives, the choice of which becomes the politicians' responsibility, they transform themselves into political spokesmen and after a while lack credibility and originality.

Secondly, this general lack of professional detachment too often results in an intolerance towards competing alternatives. When ideas come from the "independent" sector of academic economists they are portrayed as "politically unacceptable," and this label terminates the discussion.

Thirdly, where economic policies are adopted and subsequently become discredited or unpopular, it is common for the politicians to claim that the policy was unrealistic, inappropriate or incorrectly timed. When the academic economist works within a given political framework he invites this reaction and deserves to take the same public criticism and risk of unemployment as his political counterpart. But does he? No, he returns to the ivory tower of disillusionment or admits defeat in the face of complex circumstances.

When economic advisers to government believe in their professional competence perhaps they will also agree to subject their ideas to the uncertainty of the job market rather than the obfuscating tactics of the political arena. Do they deserve the inconsistent privilege of both political power and academic independence?—Yours faithfully, K. A. TUCKER

London, EC1

More letters on page 6

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Scotland

SIR—Your Scottish correspondent, in his report on the Scottish Labour party's conference, seems to have a myopic view of Scotland in Parliament (April 1st). He confuses economic decision-making and political devolution.

There is a deal of evidence that the next Labour government will set up institutions which will devolve investment decisions. Recently, the House of Commons debated a motion on such a topic put forward by Mr Edmund Dell, and Mr Bill Rodgers has introduced a bill for a Regional Development Corporation. Both have had the support of Scottish members. Further, on Tuesday, March 28th, Mr John Smith, MP for North Lanark, made his contribution by his ten minute rule bill.

In view of events across the Irish Sea, there can be few who would doubt the wisdom of endeavouring to cure Scotland's economic problems by a mere restructuring of political institutions. The Scottish electorate had before them in 1970 a variety of proposals for political devolution. These were resoundingly rejected by the "grass roots" and, while it is correct to be critical of Labour's policy between 1964-70, one should have sufficient judgment not to confuse a desire to do better with a wholesale opposition to the devices which Labour introduced. Perhaps your *correspondent should* have spent more time travelling out of Inverness to see some of the excellent work done by the Highlands and Islands Development Board, an instrument which Labour fashioned against enormous opposition from all quarters, and rather less in the "smoke-filled" corridors of power. Those who talk about the "grass roots" would do well to sample them.—Yours faithfully,

House of Commons DICK DOUGLAS

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Textiles

SIR—I was most interested to read your article, "The world man-made fibre cartel" (April 8th), but your conclusions that the British textile industry should be able to stand on its own feet without further props may solve the textile problem by finally bankrupting the industry, and will only leave the same problem to be faced by other industries. There are many countries —Portugal is one—which are using exactly the same efficient machinery that we are using in Britain, and which are producing very much cheaper than us because the wages they pay are a fifth of the wages we pay.

This same problem is already arising with coloured television sets, and is most certainly going to arise with motor cars and many other *products*, and your solution, if we carried it through to its logical conclusion, would be to reduce the standard of the average British worker to the level of the cheapest competitor, or alternatively for anybody producing in the United Kingdom to export their plant to where the labour was the cheapest.

There has been gross over-production of synthetic fibres in the world as a whole, but there is no reason, surely, to allow ICI to be bankrupted on this count by forcing Britain to take the balance of textile fibres from many foreign countries, and particularly those supplies which the United States is no longer prepared to take from Japan. Many of these will come into this country through countries entitled to import duty and/or quota-free.—Yours faithfully, JOHN KNOX

Silsden, Yorkshire

Vat

SIR—The Customs and Excise officials present at the CBI seminar to which you refer (April 8th) took the opportunity to make certain points reflecting our present thinking which has updated material from the discussion papers. These were unfortunately not mentioned in the report. The main points are :

(a) You say that partially exempt traders will have to account for tax on an annual as well as a quarterly basis. We now think we can do the annual calculation for them.

(b) Retailers dealing in both standard rate and zero rate goods are said to have five different options. In fact, there are now three only, which should give an adequate range of choice.

(c) The draft return form, which accompanied a discussion paper, was prepared before the announcement that there would be only one rate of tax and no special treatment for capital goods. We will not now want as many different figures. There will be no reference to capital goods and the input section of Part 2 will be much simplified.—Yours faithfully,

CHRISTOPHER MOYLE
Chief information officer,
London, EC3 HM Customs and Excise

British Caledonian

SIR—British Caledonian has now completed its first year as the only permitted scheduled British airline passenger carrier on the various West African routes.

I would like British Caledonian's deputy managing director, Mr John De La Haye (Letters, October 30, 1971), to tell us, through your columns, by how much it has in this period helped to "gain for Britain an increasing, instead of a diminishing, share of world civil aviation markets."—Yours faithfully, R. M. BALE

Lagos

Sherlock Holmes

SIR—Referring to your scholarly review of the latest tributes to Sherlock Holmes (Books Survey, April 8th), may I recall that the first plaque in memory of The Master was erected and formally unveiled in 1953 near the main entrance to the Criterion hotel in Piccadilly, where (in 1881) young Stamford encountered Dr Watson by divinely ordained chance over a New Year hangover drink and took him along to meet Holmes (then 27). The plaque, an imposing product of heavy oak and the finest Sheffield steel, cost £66. It was humbly erected by the Baritsu Chapter of the Baker Street Irregulars, founded in Tokyo in 1948 and still flourishing. Two of its 25 founding members were the then prime minister, Shigeru Yoshida, and Count Makino.

After three years of honoured display, it was ravished from the wall on the early morning of Derby Day, 1956, by two or three men, who drove off in the direction of the Casino Royal. Scotland Yard's Lestrades weakly passed the buck to Savile Row, which I discovered, on two frustrated and angry personal visits, had dismissed the nocturnal smash-and-grab sacrilege as an unimportant students' prank. Seven years later, the plaque was mysteriously returned to Dr Colin Prestige of the Sherlock Holmes Society.

Where should it now be erected? Piccadilly and the Criterion change; but The Master happily remains immortal.—Yours faithfully, RICHARD HUGHES

Hongkong Chief Banto, Baritsu Chapter

American medicine

SIR—Congressman Philip Crane writes from Washington (April 15th) that the United States has 300,000 medical doctors, which is on average one for every 640 persons, and boasts: "No other major nation in the world enjoys anything close to this ratio."

When President Nixon visits Moscow in the near future he will find that Russia averages one doctor for every 400 persons, the total in practice now being over 600,000.

Is it not time that American Congressmen troubled to find out the facts about that "other major nation"?—Yours faithfully, PAT SLOAN

Orpington, Kent



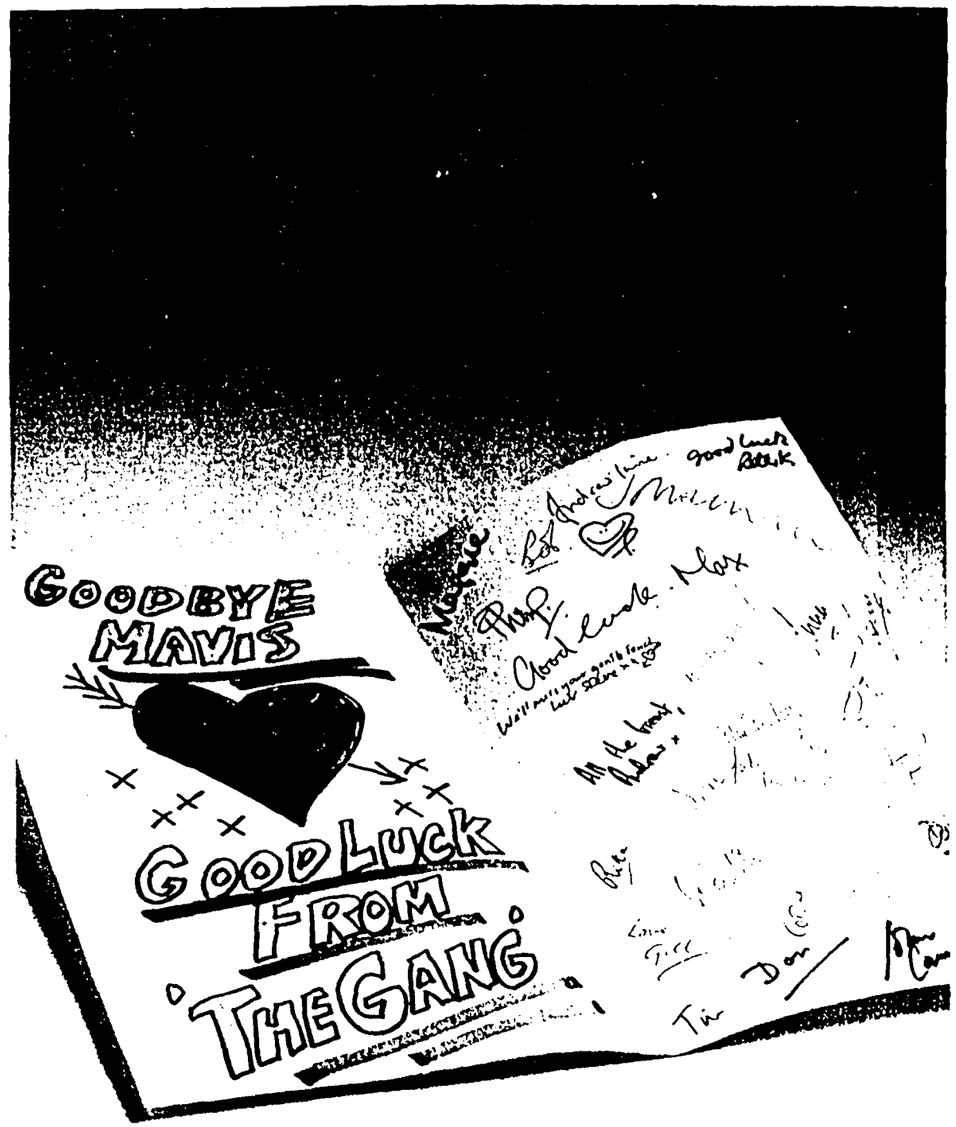
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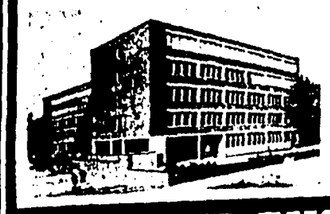
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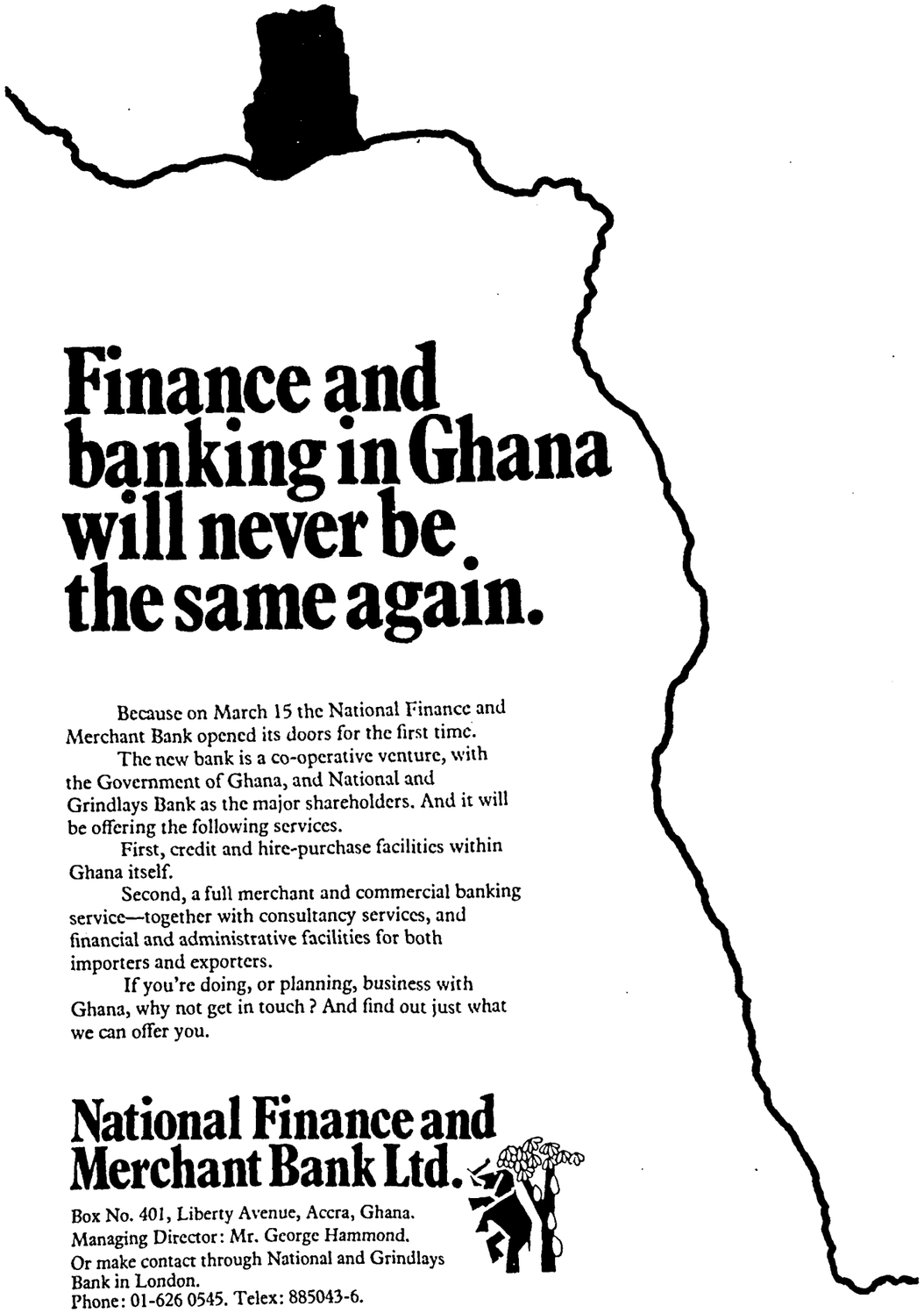
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The Economist

April 22, 1972



Ticket to court

The railway unions ran slap into the Industrial Relations Act on Wednesday evening, and precious little public anguish was expended over their derailment. That it happened at all, for all their leaders' caution, is the measure both of the habitual negotiating behaviour of British unions under the system so much admired by the labour relations establishment, and of that establishment's sheer disbelief that the Government would have the nerve to implement the very law it had passed through Parliament. For that the Government, and past governments, must take a share of the blame.

The unions' best chance of complying with the 14-day cooling-off order by the industrial relations court, without admitting that they were doing anything of the kind, was to close with whatever packaging British Rail could be persuaded to put round the 12½ per cent wage rise the unions had already got for themselves. There were signs that this was what the labour relations establishment wanted to arrange on Thursday, but British Rail's chairman, Mr Dick Marsh, held to the view that the unions must be seen to be obeying the law before he could talk to them again; anyway, he said, he had no more money to offer.

So after a day of arguing the three unions decided on Thursday night to obey the court and call off the work-to-rule. The Government can be satisfied with its week's work. If, next time, a union chooses not to put the Solicitor-General to the trouble of addressing the beak, so much the better. If, next time, an employer recognises that the court and its powers really are there when a big union goes bulldozing ahead, there should be a better chance of getting settlements less absurdly inflationary than the railwaymen's 12½ per cent already is. No self-respecting union, naturally, will expect to find itself in precisely the railwaymen's predicament next time: that is, caught in quick succession condoning unofficial action in breach of an agreement to go through their industry's full negotiating procedure, then accepting a private arbitrator and rejecting his recommendation, and then taking official action in breach of their agreement—and all this without the sympathy of the public or the press. But the railwaymen could not believe that the old days and ways might be coming to an end.

They should know a little better now. They had to face the consequences of what would happen if they broke the law. They had to calculate whether or not the militants could suddenly be ordered to pull back for less than the full claim or would insist on breaking more law than the miners did. But, even more important, they had to take three political factors into account. First, they had to decide if they wanted to escalate the quarrel into one between the Trades Union Congress and the Heath Government that could be resolved only by the electorate. Second, they had to decide if, in any lesser conflict, they should rely on the strategy of Mr Jack Jones, who now faces £55,000 in fines for defying the court. Third, they had to decide what backing they were likely to get from the Labour party: since both Mr Wilson and Mr Callaghan, representing the cautious wing of the shadow cabinet, had insisted that the law had to be obeyed until it could be repealed, the augury for an electoral resolution seemed dim. What the unions generally now think of the Labour party's ability to get the Industrial Relations Act repealed in this decade is, of course, another matter.

Doing what comes naturally

The Heath Government believes, and Mr Barber has said so pointedly, that its responsibility is to carry out its economic policy and to fight for that policy, drawing public opinion in, when a sectional wage claim like the railwaymen's is utterly at odds with it. The unions were angered by Mr Barber because they depend on governments finding through taxation the wholly uneconomic top layer of wage settlements which the nationalised industries cannot meet through the price system. Some governments do this to avoid inconvenience which they believe public opinion will not accept, others when they are fearful of industrial breakdown and the collapse of the balance of payments. Last week the Heath Govern-

ment placed the needs of its economic policy above its fears of industrial breakdown. By last weekend this had put the unions in something of a quandary in trying to add to the 11 per cent that had already been conceded by Mr Marsh. But they did what came naturally.

They turned first to the labour relations establishment ; that is, to the Trades Union Congress, the civil servants, academics and journalists who are committed to the customary way of doing things in St James's Square, who believe sincerely that there is no other way of doing things in a complicated industrial society, and who are prepared to advise governments and the community to accept inflationary wage settlements by an arbitrator of some kind or other in preference to what governments, with sudden rushes of blood to the head, may occasionally insist is the public interest. This system, normally, suits the unions very well: it is pretty much what the TUC, dominated by Mr Jack Jones, wants the Labour party, the unions' political wing, to commit itself to unreservedly should it ever get into office again.

And so it came to pass that the unions were persuaded to take an arbitrator selected from the establishment's finest and best, that he gave them 1½ per cent more, that they then refused his award but, as usual, added the 1½ per cent to what they had already secured on the climb towards 16 per cent, so that the egregious Mr Vic Feather and other enthusiasts then took up the cry that only a narrow gap divided the two sides after all. Seemingly, according to Mr Feather's logic, another unsuccessful arbitrator would get another slice for the unions, and another another, and so on until the last one had Mr Heath handing over the 16 per cent in person, plus a glass of whisky all round in Downing Street.

The Government has exerted itself, but at some risk. It has put its act to the test sooner than it would have wished. It has no backup weapon against union recalcitrance except the threat of a general election, a threat that the Heath Government can make today with some credibility, but which Mr Wilson's government (like every other government) was less able to make for long stretches of its time in office. A beginning has been made, that is all. Ministers may reflect on what the mounting cost now is—and may yet become—of all the earlier advice of the labour relations establishment and especially of the first Wilberforce report over a year, and a million unemployed, ago.



Set for self-destruction

Mr Crosland came bottom in Labour's deputy leadership election. But he did the party a major service by standing, and explaining why

Like out-of-work actors, the Labour party has tried to give the impression this week of resting between engagements. Mr Wilson made two important appearances—on radio on Sunday and television on Monday—but his performances were not much noticed: those who did see him were undecided whether it was he or the BBC who came out of the television encounter with their reputations most diminished, or whether, indeed, it was possible for that to happen to either these days. But, like good troupers, most Labour MPs went through with the Commons farce of demanding a general election and/or a referendum before Britain joins the market, and were roundly defeated on Tuesday night. The anti-marketeers turned a bit nasty in the Commons on Wednesday, but the real Labour party show went on backstage with the ballot for a deputy leader.

To be continued

When the result of the first ballot was announced on Thursday evening it was no great surprise. Mr Tony Crosland, easily the most able of the three candidates, naturally came bottom, but with 61 votes. Mr Michael Foot, still the best parliamentarian that the Labour party has got when it does not matter very much, received 110 votes, which was 16 fewer than he got against Mr Jenkins last year. Mr Ted Short, being the least threat to any faction for future dominance of the party, just pipped Mr Foot at the top of the ballot with 111. The only question which had been in doubt was whether Mr Crosland would poll enough to make the top two go to a playoff next week. He achieved that very creditably, and it now looks as if Mr Short will be the next deputy leader of the Labour party. One would have to go back to Attlee before the war to find a Labour leader as colourless as Mr Short. Unfortunately, Mr Short is no Attlee in the making.

Mr Crosland returned from Japan to fight the deputy leadership election. At first sight that seems to have been one of the more unnecessary political journeys. But Mr Crosland did well to stand, and in particular his brief manifesto setting out his reason for doing so could be studied with some profit by the Labour party in the country. His statement gained him precious few votes among Labour MPs, who are either certain they always know the score or cling to the curious and outmoded belief that open canvassing by a candidate should somehow disqualify him for office in the party. Mr Short was given the nod by Mr Jenkins and most of the pro-marketeers, and most of the centre and right were behind him. Mr Foot could similarly rely on the left and most anti-marketeers to support him. But Mr Crosland did something more important than merely standing for office. For not only did he add his voice to those few senior Labour politicians who have the courage to express their dismay at the way the party is being led, he dragged into the open something which everyone at Westminster is only too aware of: the deep-grained defeatist mood of the Labour party.

Even Mr Jenkins in his resignation letter to Mr Wilson last week went through the ritual of assuring everyone that Labour would "very soon" be the government once again. That *is* not the way it seemed to most MPs on both sides of the Commons, even before Thursday's Gallup Poll in the Daily Telegraph, which found Labour's national lead had fallen to just 1 per cent. That poll merely confirmed the widespread belief that Mr Heath will win the next election whenever he cares to call it. In face of all the Government's political difficulties, that belief might seem wholly irrational. Objectively it is, but it exists because MPs on both sides have the daily evidence of the demoralised state of the Labour party before them. By bravely stating what is obvious at Westminster, that Labour is set "on a course of self-destructive madness" and that time is running out for it, Mr Crosland may have disabused some members of the party in the country of the comforting notion that it is only Mr Jenkins and his friends in the pro-market, capitalist press who regard the Labour party as being in deep trouble.

The left's illusion

The left wing of the party at Westminster, in the unions and in the constituency parties is anxious to foster that notion, and if Mr Wilson did not pander to it he would be conceding his own failure. But at least Mr Wilson does not go all the way with the left's weekly voice, Tribune, which flatly declared last week that: "The first and most important reason that a Labour MP is returned to Westminster is to do all in his power to defeat the Conservative Government." Mr Wilson is not prepared to do all in his power to defeat the Government. It is true that he is prepared to swallow such personally repugnant proposals as a referendum on the common market for that end, but just before Easter Mr Wilson "saved" Mr Heath by supporting the Government's Ulster initiative just as much as Mr Jenkins and his friends have ever saved the Government on the European issue.

Mr Wilson has said, and no one argues with him, that anyone who believes that the common market issue is more important than bringing down Mr Heath's Government is out of touch with the mood of the Labour party in the constituencies and trade unions. Mr Jenkins and his friends are well aware of that ; it is one of the reasons why they, too, went through the empty sham of voting for a general election before entry on Tuesday. But the greater danger does not lie in the marketeers misjudging the mood of the Labour party, it lies in the rank and file and the trade unionists being out of touch with the mood inside the parliamentary Labour party. Most Labour MPs may appear to have no stomach for any fight these days. They are certainly sick to death of the market issue and they would rather avoid than think about the problems of industrial relations or much else of importance that a Labour government would have to face. But the fact that Mr Wilson could not command a majority of Labour MPs at the parliamentary party meeting on the referendum, plus the combined votes of Mr Short and Mr Crosland in the deputy leadership election, suggests that while the moderate and right-wing majority of the PLP may not yet be ready to assert its old position in the party, there is still hope that it will not become the bound and gagged victim of the left, either.

But, as Mr Crosland said, time is running out. The parliamentary party is in a shambolic state and the only way the Labour whips could maintain a semblance of party discipline on Tuesday night was by abandoning any attempt to impose discipline at all. Thus, although the referendum amendment was defeated by 284 to 235, it is impossible to say just how many Labour MPs abstained, because many who would have done so did not know themselves whether they actually abstained or were marked as paired with an imaginary Tory by the Labour whips. That may be politics, but it is absurd. If the Labour party, both in Parliament and outside, thinks it can shamble on through the summer and autumn in that fashion it is mistaken.

There is talk of Mr Heath calling an early general election ; there is always talk of an early general election. Those who were bitten by asserting in 1969 that Mr Wilson would hardly risk an election before the autumn of 1970 at the earliest are not to be found now asserting that Mr Heath would not risk an election this year. But the possibility makes many Labour skins creep, for as there is very little chance that Mr Heath will be defeated on an issue of principle in the Commons, such a general election is only likely if the unions' confrontation with the Government and public escalates to the danger point of a breakdown in law and order ; in such an election Labour could be decimated.

Committed to withdraw from Europe

But even if the unions or the Government back away, or down, it will be no time for the sensible majority of Labour MPs to relax. From now on it is, inside the party, the run-up to the party conference at Blackpool in October, the time when individual unions start holding their annual conferences and constituency parties frame their resolutions. The militants will be exerting continuous pressure on the moderates, for the left wing of the party believes it has never had a better opportunity than now to dictate Labour's policies for years to come. Mr Foot, it is said, has no wish to drive the marketeers or the right wing out of the party. That is no doubt a fair assessment of his position ; but it is not shared by all his followers by any means, and even Mr Foot would deny that he has lost any of his old ambitions to replace moderate policies with the left-wing fundamentalist gospel. The push against the moderates will be across the whole spectrum of industrial, economic and social policies, but it will be particularly concentrated on the demand that the next Labour government should be committed to withdraw from the common market.

If that demand culminates in success at the conference, and it very well may, it will create havoc in the party. Those leading marketeers who did not follow Mr Jenkins last week committed themselves to resign their positions if the parliamentary party ever went against the principle of Britain's entry. Indeed, Mr Wilson promised them that he would never accept such a decision himself. But he is equally committed to holding the party together by

avoiding such confrontations, and he would be faced with the dilemma of breaking his word or changing his whole style of leadership. It might be thought that would not be much of a dilemma for Mr Wilson, but it is an even bet at this moment which way the parliamentary party would go in such a situation ; whatever it did, it could not avoid a damaging split. There are good reasons, if you are a Labour MP, to be a defeatist. What there is no excuse for is failing to recognise, along with Mr Crosland, that the party is now indeed set on a course of self-destruction.



The good German, in bad

The fact that the world seems to love Chancellor Willy Brandt does not make his problems back home in Bonn all that easy to solve

Everybody likes Herr Willy Brandt and wants to be nice to him—or so it appears from a glance around the present international scene. When the Queen invited him to be her guest at Windsor during his visit to Britain this week, there was scarcely a murmur of protest from even the most hardened anti-German protesters. Mr Heath's government, being well aware of its particular need to retain Herr Brandt's goodwill during the tricky period of the common market negotiations, has no intention of neglecting Bonn now because of its preoccupation with developing better relations with Paris ; and a Labour party in opposition is not going to let its own private agonies over the common market prevent it from demonstrating its affinities with the world's most important Social Democratic head of government. M. Pompidou may be no socialist but he prefers Herr Brandt's east European policies to those of the opposition in Bonn. The Nobel peace prize committee has given the chancellor's Ostpolitik its seal of approval. Mr Brezhnev has taken him boating in the Crimea, and the Poles have given him a welcome that few people could have expected to see a west German leader receive in Warsaw.

Outside Europe, too, the Brandt government's stock is high. West Germany is still America's respected partner in Atlanticism. It is no longer being reviled by Arabs for alleged favouritism to Israel. The African associates of the European community are appreciative of the German contribution to its pool of development funds. Bonn's relations with the third world as a whole are not now bedevilled by the former dogmatism of the Hallstein doctrine. At the Unctad meeting in Santiago Herr Schiller shone out last week as the spokesman for a government that actually proposed to offer the poorer countries easier loan terms at a time when the general trend was the other way.

Herr Brandt is an essentially pleasant man, but he must be occasionally surprised to find how many people outside Germany are well disposed toward him and his government. How different it is from the home life of a hard-pressed chancellor. His own party has no majority in the Bundestag and his coalition depends on the meagre and restive support of the small Free Democratic party, led by his foreign minister, Herr Scheel. Only a few weeks ago the Free Democrats were contemplating with horror the prospect that this weekend's election in Baden-Württemberg, one of their former strongholds, would bring about their elimination from the legislature of that south-western *Land*, for the signs were that they would not even get the 5 per cent of all votes that is the prescribed minimum for representation. And this glum scene was set against the background of the Christian Democratic opposition's unrelenting assaults on Herr Brandt's eastern policies. For a while last month it looked as if the government might easily lose the vote that is due to be held in the Bundestag on May 4th on the ratification of the treaties with Russia and Poland that he negotiated in 1970. There was even talk of a general election being held this year.

True, things have picked up since then. The Free Democrats now seem confident of getting at least the essential 5 per cent in the Baden-Württemberg poll. Even a moderately satisfactory result in that *Land* could help to steady the coalition's ranks in the Bundestag on the eve of the ratification debate. Last week Herr Brandt went so far as to claim, in a statement to Der Spiegel, that the ratification of the eastern treaties was in the bag. But even if that claim proves justified, was he not over-optimistic in making the further prediction that things would really begin to look up after the treaties had been ratified ? There are several reasons to expect that the coalition could still find itself running into heavy weather even if it does triumph on May 4th.

Where's that tax reform ?

The most important of these reasons, perhaps, is the government's conspicuous lack of success in managing the economy. Admittedly the recession has not materialised. But inflation has not been checked ; it is now running at an annual rate of 5.8 per cent. And in next week's budget debate the government will have to explain the fact that the budget deficit has increased by £324m to £880m, as well as the fact that Herr Schiller has not yet implemented the much-publicised tax reform that was one of the main pledges given in the 1969 general election campaign.

One of the obvious implications of the large budget deficit is that the government will have to postpone, or shelve for the time being, many of its projects in housing, health and education. For the inhabitants of such a prosperous region as Baden-Württemberg, which has been called Germany's California, the prospect of cutbacks in spending on social welfare may not be too daunting. But there are other issues that now worry even the most pros-

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perous members of the electorate. The most topical of these is the rising tide of lawlessness: Herr Brandt seems to have got the message here. He has promised to spend £17m more on public security next year, and last week he called officials from five major cities together for an urgent conference about ways of combating crime.

Some new blood might help

The coalition is also under strong pressure to do something about the situation in the universities, where, in the public mind, left-wing radicalism is coming to be identified with simple hooliganism. Herr Brandt's government treasures its liberal image and is particularly reluctant to alienate its own radical young supporters by undertaking the amendment of the existing law on university affairs. But it is also anxious now not to be branded as a government of inaction and ineffective liberalism. The chancellor's critics within his own party hold him personally responsible for failing to give a lead, and they particularly condemn his way of dealing with the young left-wingers whom they see capturing more and more positions at the party's grass-roots. Two weeks ago a leading radical created a sensation by defeating a moderate Brandt nominee in a local leadership contest in Munich.

Herr Brandt does not seem likely to give his government a brisk transfusion of new blood such as might be expected to occur in similar circumstances in Britain. He has a reputation, rather like Mr Nixon's, for almost fanatical loyalty to the colleagues he has already appointed. And the ousting of anybody as conspicuous as, say, Herr Schiller, who has undoubtedly become one of the most unpopular members of the ministry, could be damaging because it would be taken as an admission of the government's present weakness.

The most pointed criticism of the chancellor now to be heard in Bonn is that his heart is not really in the party battle: "Willy fancies himself as a Friedenskanzler—a peace chancellor—and his Nobel prize has turned his head a bit." His great problem now is that he faces in Herr Rainer Barzel a tough new opposition leader who dearly loves a party fight. All the chancellor's success internationally does not remove the need for him to turn his hand to the party political struggle. The Christian Democratic opposition feels that it has drawn blood and that, even if it loses the present fight over the eastern treaties, it now stands a good chance of winning next year's general elections. The danger that faces Herr Brandt is that an apparent triumphant climax to his Ostpolitik enterprise, with the successful ratification of the treaties next month, could be followed by painful anticlimax if the high hopes generated by his policy were even partially disappointed. Whichever way things go in the ratification debate, there will still be a rough path ahead for him.



The battle is on the ground

The bombing of Haiphong shows Mr Nixon is ready to go as far as American public opinion will let him, even if it won't decide the present fighting in South Vietnam

If the South Vietnamese hold their ground against the communists this year, it will not be because President Nixon sent the big bombers to Hanoi and Haiphong on Sunday. It will be because their own army, backed up by American air power inside South Vietnam, has at last acquired the nerve and the skill to take on the North Vietnamese. The bombing may or may not succeed in disrupting the northerners' supplies and thus postpone a future offensive ; it may or may not damage Mr Nixon's electoral hopes or his trip to Moscow next month ; it may or may not draw the Russians more directly into the war. But it will not affect the outcome of the present campaign. The communists have already decided on their throw: the latest reports suggest that another northern division is heading for South Vietnam, which would make a total of 12 of Hanoi's regular divisions south of the border. The North Vietnamese have stripped their own country of regular forces, leaving its defence to civilian militiamen and two fairly raw divisions. They are not going to pull their army back just because some trucks and pipelines have been blown up around their capital.

So what does Mr Nixon hope to gain from the bombing north of the twentieth parallel ? Partly, of course, this is simple retaliation for what most commentators have recognised to be a northern invasion of South Vietnam. Mr Nixon has shown that he is keeping all his options open, and Mr Laird, his Defence Secretary, and the State Department spokesmen drove that point home when they insisted that only two kinds of military action are ruled out in Vietnam: the reintroduction of American combat troops and the use of nuclear weapons. The reports suggest that the North Vietnamese anti-aircraft gunners were caught napping last Sunday, and that the American pilots scored some effective hits although it is uncertain how much damage was done to the underground fuel tanks that feed the pipelines running south.

The men in Hanoi must now be worried about the other possibilities for American counter-action on their side of the border. President Johnson never succeeded in blocking the stream of (predominantly Russian) war supplies they receive through Haiphong. Is Mr Nixon now considering going further, by mining the approaches to Haiphong, setting up a naval blockade, or systematically bombing the port area ? The last of these options could mean tremendous loss of civilian lives in a waterfront town where the dock areas merge with the residential districts and goods are loaded and unloaded in streets full of playing children. And any one of the three alternatives

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would involve the risk of direct confrontation with the Russians, either through the destruction of Russian merchant vessels in or near the harbour or through encounters between the Seventh Fleet and Russian blockade-runners on the high seas.

One also has to go back to basic questions about the cost-effectiveness of bombing in this kind of war. Certainly, if Mr Nixon is ruthless enough, he can choke off a good deal of the supplies available to the North Vietnamese for their war. But Mr Johnson learned the hard way that bombing is expensive in many senses. According to official estimates, for example, the bombing in 1965-66 cost the United States some $1.7 billion, while the damage it caused to North Vietnam was reckoned at only about $200m. The comparison, of course, is between the biggest economy in the world and a diminutive Asian rice-producer; but the supplies destroyed can be replaced by the Russians. And there is no real evidence that the earlier American bombing impaired the communists' morale. Some observers would argue that it strengthened the northerners' solidarity in the face of a common danger. This factor has to be carefully weighed at a time when evidence is appearing of something like war-weariness in the north.

Two schools of thought in Hanoi

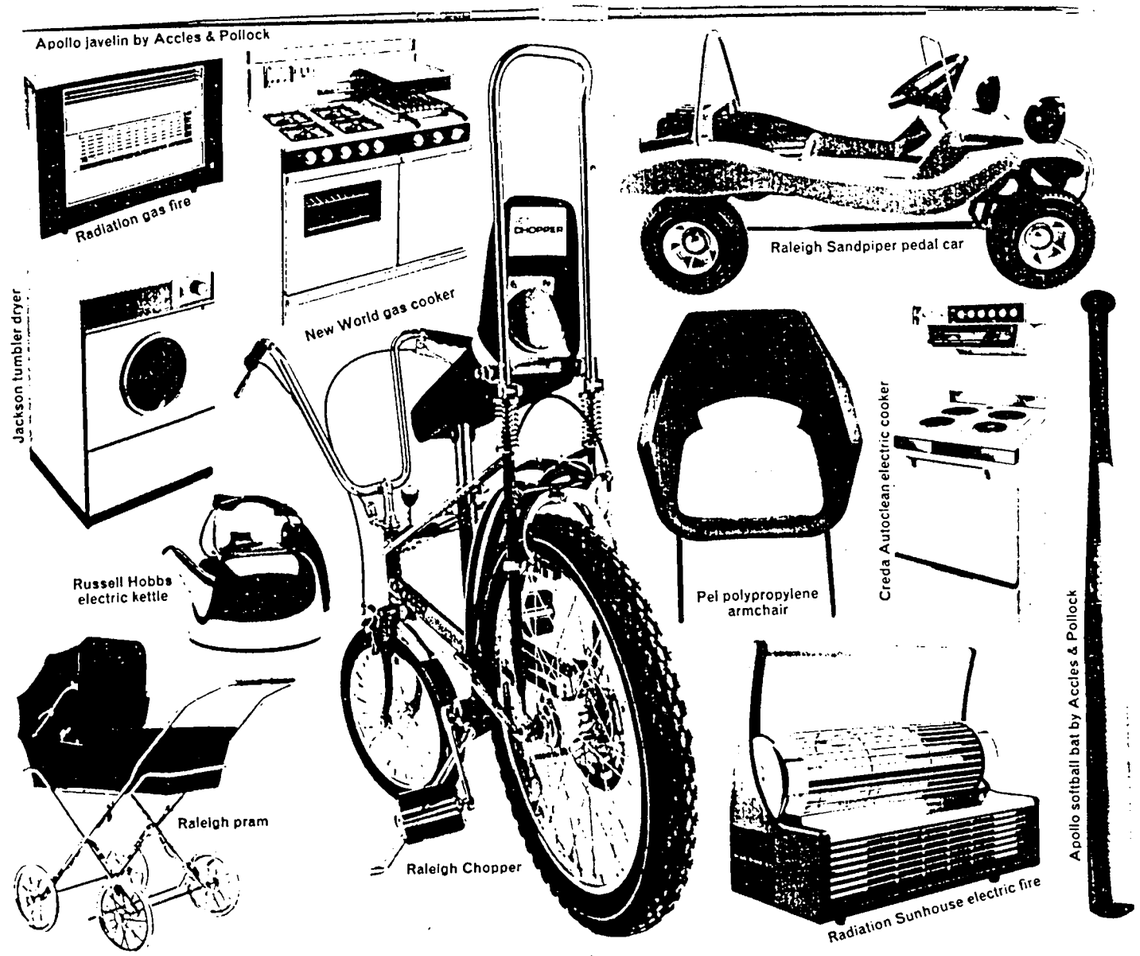
But there is a general principle that one must keep in mind, even if one doubts the effectiveness of bombing the north. The North Vietnamese sent their regular forces into South Vietnam at Easter time in an invasion executed by conventional units. The South Vietnamese and their American allies can hardly be denied the right to hit back. Bombing areas close to Hanoi may not directly affect the outcome of this campaign, but it does show that Mr Nixon is determined to go on supporting South Vietnam with all the means that American public opinion will allow him. If the sequel to the bombing is a stalemate or a reversal for the communist forces in South Vietnam, there could be a crisis of confidence in Hanoi of a kind that has not been seen before. There might even be a messy power struggle between those who had advocated the Easter invasion (Truong Chinh and General Giap in particular) and those, like Le Duan, who would have preferred to conserve their resources through a strategy of "protracted war." More immediately, there is a very real possibility that South Vietnamese commando groups, backed up by American air power, will mount raids on a North Vietnam that, for the moment, is relatively unprotected.

The way the fighting has gone since the communist offensive began has not given the North Vietnamese much reason to congratulate themselves yet. They have been fought to a stalemate on the northern front, where they are still butting against the defence lines that the South Vietnamese have set up around the Bastogne firebase to protect the approaches to Hué. On the southern front, fighting continues around An Loc, 60 miles north of Saigon. Last week the communists succeeded in occupying about half of the town but the South Vietnamese were later able to claim that they had regained control. The 75-odd tanks that the North Vietnamese have been using around An Loc were badly chewed up by American air strikes early this week. But a South Vietnamese relieving force has been unable to get through to An Loc along Route 13, and the town is still directly menaced. A small provincial capital of dusty streets and rough huts, it has assumed unexpected importance since both sides have defined it as a prime target. President Thieu told his troops, when An Loc first came under fire, that it must be "held at all costs." Then Mrs Binh, the Vietcong spokesman in Paris, declared that it was going to be made the seat of a provisional revolutionary government.

The threat on new fronts

American advisers are still worried that the communists are about to move in strength on other fronts. There has been a steady rise in activity in the central highlands, where the North Vietnamese have overrun a paratroop base and are trying to sever communications; and rocket attacks are still being mounted in the delta and on the outskirts of major cities along the coast. But, for the North Vietnamese, the position is not encouraging. They must have hoped for some swift victories, in order to offset the vulnerability of all their guns and tanks to American bombing. Instead, at An Loc they have been caught up in what a British counter-insurgency expert calls a "meatgrinder," and they are making no headway in the north, where quite early in the campaign the South Vietnamese captured tanks that had simply run out of fuel. And time is running out. In a few weeks many of those Russian-made tanks and guns may get bogged down as the monsoon sets in. These are reasons why Mr Nixon can afford a cautious optimism about the progress of the campaign so far. But the men in Hanoi, having staked so much, will not be prepared to give up easily. They have gone on gobbling up villages in the highlands, and on Wednesday their tanks were reported with 35 miles of Saigon.

The Russians have not been getting particularly emotional about the bombing of Hanoi and Haiphong, and nobody seems to believe that Mr Nixon's trip to Moscow next month will fall through. On the contrary, Mr Nixon knows that the Russians would like to get agreements on technical aid and the supply of American equipment, and he in turn may hope to get an agreement, or an understanding, to the effect that they will stop supplying war material that would be used for aggressive purposes, although Mr Brezhnev is not very likely to put his signature on anything of the kind. True, the Russians protested on Monday about the damage they say the bombing caused to four of their merchant ships in Haiphong harbour. But not much ink was spilt in the formal exchange of notes. At home, Mr Nixon has probably been less impressed by the attempts of Senator McGovern and others to present the election as a contest between those who want to bomb Haiphong and those who want to get out of Vietnam altogether, than by Senator Humphrey's soft-shoe shuffle over the bombing issue. It is remarkable how much emotion goes out of the anti-war campaign in the United States once American conscripts stop getting killed.



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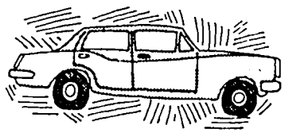
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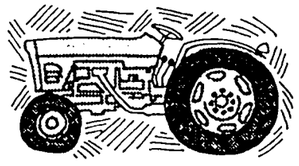
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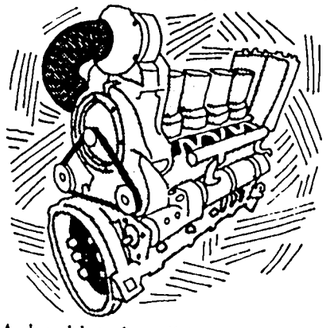
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TKM 2

HUNGARY — *A special report*



udapest has not lost all of its old look

The merriest barracks in eastern Europe

Welcome to the merriest barracks in astern Europe," chuckles the stockily-uilt, bespectacled young journalist nto his exquisitely-shaped china cup f that aromatic Budapest coffee so eloved by visitors from other com-nunist countries, especially Russia. The western visitor takes a deep breath, looks around him and gets down to work on his own private aiety-counter. The atmosphere in the liscreetly elegant Vörösmarty café right n the middle of Budapest is certainly ne of solid Edwardian comfort and espectability. The café's mainly niddle-aged guests behave with a kind f well-bred gentility which affects even the occasional bunch of young isitors in scruffy jeans and nondescript weaters (who, in any case, are prob-ably western students passing through Budapest). It is hard to resist the feel-ing that one is sitting somewhere along Vienna's Kärntnerstrasse rather than in a state-owned catering establish-ment of a country discreetly but firmly garrisoned by Russian troops.

A few hundred yards away, on the terrace of the ultra-modern American-style Duna Hotel, the illusion that one is in the heart of the charming ram-shackle Austro-Hungarian empire is stronger still. There, heavily-painted elderly ladies in twin-sets and pearls sound as if they are pulling absent friends' reputations to pieces, as they sip coffee and tuck into portion after portion of the Dobos layer cake. Elderly gentlemen, out exercising their dogs, stop briefly to kiss the ladies' hands and then hurry on, perhaps to those many night-watchman jobs where, as Buda-pest wits say, gentlemen watch over comrades who have been watching over them during the day.

The youngsters, refreshingly unvio-lent and unaggressive, go by and one hardly notices their presence, except when occasionally a bunch of young men roar down the pedestrian precinct in Vaci Utca on their roller-skates. The smoky chimneys of Csepel and Budapest's other industrial suburbs seem very far away. So does the idea of class struggle to create a classless communist society. "Is this communism?" asks the baffled London busi-nessman accompanying a group of even more uncomprehending Japanese.

Dangling the carrot

This genteel kidglove version of marxism, which indirectly owes to the late Mr Khrushchev its nickname of "goulash communism," was first hatched a decade and a half ago in the bleak days after the 1956 revolution, when a terribly wounded and sick-in-the-soul Hungary needed something to take its mind off its misery. First, it got lots of food which Mr Kadar bought in vast quantities with hurriedly provided Russian credits. Then in 1960-61 came the end of the systematic repression practised after the revolution. In December, 1961, Mr Kadar coined the famous slogan: "He who is not against us is for us." In 1962 he declared:

> We must not lose sight of the fact that a great number of people whose past and whose attitudes are *different from* ours, live in Hungary. They live in peace and work honestly. What should our attitude be towards them? Are we supposed to hold ourselves in a state of war against them? Why should we? They do nothing to hurt us. We have the intention of fighting only those who try to overthrow the power of the people.

There in a nutshell was the new tactic of intelligent pragmatic gradu-alism which found its culmination in 1968 in the so-called system of New Economic Management (NEM). Lenin was the first to recognise that it was advantageous to communist regimes to call in other groups like the peasants and the bourgeoisie as temporary allies to help in times of trouble. That was

the essence of his New Economic Policy (NEP) in 1921 which was designed to revive Russia's badly damaged economy by mobilising the businessman's and peasant's desire for material gain. Like Lenin, Mr Kadar and his colleagues have no intention of giving up their ultimate communist objectives, whatever those might now be. Certainly they have no intention of sharing their power with anyone else or giving up their ability to impose their views, by force if necessary, on the rest of the country if the country should once again become restive and rebellious.

So the stick is still there—and the will to use it. The road is still the same—for Hungary's regime and for all the others in Russia's orbit. It is supposed to lead to communism. So the visitor from the west is left in no doubt that the only debate is about how to make the journey on that road smoother and more comfortable for all, the leaders and the led, and to spare them from all upheavals and revolts like the one in east Germany in 1953, the one in Hungary in 1956 and the one in Poland in 1970. To put it bluntly, the debate among the politicians is about how to produce the right kinds of carrots with which to keep the people out of mischief.

Worldly-wise

Communist politicians, responsible Hungarians admit to their western visitors, are at last beginning to learn from their bourgeois counterparts in the west, who discovered a long time ago that an awful lot could be done without putting the ordinary man's back up provided wage packets get bigger, or, at the very least, do not buy less and less each month. From discreet smiles on those worldly-wise Hungarian faces which accompany deprecatory disavowals, it is possible to gather that Hungarian communists feel that they have been learning faster than most of their colleagues. If pressed, they will modestly admit to a paternal interest in the present general scramble to satisfy the consumer all over the Soviet block.

Hungarian communists are naturally flattered by the amount of respectful attention that their economic experiments command in the other countries of the Soviet block. But it is the praise



Labour has to be wooed

of the maverick reformers in Jugoslavia that pleases them most. When visiting Jugoslavs admit that they find in Hungary evidence of that quiet efficiency and competence which is all too often missing in their own, admittedly very different, system of "market socialism," the Hungarians simply beam.

Criticism by visiting left-wingers from the west who see signs of creeping capitalism everywhere but particularly in the striking prosperity of the professional middle-classes do not worry the Hungarian leaders unduly. But similar critical reactions from within their own ranks are causing them concern. Some people in Hungary apparently look back on that early period of "socialist construction" after the second world war with deep nostalgia and compare it favourably with the pragmatic spirit of today. Some of the younger critics who feel that Hungary is becoming too bourgeois demonstrated their feelings last month on March 15th, the anniversary of the 1848 revolution.

But the leaders know that, unlike old dogmatists and younger idealistic ascetics, the vast majority of their fellow Hungarians would rather forget those stirring postwar years when the late Matyas Rakosi was cutting down his opponents, including those within his own communist party. And so Mr Kadar and his colleagues are not worried about comparisons with the past. What concerns them is whether the present is functioning.

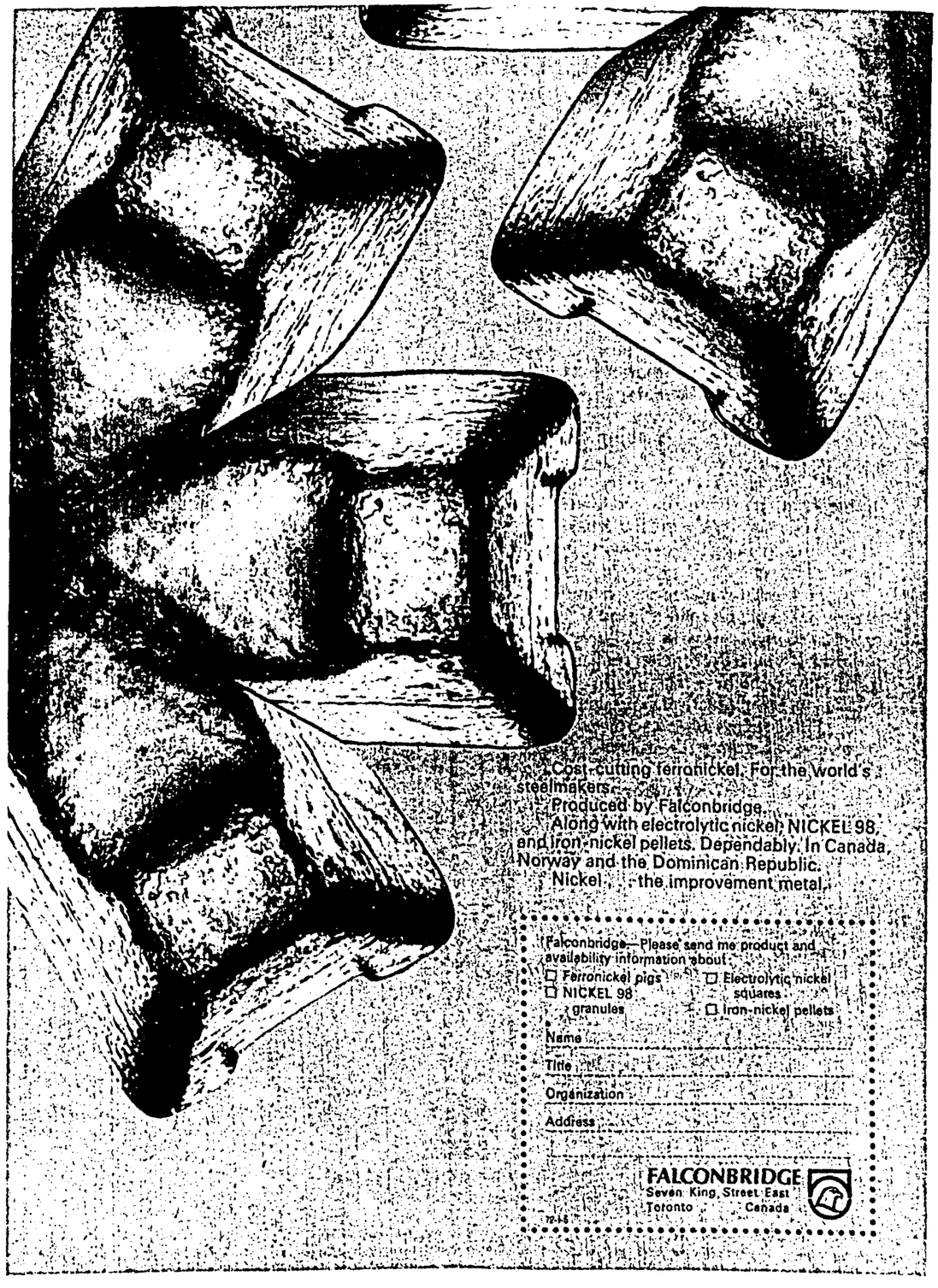
The visitor from the west, relying on the evidence of his eyes and ears, can only say that in Hungary communism seems to be functioning rather more smoothly than in other Soviet block countries. (East Germany is an exception, not least because of its commercially and technologically advantageous links, through west Germany, with the common market.)

What is it that the Hungarians have really achieved? Since January 1, 1968, when with much trepidation they embarked on economic reform, they may fairly claim to have done quite a lot. They have scrapped detailed central plans for individual firms, whose managers now have to worry about profits rather than the old production norms, and have some incentive to do so. The whole price system has been streamlined, and a rapidly growing proportion of prices is being fixed freely in response to changing market conditions. The import policy has been liberalised: over 17 per cent of all consumer goods on the market last year came from abroad (a significant proportion of those came from the west). Many individual firms are free to trade directly with customers in the east and west alike.

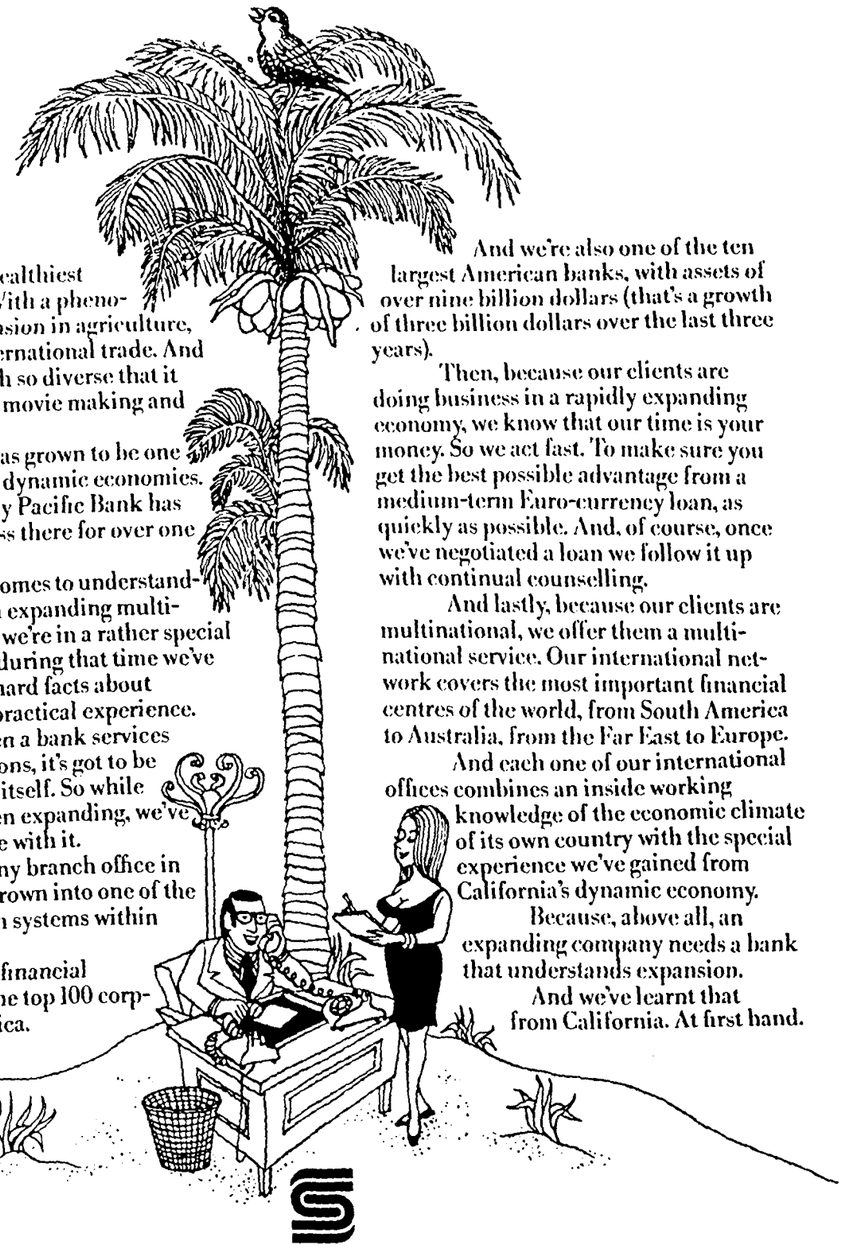
Perhaps most important of all, the key problem of providing good managers is being tackled—with some success, as one can see from visits to really go-ahead firms like the Budapest telecommunications firm BHG, or the big optical firm MOM, also in Budapest, whose top managers and technical staff would probably be able to command the highest salaries in the west. On the other hand, officials admit that many managers of smaller and medium-sized concerns do not really measure up to western standards of management.

The reforms were carried through carefully. They avoided the pitfalls of excessive deflation and painful redundancies. Inflation has been held at bay, with prices rising at no more than 2-3 per cent a year since 1968 and with the gross national product going up steadily at an annual rate of 4-5 per cent at constant prices. This has been accomplished without the ferment of rising economic and political expectations which occurred both in Jugoslavia and Czechoslovakia. Here, certainly, the memories of the Hungarian rising in 1956 and, more immediately, the Russian occupation of Czechoslovakia acted as a powerful brake. The fact that the Hungarians started, as one of them commented, with no expectations after 1956 meant that they were grateful for small things. The Hungarians are realists. They may not love their leaders. They certainly do not hero-worship them. But they respect them.

This special report was written by Chris Cviic.



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A cloud no bigger than a man's hand

Mr Kadar and his colleagues directly in charge of the economy have not been given a chance to rest on their modest laurels. Apart from Mr Kadar, the most influential men are: the party economics expert, Mr Reszö Nyers; the prime minister Mr Fock, a very able technocrat; and the two deputy prime ministers, Mr Matyas Timar and Mr Peter Valyi, who now represents Hungary in Comecon. Since the middle of last year they have been studiously watching small but dark clouds that have appeared on Hungary's economic horizon. These clouds have caused alarm, but not despondency. No sooner had the country started recovering from the effects of the disastrous 1970 floods than its trade gap widened alarmingly. Hungary ended 1971 substantially in the red (in contrast to 1970, when a surplus in the balance of payments was achieved for the first time in many years).

Last October, Mr Fock held an emergency meeting in Budapest with business leaders, planners and economic journalists. There he let rip. The country, he warned his somewhat dazed audience, had got itself into deep trouble and would have to work hard to get out of it. The main trouble, he explained, was the fantastically high rate of uncompleted investment projects, amounting to no less than 80 per cent of the whole year's investment outlays. Capital expenditure had increased twice as fast as the gross national product during 1969, he warned, and the country could not for long bear such a heavy burden. He singled out the building industry for much of the blame. Clearly what had happened was that, subject to comparatively loose controls, local managers had, as happened in Jugoslavia, taken the exhortation to invest in new capital projects so much to heart that when someone at the centre finally did the arithmetic it was discovered that the country as a whole was investing too heavily in relation to its means.

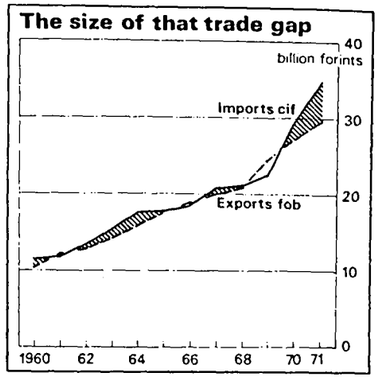
Mr Fock, perhaps feeling a little guilty about the lack of effective central controls, hinted that the government would not now hesitate to resort to unpopular administrative measures if really pressed, but that it would prefer to achieve the necessary cooling-down in the economy through fiscal and monetary policies. This stern sermon sent a shock-wave through Hungary. It led some commentators in the west to ask whether this was the end of Hungary's reforms. The answer is, apparently, not. The shock was meant to be salutary. The government has acted swiftly and on the whole effectively. Severe restrictions have been imposed on all new investment plans, so as to provide resources to complete those projects that remain unfinished. Of 19 major new projects in 1971, only 11 have been completed. In 1972, two major previously agreed projects have been postponed; one has been cancelled altogether.

As well as cutting its cloth to the barest minimum on new capital projects, the government has also, of course, had to tighten up on credit (for many firms' investment programmes in Hungary since 1968 depend not so much on the dictates of the central government as on the availability of bank loans). Until June, at least, the banks have been directed to give credit only on uncompleted or top priority investments. But such controls will take some time to bite with so many uncompleted development projects festooned around the country. The really bad thing about these investment delays is that projects may be obsolete by the time they are completed.



Valyi has reason to look over his shoulder

The size of that trade gap



The intention is to make life as uncomfortable as possible for the inefficient and irresponsible manager who could in the past always hope to be bailed out if he—or rather his investment planning—got into trouble. Life has in any case already been getting more difficult for such a man since the beginning of last year. Then the government made it plain that the budget deficit, arising mainly out of the cost of the floods in 1970, would affect subsidies paid to firms operating at a loss. It seems the government is putting this threat into practice, for subsidies are now being gradually reduced. Meanwhile the government has put up the prices of steel and some other key materials. The most important firms, especially those involved in co-operative arrangements with Comecon and western countries, will probably still get help. At least this seems to be the lesson that can be learnt from the way the government has treated the Veszprem factory which had been supplying parts for the Russian Fiat 124 car. It came unstuck last autumn. Apparently, it had been quoting prices which were too cheap. A loan of about £7m has been granted by the government to help it sort itself out by 1975. But such loans will be rare, quite simply because the money is not there.

Workers crack the whip

Just to keep the various industrial firms in production, the government has each year had to hand out enormous subsidies from the central exchequer. In fact, in 1970 these amounted to £442m, which was equivalent to over one-third of total investment outlays. Over and above these industrial handouts the government also subsidises some food prices. It is not going to cut these consumer subsidies but it wants to reduce the huge sums it spends on keeping industry operating. But, in trying to do so, it is hampered in all directions. Some of the government's inhibitions grow, of course, out of marxist dogma ; but some arise from hard facts.

One of these is the acute shortage of labour, which has reached such proportions that the government has been pleading with old age pensioners to return to work. Virtually all the married women who can work do so. But here the authorities are obliged to take into consideration another of Hungary's big problems, its low birth rate, which has left its population unchanged at 10m for a number of years. So working mothers are now encouraged to stay at home for a few years until they have brought up their babies to at least the kindergarten age. Some firms like the BHG telecommunications factory in Budapest, in which women make up 70 per cent of the labour force, even pay married women employees £7 a month to stay at home for three years and promise them their jobs back if they return then. Most of them apparently do. But until Hungary's birth rate goes up again there are simply no reserves of labour, with the result that the workers can shop around and chop and change their jobs. One worker in three in Budapest changes his or her job each year, and one person in five in Hungary as a whole.

Praying for credit

Despite this acute shortage of labour, which is forcing big firms out of Budapest into the regions, there is every sign that the labour force is being employed wastefully. "We could sack 50 per cent of our workers and still do the work," said a high-powered management specialist, "but the trouble is that our firms can only do that if they get the right amount of now ruinously expensive capital funds for investment in automated machinery." The present tough credit squeeze makes this difficult for all but the pampered firms—that is, those on the list of priority development projects, like petrochemicals, aluminium and computers. Only such firms can now hope to get good credits from the National Bank, which has just taken over the handling of all the firms' accounts (presumably to ensure better control) from the Development Bank, which now handles only big investments by the government and the local authorities. "We used to pray to the minister," says a leading Budapest manager, "but now we pray to the bank." And so many firms still find it cheaper to hang on to surplus labour than to venture into automation and mechanisation. One can see the results even in relatively go-ahead firms like the SZIM machine tool factory in Esztergom, where there is hardly any mechanical handling at all.

This shortage of capital is a serious problem for Hungary, a small country which derives 40 per cent of its income from foreign trade. In order to live it must sell, and what it sells has to be produced from most imported raw materials, for Hungary has no natural resources worth speaking of, except a little low-quality coal and bauxite. In order to sell, it must compete against many other better endowed countries. And particularly within the Comecon everybody is tight-fisted and wants to buy as cheaply as possible. To produce high-quality goods cheaply Hungarian factories simply must have modern machinery. But can Hungary carry through such a costly modernisation programme within the framework of the conservative Comecon ? The present rather more realistic long-term programme of economic integration within the Comecon is a step in the right direction, so far as the Hungarians are concerned. It seems to cater for functional co-operation on a firm-to-firm basis such as the Hungarians have been urging for years. But it does not yet go far enough towards Hungary's vital interest—full convertibility within the Comecon, which would enable Hungary to trade more easily with both the east and the west.



At least there is bauxite for these aluminium tubes

Finding the right balance

So long as Hungary is closely integrated into the Soviet block, which claims over two-thirds of Hungary's total trade, any increase in trade with the west will be relatively modest. The Hungarians are desperately anxious to increase their trade with the west. But what are their chances of exporting to the west this year 13 per cent more than last year, while importing from there not more than 5-6 per cent extra ?

Some Hungarian firms, notably in engineering, machine tools, pharmaceuticals and chemicals, stand a good chance of boosting their exports. But what they want above all are various forms of industrial co-operation. The most popular is the acquisition of western licences. The Hungarians now have nearly 200 such agreements with western firms. They have even more with the east Europeans. But, unlike the Jugoslavs, the Hungarians have no plans to take part in joint ventures

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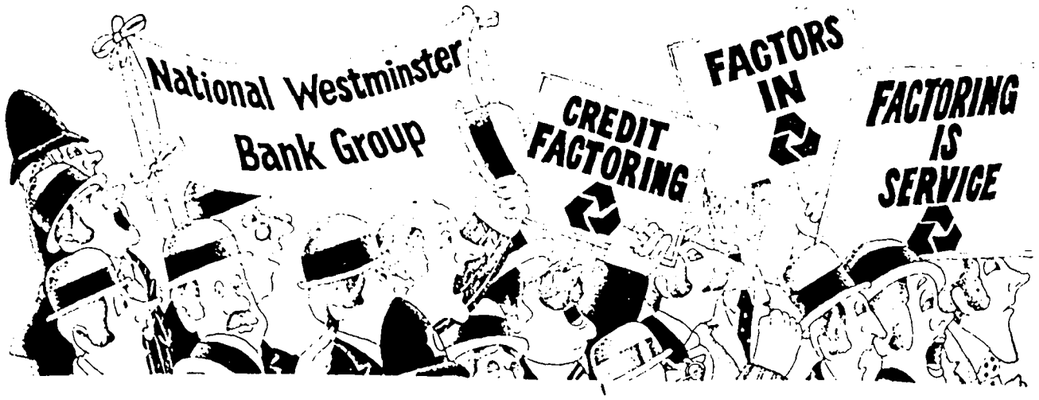
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An elegant demonstration of the difference between ignorance and bliss.

The Pros and Cons of factoring, as seen by users and non-users.

Non-users		Users	
PROS	CONS	PROS	CONS
"You have fluid money to spend."	"Factoring is far too expensive. There is nothing to stop any self-respecting person going to the bank." "Factoring is additional expense to the firm. No extra income is gained by using one."	"I do not think the cost is much more and you gain in terms of service." "We expand by over 50% a year and factoring is for us." "If you quadruple your business you can carry it on without going for outside capital." "We are an expanding firm and Credit Factoring gives us a 100% guarantee against bad debts." "Factoring is good for the image. Customers feel you must be of some strength for them to take you on." "We have not had any redundancies - we have just run down our staff through normal wastage." "Credit Factoring would not do anything to upset the relationship between us and our customers." "We employ a credit factor for our export trade, which works exceedingly well. It is an advantage for the customers to pay in their own currency." "It is nice to know that the money will be in by a certain date. With the old system we had no idea when to expect payment." "The advantages are: regular cash flow, no bad debts, you know how much it is going to cost, and most importantly, if we didn't factor we would have to attract quick payment by offering discounts."	*
"I suppose if you had no liquid assets you would have to factor."			
"One of our suppliers uses factoring. It didn't imply to me that they were in financial difficulties. It was just to their convenience."			
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THE WORLD *International Report*

Pompidou drums up a pretty loud oui

FROM OUR PARIS CORRESPONDENT

As France prepares to vote on Sunday in M. Pompidou's pre-electoral referendum, the French president has already guaranteed himself at least half a victory. His efforts to divide the left have succeeded beyond the wildest dreams of anyone who did not know the cynical dishonesty of the French Communist party.

The Socialists, who are basically in favour of the common market, rapidly decided after the announcement of the referendum last month that the answer for the left, and the only one on which it could unite, was to take no part in the president's private games. The Communists thereupon as rapidly decided to vote no, arguing quaintly that to say no in the referendum was to say no to the whole idea of staging it.

This week the two parties were still trading accusations and there is no doubt who has profited. The Communists have embarrassed M. François Mitterrand, the Socialist leader, with those of his friends who argued that pro-Europeans should vote with their convictions. More significantly, they have left his party effectively on the sidelines of what has become a real battle after all. This happens to suit not just the Communists but also the ruling party very nicely.

M. Pompidou has enormously raised the morale of his government and its party supporters which was crumbling only two months ago before rising prices, unemployment and the prime minister's tax misfortunes. It is no coincidence that M. Chaban-Delmas's personal popularity has recently shown a sharp upswing in the opinion polls.

Only Sunday's voting will show whether M. Pompidou has gained the other half of his victory, the massive yes he has been appealing for. The tests here are two: the number of "no" votes, backed by the Communists and a handful of gaullist diehards, and abstentions, backed by the Socialists, some fragments of the extreme left and right, some dissidents in M. Jean-Jacques Servan-Schreiber's Radical party, and, most significantly, the large army of Frenchmen who have better ways of spending an April Sunday.

For the noes, a fair guideline is the 21 per cent of the poll that the Communist candidate won in the first round of the 1969 presidential elections. The arithmetic of the abstentions is harder. The basic figures are the 21 per cent of the electorate who did not vote in that round in 1969 or the 19 per cent in the preceding referendum that ousted de Gaulle. But then the complexities begin.

The campaign has hardly excited the French public. In addition, opinion polls show that significant minorities disagree with the party they support. In the second round of the 1969 presidential elections the Communist advice to abstain does not seem to have prevented about a quarter of their voters from going to the polls. And the significant proportion of Communist voters who think the common market a good thing might well decide the easiest compromise on Sunday was to stay home or go picnicking.

Meanwhile the campaign, albeit unexciting, has been a real one. The communists have done their best to swing it back to bread and butter issues by talking of the Europe of the monopolies and quoting Mr Sicco Mansholt's now famous letter proposing a cutback in European economic development. Basically their theme is no to Pompidou and all he stands for, while the majority of the Radicals and other opposition yea-sayers have attempted to maintain a distinction, which their ballot papers will not show, between



He's found a timely umbrella

saying no to M. Pompidou and yes to Europe. The president himself has taken advantage of a conveniently reportable tour of Lorraine which has much to do with that region's economic woes and almost as much, one suspects, with the hope of squashing M. Servan-Schreiber there in next year's parliamentary elections.

For the British observer the campaign has been irritating. The old clichés have been trotted out. The French government's rediscovery of Europe under M. Pompidou has been described, again, as Britain's discovery of the same phenomenon. The foreign minister has let the federalists know that, given an unavoidable choice between federalism and letting in the anti-federal British, the former had to go.

This is all the permissible phraseology of a government which cannot admit that its predecessor was wrong. But, for those Europeans who discovered their continent rather sooner than General de Gaulle's former prime minister did, the campaign has been worse than irritating. The claims of President Pompidou's friends that he is strictly following the lines of de Gaulle's thought can be explained as aimed at

the diehards: the still lively M. Michel Debré, for instance, has had to give a gallant exhibition of how to ride two horses at once. But evidence coming, notably, from M. Pompidou himself, suggests that the claim might even be true. Not since the general's time has one heard so much about the grandeur of France and the suitable field a larger Europe could provide for it.

Turkey

Time to ponder

FROM A CORRESPONDENT

Istanbul

At each successive political crisis in Turkey it is immediately assumed, both here and abroad, that the army will step in and take over. But each time the Turks have succeeded in finding a compromise which has allowed the civilians to continue in office and the generals to remain in the background. The outcome of the current crisis, caused by the resignation of the prime minister, Mr Nihat Erim, on Monday, is expected to follow a similar pattern.

Mr Erim resigned because parliament and the political parties would not agree to his request that they should stop arguing between themselves and give his government the power to issue laws by decree. This was the only way he believed he could carry out the service chiefs' demands that the government restore law and order and put into effect agricultural and social reforms. President Sunay and the commanders regret his departure but they had no way of keeping him at his post.

The question the president and the forces chiefs of the National Security Council have to settle now is what sort of government is to be formed. Should it be another "above politics" administration such as Mr Erim led, or should it be a coalition government, formed either by the two major parties or alternatively by all the parties represented in parliament? President Sunay has time to ponder. The National Security Council does not meet until Saturday and since Sunday is a national holiday he need not start his consultations with the political leaders until Monday. Meanwhile the acting prime minister, Mr Ferit Melen, has said the government will continue to function normally and will introduce to parliament the bills that are ready, including the eagerly awaited and controversial land reform bill. The Turks, used to these upsets by now, do not seem particularly perturbed.

They have just taken in their stride



Melen will carry on governing

a visit from President Podgorny, even though both official and public opinion towards the Soviet Union provided an unfavourable climate. The Russians have been accused of fostering the activities of the Turkish urban guerrillas and of trying to subvert the Turkish regime. But the Turks were satisfied with the joint communiqué at the end of the visit. Both sides agreed that their territories should not be used for subversive activities against other nations and promised to respect each other's political and social system. This, when coupled with the Russian expression of opposition to the union of Cyprus with Greece, was seen as a clear gain.

Uruguay

Shooting it out

Uruguay's new president, Sr Juan Bordaberry, is confronting the Tupamaro guerrillas with more vigour than his predecessor, Sr Pacheco Areco. After the Tupamaros assassinated four people, including two policemen and a former under-secretary of the interior, at the end of last week, the police pinned the guerrillas down in a series of gun battles in Montevideo. In a spectacular shooting match on Monday seven people were killed after some of the terrorists sought refuge in a communist-run working men's club. According to some reports the founder and chief strategist of the Tupamaros, Sr Raul Sendic, was among the dead.

Now there are 35,000 security men scouring the capital in search of the guerrillas' bolt-holes where they are still holding several prominent Uruguayans as hostages, including Sr Homero Farino, editor of the conservative daily Acción. Sr Bordaberry has also managed to persuade congress to proclaim a state of "internal war" and grant him sweeping emergency powers for a period of 30 days—including the right to prosecute newspapers for publishing any news about the insurrection apart from official communiqués.

Sr Bordaberry's chances of putting paid to the Tupamaros depend on more than the balance of forces or his excellent relations with the neighbouring Brazilian regime. His predecessor was undermined by intrigues within his own party, a chronic economic crisis, and an outcry in congress against measures that were widely interpreted as "over-reaction" in a society with a long liberal tradition. Sr Bordaberry also suffers from a weak position in congress, where the members of his Colorado party hold only 41 of the 99 seats in the lower house and 14 of 31 seats in the senate. This year Uruguay's creditors will be presenting a bill for something like $300m, which can only be paid by new borrowing since exports will probably be worth less than $200m and there is a trade deficit. But Sr Bordaberry has tried to broaden the base of his government by bringing in conservatives from the Blanco party. There is a growing feeling in both traditional parties that they share an interest in cracking down on the Tupamaros.

Canada

A strike for separatists?

FROM OUR CANADA CORRESPONDENT

Eighteen months ago Quebec gasped at the brutal daring of a group of revolutionaries who kidnapped a British trade commissioner and strangled a provincial minister. This past week the province has creaked under a strike by 210,000 public service employees. Many people are seeing a political connection between the two crises.

There are no doubt strong reasons for some of the hospital employees and highway maintenance men to strike for higher wages; some blatant inequities have come to light. But the words used by some leaders of the "common front" of labour federations that is directing the strike sound little different from the political strategy that lay behind the kidnappings carried out in 1970 by the FLQ (Quebec Liberation Front). The tactics are obviously

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Bourassa plays it like last time

very different, but one of the leaders' aims seems to be much the same : the radicalising of Quebec's people so as to secure its separation from the rest of Canada. The Central Council of Montreal, to which 60,000 workers are affiliated, voted categorically on Sunday for Quebec's independence. It went on to re-elect by acclamation its president, Mr Michel Chartrand, who was one of the most prominent detainees in October, 1970.

At first sight all this might portend a swift increase of strength for Mr René Lévesque and his separatist Parti Québecois, which won 23 per cent of the votes in the 1970 provincial election. But although the party has just published a new economic manifesto that looks ahead to Quebec sovereignty and socialism, it has not made common cause with the labour leaders. Mr Lévesque was disgusted by the FLQ kidnappings, and he now seems embarrassed by the strike. On Sunday he called for a parliamentary commission to be brought into new negotiations and for the unions to suspend the strike.

His political instincts, which are strongly based on constitutionalism, may have served him well on both occasions. In January the ideologist of the FLQ, Mr Pierre Vallières, came out of hiding, denounced the tactics of violence, and joined the Parti Québecois. He even accepted temporary employment by the federal government, which showed itself equally broad-minded in giving him a job, for Mr Vallières is still on bail facing charges of counselling to kidnap and murder. And this week there have been several signs that the strike is becoming unpopular both with the general public and with some trade unionists.

Quebec's young premier, Mr Robert Bourassa, has faced both crises in much the same manner. He spent the first few days of the strike watching quietly and waiting for public opinion to become clear. As the union leaders failed to gather the support they had hoped for, the provincial government grew bolder and sought injunctions on workers in essential services, such as hospitals, to return to work. Mr Bourassa hopes, in the eventual bargaining, to scale down the cost of a wage settlement from $175m a year to about $80m.

His troubles are unlikely to end with such a settlement. These are hard times for basic Quebec industries such as textiles, pulp and paper; and Mr Bourassa's new emphasis on developing tourism calls for a costly infrastructure for which there is only one major source of funds—the federal government. He has avoided picking constitutional quarrels with Ottawa, while making gestures to Quebec nationalism such as dropping the parliamentary oath of allegiance to the Queen. In two years he has provided half of the 100,000 additional jobs that he promised in his 1970 election campaign; further advances must depend mainly on federal subsidies—and on a lessening of labour unrest. Recently Mr Bourassa looked wistfully back to Canada's centennial year, 1967, and remarked : "Federalism is more vulnerable than it was five years ago."

Gaza

Out you go

On Sunday Israel's chief of staff, General Elazar, told the cabinet that although his officers had exceeded their orders in ejecting Arab farmers from their land near Rafah in the southern part of the Gaza strip, none of this land would be returned. Last month, after protests from Mapam, the left-wing partner in Mrs Meir's coalition, it was announced that disciplinary measures would be taken against officers who had apparently bulldozed their way through more Arab property, and rendered homeless more Arab families, than they had been authorised to do. A committee, set up by General Dayan, who as minister of defence has overall authority in the occupied territories, criticised both the extent and the manner of recent "fencing operations." Even so, all the land now fenced off will be retained for Israeli settlement.

The Israeli authorities are not saying how much of the strip has been confiscated or how many families displaced; according to one Israeli newspaper it amounts to as much as a third of the strip's land area. The families, who were ousted from their houses and their land with no ceremony at all, are to be offered the choice between cash compensation and rehabilitation by the military government. Such rehabilitation is said to include the offer of new smallholdings but the best that most of the displaced Arabs can hope for is housing on the outskirts of the strip's overcrowded towns and refugee camps. A cabinet spokesman, tight-fisted with facts and figures, refused to say how much money had been allowed for these purposes. And no Israeli minister, it seems, raised the proposition that if it was wrong to drive the Arabs off their land in the first place, it is compounding the wrong to refuse now to let them return.

Lebanon

Twixt paunch and jowl

FROM OUR LEVANT CORRESPONDENT

The Lebanese general election, now at its halfway point, is a reminder that this country alone of all the Arab states (with the possible exception of Kuwait) remains faithful in its fashion to the principles if not to all the practices of parliamentary democracy. Yet perhaps the most hopeful aspect of these elections is the criticism that is being directed at them. The reaction of politically sophisticated Lebanese towards such elections has for many years ranged from tolerant exasperation to outright anger. This time the usual epithets, "a farce, a circus, a bazaar," are being used with an added edge of bitterness.

The performance is as odd as it has always been but an increasing number of the audience is now very fed up indeed. One cartoonist went so far as to depict a candidate ushering his supporters directly from a polling booth to a brothel. The Lebanese newspapers have made the point that at least half of the 400 candidates, for 99 seats, will be spending £20,000 apiece on election expenses, including what might be called voters' gratification. One village voter affirmed that for his family's votes he would be receiving an electric frying pan and a dozen bottles of soda pop. Such irregular expenditures are accepted here as a useful downward



A vote merely primes the parish pump

distribution every four years of probably ill-gotten gains. The Lebanese elector is even prepared to accept that his chosen representatives are not only buyers but are bought. Student slogans about the 99 thieves are not considered lese-majesty.

What the responsible Lebanese voter is really beginning to protest against is that in these elections he is given a selection between individual politicians but no real choice of policies. He can choose between the singularly unprepossessing portraits on an infinity of posters, but this, when one comes down to it, is a choice twixt paunch and jowl. This is why nearly half the Lebanese electorate does not exercise that right to vote for which it is envied in other Arab countries.

The factor that belittles the whole electoral process is the malign and all-pervasive influence of confessionalism, of politicised *religion*. Membership of parliament is divided strictly along religious lines. Even the parties with secular ideologies are in fact confessional: the power base of the socialists is the Druze community, the Syrian regionalists are largely Greek Orthodox, the Lebanese nationalists are Maronites, while even the communists are concentrated geographically in and around Tripoli which happens to be a Sunni Moslem area. Because educated young Lebanese are disgusted with the spectacle of their national affairs being reduced to the level of the parish, or rather patriarchal, pump, and because successive Lebanese parliaments have proved to be indolent and ineffective, few bother to stand for parliament and fewer still succeed. Largely because of this, the Lebanese respond wryly to the news that some misguided enthusiast was studying the possibility of applying the Lebanese system to Northern Ireland.

Jordan

Better than expected

FROM OUR LEVANT CORRESPONDENT

Those portentous words "economically viable" just do not apply to Jordan. There is every economic reason for Jordan to have gone down the drain of non-viability years ago, especially since the debacle of the 1967 war with Israel. Yet four years and three crises later the economy is struggling not just to keep afloat but to pick up its pre-1967 momentum: a struggle that testifies to the sinewy resilience of Jordanians and Palestinians.

Jordan has never been able to balance its books: domestic revenues have always just about matched defence expenditure alone. This year the gap between total expenditure and total receipts, including known subsidies from other governments, is about £45m. The gap has been steadily widening but each year it has been closed, a trifle mysteriously, by governments that do not wish their generosity to be known —and for this there is a political price to be paid.

Defence expenditure is not the only cause for this budgetary imbalance. Between 1966 and 1970 defence spending went up from 18m dinars to 35m dinars (the current value of a Jordanian dinar is about 90p). In the same period, the cost of civilian services increased from 14m dinars to 21m dinars and spending on development from 11m dinars to 28m dinars. The economy, within its peculiar framework, survived the 1967 defeat by Israel, and the loss of the West Bank, surprisingly well. Jordan's principal industries, phosphates, cement and petroleum products, are all situated on the East Bank and their production continued to rise in 1968 and 1969. So did the output of the main agricultural crops from both banks, since their export to traditional Arab markets continued across the bridges over the Jordan river.

The first decided dip was in 1970. This, which affected all sectors of the economy, was the result of the king's fight with the guerrillas. Syria closed its frontier to Jordanian goods, which cut off the northward flow of phosphates across Syria to Beirut and thence to Europe. This ban was relaxed earlier this month, but since it had already been discovered that the road haul to Beirut ate up most of the profit margin, Jordan's major outlet is now through its port at Aqaba to the Red Sea. Jordan has had to learn that the expanding and profitable markets for its phosphates are in India, east Africa, Japan and China—when it decides to recognise it. The principal sufferers from the selective Syrian blockade are the farmers on both banks of the Jordan. Most of them are Palestinians and the embargo was ostensibly imposed on their behalf.

Despite these misfortunes Jordan is pushing ahead steadily with the development of its industrial and agricultural infrastructure. Work proceeds on phosphate prospecting, the construction of a new phosphate railway link with Aqaba, and on the expansion of the port itself. Underground water resources are being explored. Most striking of all is the change that is now being made visibly in the Jordanian landscape by afforestation. And the length of new walls to prevent soil erosion is five times the distance from Amman to Baghdad. Soldiers have been put on this job and farmers are given food rations if they work on tree planting and terracing.

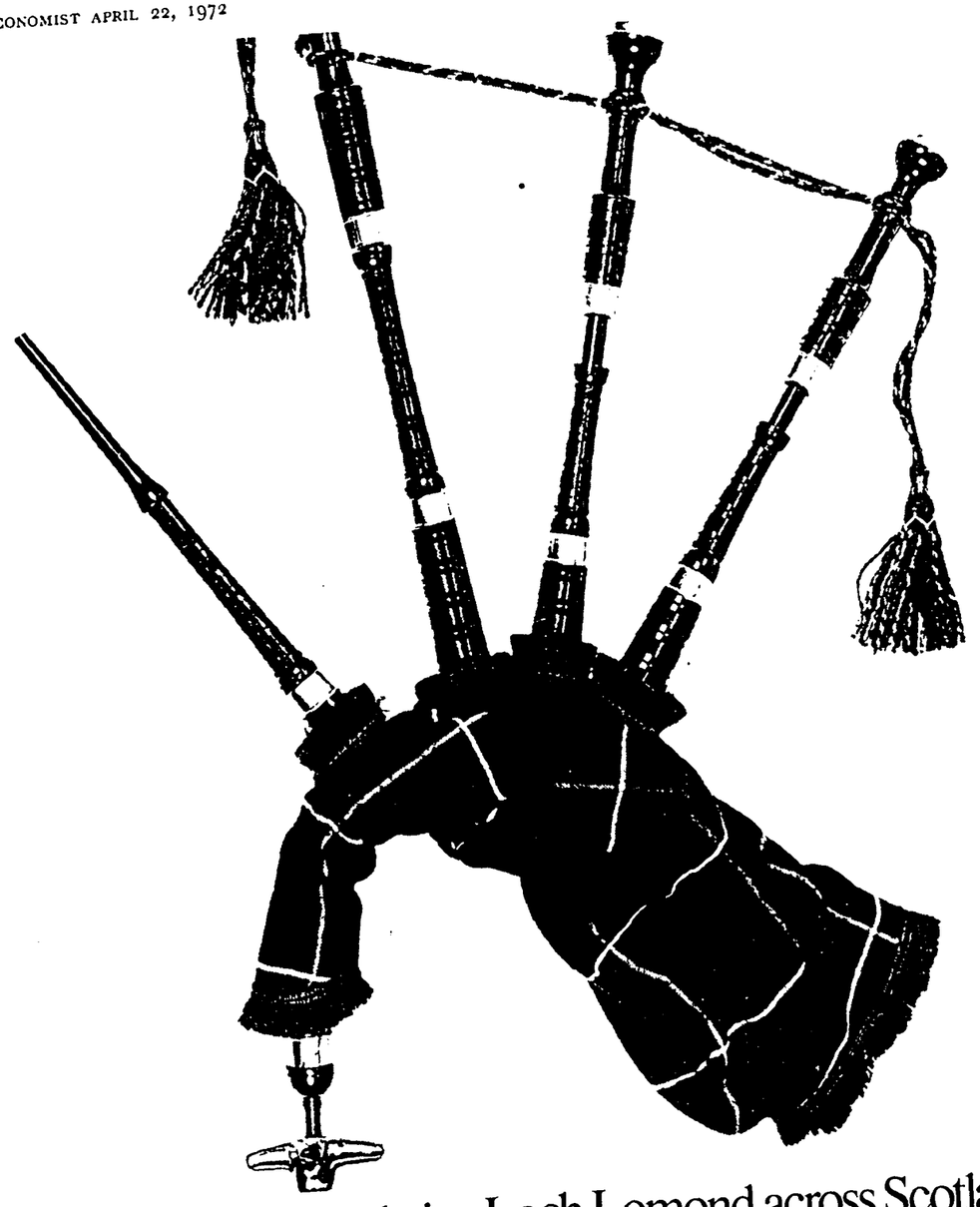
With the Jordanians eager to go ahead with every sort of development, from fisheries to housing and animal health, friendly governments and the United Nations are willing to supply both the exports and the finance. The UN has as many experts in Jordan as in all of huge Sudan. Even the number of tourists has crept up to half of what it was in 1966. But not the tourist revenue. Europeans are visiting Jordan again, but the Americans, more free-spending but more apprehensive, are staying away.

Southern Africa

Dr. Diederich's budget makes good use of the breathing space the economy has gained from devaluation. But the need for faster growth is leading to breaches in the apartheid doctrine on use of non-white labour. Short- and long-term consequences are examined in the latest QER.

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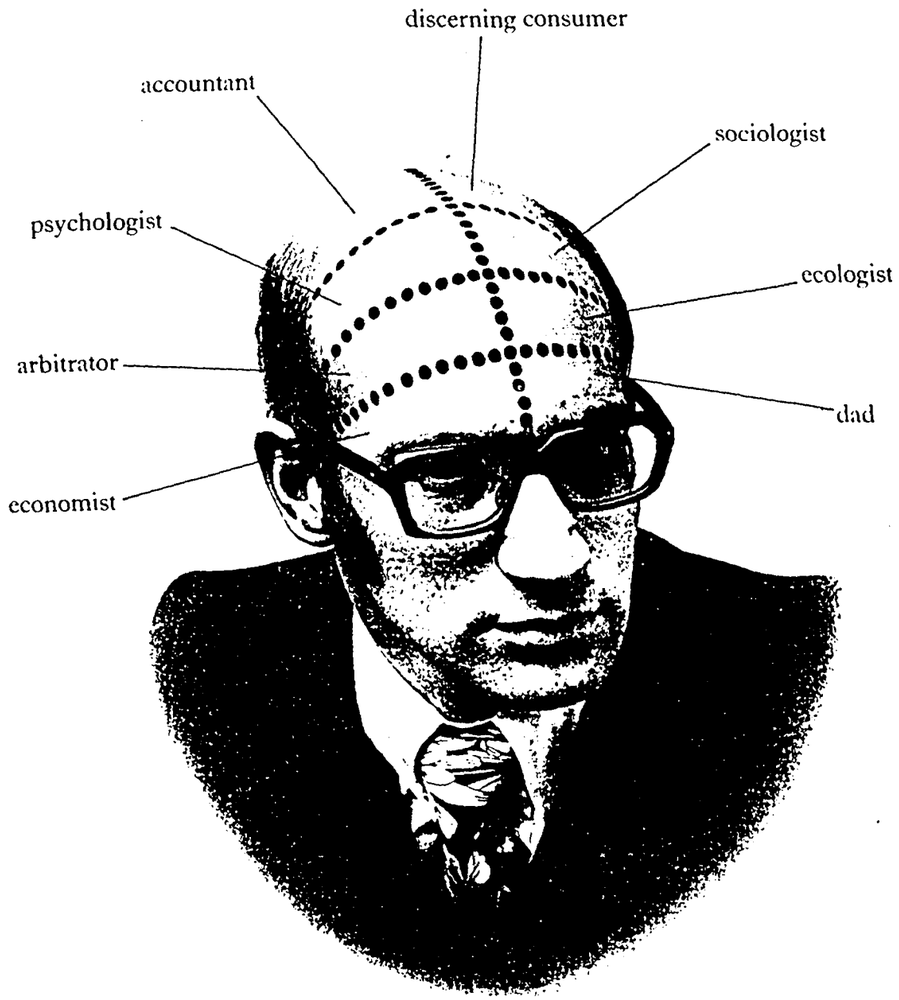


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Pakistan

Lifting the lid

FROM OUR SPECIAL CORRESPONDENT

Mr Bhutto told Pakistanis in his first broadcast as president last December that he would not retain martial law one moment longer than was necessary. That moment came unexpectedly on April 14th, four months earlier than Mr Bhutto had intended.

Before he promised the national assembly that he would drop martial law if it accepted the interim constitution, Mr Bhutto was facing an increasingly dangerous alliance. Its unofficial leader was Khan Abdul Wali Khan, the Pathan chief and president of the National Awami party (NAP) which is the largest political group in the two minority provinces of the North-West Frontier and Baluchistan. Pakistanis used to identify Wali Khan only with the unpopular causes of an autonomous state of Pakthunistan and closer ties with Russia. But recently he has been gathering support from industrialists who have been hit by the government's nationalisation policy and, paradoxically, from militant workers in Karachi who are disenchanted with the practical effects of Mr Bhutto's socialist programme.

The common factor in all the discontent was opposition to martial law, which Pakistanis associate with national defeat and the excesses of Presidents Ayub and Yahya Khan. The longer martial law continued, the more people suspected that President Bhutto wanted to perpetuate the personal authoritarian rule of his predecessors. Rather than risk a wave of popular agitation, Mr Bhutto decided to back down. In the emotional atmosphere that followed his speech, Mr Bhutto won a unanimous vote of confidence from the assembly.

The interim constitution, which will be replaced by a permanent one if the national assembly can reach agreement on it when it meets again on August 14th, gives Mr Bhutto a five-year term of office. Until somebody emerges in his own party who has the weight and experience to stand up to him, the government of Pakistan is likely to continue as a one-man show. Mr Bhutto still has the right to retain in his own hands a powerful clutch of ministries and he has added to his already formidable array of posts the presidency of the national assembly. His administration is not accountable to the assembly and while the state of emergency, a hangover from the war, continues, he has wide powers to legislate for provincial and national affairs.

What Mr Bhutto has lost in giving up martial law is the right to issue fresh ordinances which cannot be challenged in the courts as well as to intern troublesome critics. The arrest of four newspaper editors under martial law regulations helped to swell the recent campaign against him. In drafting the new constitution he has also had to make concessions to the NAP which on paper put the administration of Baluchistan and the Frontier province in the NAP's hands while depriving it of the resources to operate without federal help.

The NAP remains suspicious about both Mr Bhutto and his constitution. But after getting him to retreat over martial law, they are not going to press their opposition to extremes. They hope to gain greater provincial autonomy and shape his reforms to suit their taste. After vainly trying to tempt them into the central government and land them with responsibility for policy, Mr Bhutto has now changed his tactics. On Tuesday he named Khan Qaiyum Khan, a Pathan who is a bitter opponent of Wali Khan, as his new minister for home affairs with responsibility for the tribal areas of the Frontier province. Mr Bhutto's intention is evidently to reduce the strength of the NAP by building up the opposition to them in their own territory.

Apart from the prisoners of war, Mr Bhutto's greatest problem now is the persistent threat of industrial anarchy. Over the past four months workers, incited by the promises of his own People's party, have been penning in managers to force concessions from them. As a result, some managers have simply stayed away from their factories. Foreign firms are beginning to think about leaving Pakistan.

A certain improvement in the economy can be expected once commodity aid and standby credits are resumed by the members of the Pakistan aid consortium. But before the consortium agrees to that and to a moratorium on debt repayments, it wants Mr Bhutto to accept a package that includes devaluation and tax reforms.

The immediate gain for Mr Bhutto from the vote of confidence is that he can enter peace talks with India strengthened by a display of national unity. He may now be able to negotiate with more flexibility. But the chances of an early breakthrough on substantive issues are not good.

Vietnam

It has cost both sides dear already

FROM OUR SAIGON CORRESPONDENT

South Vietnam's record of both setback and success in the new campaign was overshadowed this week by President Nixon's decision to bomb targets around Hanoi and Haiphong, and by the debate that followed. But Saigon's forces had surprised a good many people by the resistance they put up to the North Vietnamese attack on the provincial capital of An Loc, only 60 miles north of Saigon.

It was touch and go at an early stage. Last weekend the communists actually announced that An Loc had already been captured. When the tide turned a day or two later, the town was dotted with the hulks of Russian-made tanks, some with their crewmen chained to their seats. The communists are now thought to have lost about 50 tanks around An Loc, and 140 on the northern front, out of their total force of 400.

President Thieu ordered that An Loc be held at all costs. The cost was high for both sides, but particularly so for the communists, who suffered many losses under American bombardment. The extensive, perhaps profligate, use of tanks by the North Vietnamese had the defenders deeply worried until they discovered the effectiveness of their previously unused anti-tank weapons, and the obvious inexperience of the communist tank crews.

But the large relief column sent



Hanoi sent these soldiers south

from Saigon was trapped by the communists south of An Loc and performed poorly. North Vietnamese units were later seen moving farther south, and Saigon was expecting increased activity from within and without. Farther north, the expected communist offensive in coastal Binh Dinh province was under way, and on Wednesday a district headquarters there, Hoai An, was abandoned under heavy North Vietnamese attack. The road from the coast to the central highlands was cut, and Kontum was under heavy pressure.

The North Vietnamese are apparently planning to keep up their offensive for several more weeks, if not months. Their long-term strategy remains a matter of debate in Saigon. But captured orders indicate that the local Vietcong guerrillas in the south are not yet in a fit state to join Hanoi's regular forces in this offensive. They are being told to get themselves ready by the end of May, when the communists would hope to organise some sort of general uprising.

Haiti

Blood is only for export

FROM A CORRESPONDENT

One year after the death of President François "Papa Doc" Duvalier, Haiti is still the most hopelessly impoverished country in the western world. Most of the 5m inhabitants of this tiny, overcrowded black republic continue to live at subsistence level; disease is rife and illiteracy and unemployment are as high as ever. But there has been one important change: a marked decrease in political tension.

The key to this change is money—not so much the aid that has flowed into Haiti from the United States and international development agencies but rather the fact that Haiti's new leaders are essentially businessmen, and blood is bad for business.

Papa Doc's 20-year-old son, Jean-Claude, still reigns as president-for-life. But real power in Haiti is now wielded by a strange alliance of his mother, Simone, and a former leader of his father's infamous private army, the Tonton Macoute, Mr Luckner Cambronne, who is now de facto prime minister. His main interest is money and his business empire now includes the "quickie" divorce racket, which is attracting many Americans, the country's main tourist agency and only airline, and a company that sells Haitian blood to the United States.



He reigns rather than rules

Mr Cambronne was quick to recognise the potential threat to the new regime posed by the regional bosses of the Tonton Macoute and, within weeks of Papa Doc's death, orders went out to the army to begin dismantling the Tonton apparatus. In its place, Mr Cambronne personally sponsored a new army battalion called Les Leopards. Since American military aid to Haiti is still suspended, Mr Cambronne employed a private group of Miami-based American veterans to equip and train the new battalion.

The effect—although perhaps not the motive—of these changes has been positive: the masses are no longer victims of indiscriminate terror, and for the first time in over a decade Haitians feel free to discuss politics and even to air cautious criticism of the regime. The tourist and light manufacturing industries in Port-au-Prince are booming. The bureaucracy is also being cranked up slowly, although corruption is still widespread and there is little reason to believe that the new emphasis on rural development is more than a slogan to attract foreign loans.

The portly "Baby Doc" is hardly even an interested observer of all these developments. He presides over cabinet meetings when he is not at the beach with his girl-friends. But in no sense does he govern. Six months ago, there was talk that he wanted to retire abroad; but now he appears to be enjoying the perks of power. There is speculation that soon he will hand over the government to a prime minister, presumably Mr Cambronne. But the Duvalierist era is still far from over.

South Africa

Rumblings from the bantustans

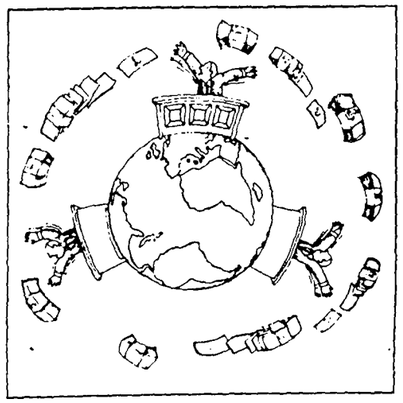
The choice for most black South Africans is a grim one: abject poverty in the cities, or abject poverty in the homelands. And although those blacks who have been given the responsibility of running the bantustans—the homelands where about half the black population of 15m lives—owe their position to an acceptance of apartheid, they are complaining ever more volubly at their miserable situation.

Last week it was the turn of Chief Kaiser Matanzima of the Transkei who spoke out more strongly than ever before, calling not merely for more land but for immediate talks on independence for the Transkei. He also made it clear that his disillusion with the government was growing fast, and it has since been alleged that he has issued a secret ultimatum that unless his territorial claims are met he will abandon apartheid and fight for multi-racialism and a universal franchise. His criticisms were echoed last week by Professor H. Ntsanwisi of the bantustan Gazankulu, who also demanded more land. On Wednesday the prime minister, Mr Vorster, rejected these demands, adding that Chief Matanzima was "wasting his time."

But the complaints are not unfair. The blacks, who constitute over 70 per cent of South Africa's population, have been allotted only 13.7 per cent of the land—and this generally the poorest. In 1954 it was estimated that the bantustans could then support about 1¾m people; today their population is over 7m. The factories in the bantustans provide only 4,700 jobs, which means that if the inhabitants are to find work they must go to neighbouring white "border areas" where there are now 73,750 jobs for Africans. Little wonder that malnutrition is common.

The picture is little better in the cities, where blacks are allowed to live while they are employed. It has been estimated that more than half the urban black population lives on or below the breadline. A recent study has shown that the average return on American capital in South Africa is 16.8 per cent, compared with a world average of 11.3 per cent. Some American companies are now giving more attention to the black wages paid by their subsidiaries in South Africa. British firms might well follow suit.

"Cash in orbit has been holding down the profits of exporters long enough!"



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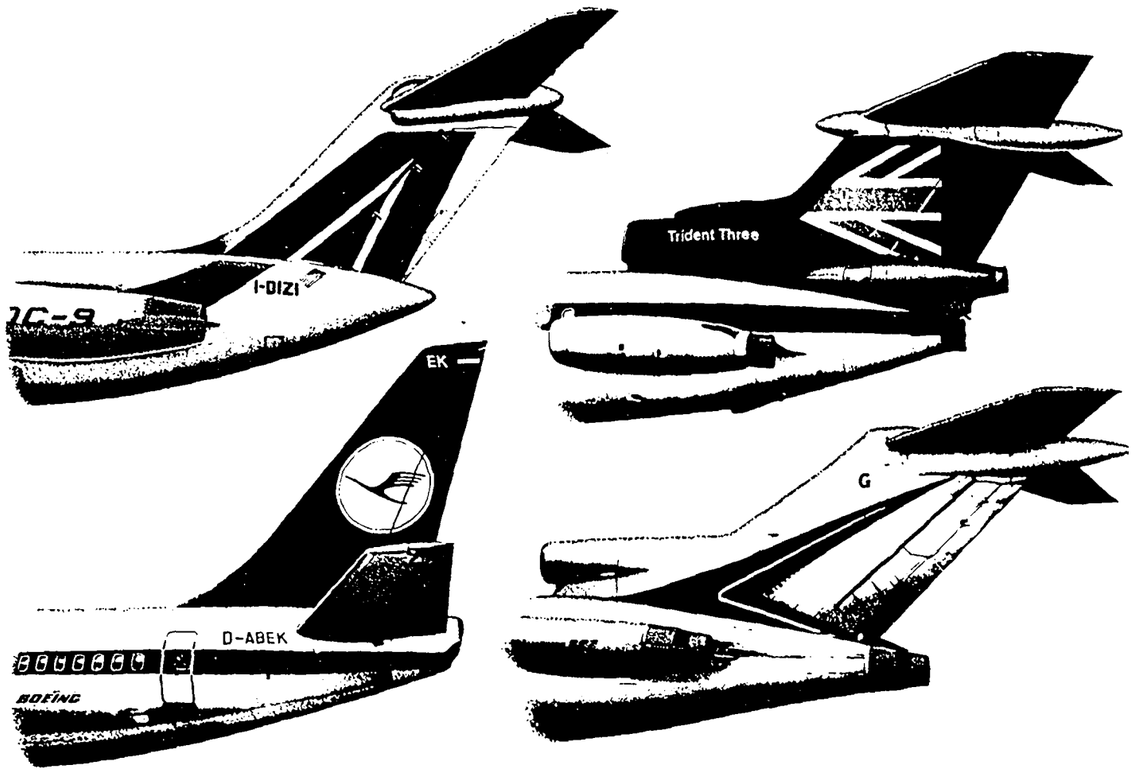
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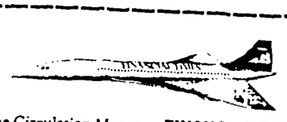
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Increasingly, as Europe integrates, will the businessman need to be able to answer such questions, make such predictions, in relation to many industries. As national frontiers become less distinct, so will national industries. And the answers to such questions are the stuff of which the future is made. Increasingly, in order to obtain the necessary information to answer such questions – international information free from local bias – Europe's businessmen are turning to the Financial Times as their second newspaper.

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Source: "The International Businessman in Europe – what he reads." International Herald Tribune, October 1969.

Rhodesia under sanctions

Uneven impact, uncertain outlook

FROM OUR SPECIAL CORRESPONDENT

Are Rhodesia's victories turning to dust? Just as Mr Ian Smith and his colleagues are bracing themselves for a negative report from Lord Pearce's commission on the acceptability of last November's settlement proposals, they are also threatened with a possible reversal of the American decision to lift the ban on chrome imports from Rhodesia. On Monday the Senate Foreign Relations Committee voted to reimpose the ban that Congress decided to lift last autumn; the Senate as a whole is now to reconsider it.

If the ban is reimposed it will be of little direct economic consequence to Rhodesia, which, despite sanctions, has always managed to sell its chrome with only a modicum of inconvenience. But the psychological effect will be great. Coming just a few days after the conviction in Vermont of four men and two companies for the "callous flouting" of American sanctions regulations, a reimposition will bring home to white Rhodesians the fact that their battle to end sanctions is by no means won. The Vermont case was only the second prosecution in America for the evasion of sanctions; it could easily have been dropped if the Americans had really wished to succour Mr Smith's illegal regime. Once it is realised that, contrary to the claims of Senator Harry Byrd and Congressman James Collins of Texas, the United States has ample chrome for its strategic needs, the white Rhodesians could find themselves back where they were a year ago.

From a purely economic point of view this might not matter very much. On Tuesday it was announced that Rhodesia's rate of growth of gross domestic product was 10 per cent in real terms last year. But very soon after the November settlement proposals has been announced, Salisbury's celebratory champagne glasses were set aside and the calculating machines were brought out; and it was then realised that, at least in the short run, Rhodesia would obtain little economic advantage from a settlement. The calculations were, in brief, as follows.

The only immediate benefits that Rhodesia could expect from a settlement were the sale of its stockpiled tobacco, the release of some blocked credits and the first instalments of the £50m that the British Government had promised to give over ten years for the development of the tribal trust lands. This total could hardly exceed £90m.



All that glisters isn't chrome

In return the Rhodesians found that they would have to pay a backlog of servicing on bond issues and British Government debt amounting to perhaps £100m, with possibly as much again to be paid in settlement of private interest, redemption arrears and other blocked payments. This would more than offset any short-term benefits to be gained from a settlement and—more important—it would also exacerbate the shortage of foreign exchange that is now the country's dominant economic problem.

This shortage is only partly attributable to sanctions. It has largely been caused by the fall in world base metal prices, and by the fact that Rhodesia's terms of trade deteriorated by 15 per cent between 1965, when Mr Smith unilaterally declared it independent, and 1970. But the international sanctions which have been applied have not greatly reduced the volume of Rhodesia's exports, with the important exception of tobacco.

The Smith government gives no breakdown of its trading figures, but some rough estimates may be made. Mineral exports in 1965 contributed 22 per cent of total exports of £169m. In 1970 their value had increased to perhaps £58m, accounting for almost 40 per cent of total exports. Rhodesia has not had much visible difficulty in selling its minerals, though they may have been sold at reduced prices.

In the case of chrome the two big companies, Foote Minerals and Union Carbide, have been in production without interruption since 1965, and their chrome has been sold to Germany, Japan, perhaps China, and, it has been alleged, to Russia, which has passed it on to America at a higher price. One of the ironies of the lifting of the American chrome embargo is that it has reduced the price of chrome—possibly to the extent that the Rhodesians may now be selling it direct to the Americans at a lower price than it was reaching previously.

Manufacturing exports have been sharply diminished in value. In 1965 they were worth £58m, but in 1970 they were probably between £29m and £34m. Production of manufacturers as a whole has greatly increased, but the bulk of it is now being consumed at home in order to reduce the need for imports. South Africa is certainly Rhodesia's best customer for manufactured goods, buying from it clothing, shoes, furniture and other labour-intensive products. But Rhodesian goods find their way to many other parts of the world.

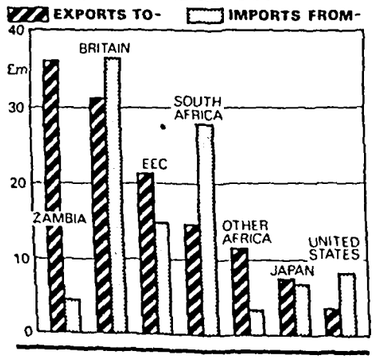
Agriculture is undoubtedly the sector hit hardest by sanctions, though total exports of farm products, which stood at about £74m (including £55m from tobacco) in 1965, probably brought in about £58m in 1970 (including perhaps £23m from tobacco). Before 1965 Britain used to take about 30-40 per cent of the tobacco, but because this included much of the best quality leaf, sales to Britain accounted for some 60 per cent of the total tobacco earnings. Sanctions have closed this market, and although some Rhodesian tobacco still finds its way—sometimes undisguised—to the markets of western European countries, as well as to those of Greece and Japan, the government has had to stockpile enormous quantities and to engage in massive support operations for the tobacco farmers.

The size of the tobacco stockpile is one of Salisbury's most closely guarded secrets. Estimates range from 100m to 160m lbs. In recent years the annual crop has usually been about 132m lbs, for which the government has guaranteed the farmers a price of 13p per lb, but this season hopes of a settlement induced the government to increase the crop to 145m lbs (which still compares poorly with the 1965-66 target of 280m lbs). Usually only 80m-100m lbs of the annual crop is sold, and at an average price of only 8p-9p per lb. The government therefore suffers a loss on every bale sold.

Rhodesian farmers have been encouraged to diversify into other crops, but this policy has not been assisted by the low world price of maize, the most obvious alternative to tobacco. Two bumper maize crops in the past two years may establish Rhodesia as the record-holder for maize production per acre, but this will bring little comfort to the farmers, who face the prospect of prices so low that they will scarcely cover costs. Last year, however, Rhodesia did export some maize, notably £8m worth to Zambia. Most of its other farm exports, particularly of meat, go to South Africa, although some also go to the neighbouring Portuguese territories of Mozambique and Angola, and there is even a regular Constellation flight from Salisbury airport that takes fresh meat to Libreville in Gabon.

The country's exports find their way to most parts of the world, sometimes openly as being of Rhodesian origin, but more often with the aid of false manifests and bogus certificates of origin. For this purpose full co-operation is required and received from

Rhodesia's trade in 1965



the Portuguese and South Africans, through whose territories the vast majority of Rhodesia's exports pass. But the countries of ultimate destination often co-operate too.

There have only been about 10 convictions of sanctions breakers in Britain, and no more than as many again in the rest of the world. Britain and the Scandinavian countries seem to have been the most vigilant. Outside southern Africa, France, Germany, Japan—and, since the lifting of the chrome ban, America—have probably been the most flagrant violators of sanctions. Australia has also traded openly, and most European countries have cheated on sanctions to some extent. Switzerland, which is not a member of the United Nations, has openly continued to trade with Rhodesia, arguing that as a neutral state it could not subscribe to compulsory UN sanctions.

Imports have posed even less of a problem for Rhodesia than exports. The flow of crude oil to its Umtali refinery by pipeline from Beira in Mozambique has effectively been sealed off by the British naval patrol. As Mozambique has no refinery of its own and therefore no use for crude oil, Britain has been authorised by the UN Security Council to prevent all tankers carrying crude from unloading at Beira. But with this major exception, almost all Rhodesia's imports could be plausibly documented as being destined for South Africa or Mozambique, which makes it well nigh impossible to prevent them being re-exported to Rhodesia.

It is no wonder, therefore, that one can buy almost anything from Havana cigars to Citroen cars in Salisbury. Imported goods are in short supply and you are more likely to be offered a local substitute where one exists, but in general the only constraint on imports is the country's ability to pay for them, not its ability to contrive their arrival.

But sanctions have two very important economic effects upon Rhodesia, which have proved awkward enough to induce Mr Smith to go to the negotiating table last November, even if they did not prove awkward enough to induce him to make enough concessions to satisfy Rhodesia's Africans. The first effect is that they have pushed up the cost of trading very substantially. The small army of well-fed Portuguese and South African middlemen who provide forged bills of lading and bogus certificates of origin have been insisting on taking a cut of 10 or 15 per cent.

But a perhaps more important effect of sanctions has been Rhodesia's inability to raise loans on international money markets at *reasonable* rates. Gnomes from Zurich or Frankfurt have been happy to lend money to the Rhodesian government, but only for short periods and always at very high rates of interest. Mr Smith is not a good risk as long as he has a huge backlog of unpaid debts, the likelihood of a devaluation and a perpetual cloud of uncertainty hanging over his domain.

It is probably the hope of regaining free access to the world's money markets, more than anything else, that makes the idea of a settlement attractive to the Rhodesian government's economists, even though they are nervous about the possibly inflationary consequences of introducing any significant quantities of capital into the economy. But unless Rhodesia can raise foreign loans at reasonable rates of interest, its rate of growth is doomed to decline or, at best, to stagnate. There will not be enough foreign currency to service and expand the country's infrastructure, particularly the railways, nor will industry receive the foreign exchange allocations it so desperately wants for its own replacement needs. In these circumstances the country's long-term development is bound to suffer.

But Salisbury's politicians, as distinct from its economists, would like to see sanctions ended so that more whites could be encouraged to emigrate to Rhodesia to help prevent the present rapid deterioration of the racial imbalance, which is now one of 21 blacks to each white. And the vast majority of white Rhodesians would love to see an end to this major inconvenience to their daily lives. "We are sick of sanctions," they say. But not yet sick enough, it seems, to accept the obvious conditions for their removal.

Abridged Particulars

This advertisement is issued in compliance with the Regulations of the Council of the Stock Exchange, London, for the purpose of giving information to the Public with regard to Norsk Hydro a.s ("Norsk Hydro") and is not an invitation to any person to subscribe for or purchase any shares of Norsk Hydro. The Council of the Stock Exchange, London, has granted permission to deal in and for quotation for the whole of the issued Ordinary share capital of Norsk Hydro.

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Introduction arranged by Hambros Bank Limited

INTRODUCTION

Norsk Hydro was founded on 2nd December, 1905, to exploit cheap Norwegian water power by means of an original new process which, for the first time in the industrial history of the world, permitted the production of synthetic nitrogenous fertilisers.

In the first years of its existence Norsk Hydro developed the famous Birkeland/Eyde method and harnessed for its own use some of the most majestic waterfalls in Norway. These unique energy resources still remain an important part of Norsk Hydro's assets.

During the following years Norsk Hydro constantly broadened its energy basis, and also entered into other activities. During the 1930s, Norsk Hydro developed the world's first industrial production of heavy water.

Today, the main activities of Norsk Hydro are the production of many types of artificial fertilisers, chemicals and plastics, the electrolytic reduction and fabrication of aluminium and magnesium, the production of hydro-electric power, and more recently, participation in the search for and development of oil and gas from the North Sea and other areas, as well as refining and marketing of petroleum products.

From its head office in Oslo, Norsk Hydro now controls one of the largest industrial undertakings in Norway and the biggest chemical group in Scandinavia. Norsk Hydro and its subsidiaries ("the Group") together with Alnor Aluminium Norway A/S ("Alnor"), employ approximately 8,600 people, use about 12 per cent. of Norway's total electrical power output, account for approximately 9 per cent. of the country's oil consumption and products sold abroad represent 6 to 7 per cent. of Norway's total exports.

Before the Second World War Norsk Hydro was effectively controlled by French shareholders. After the war the Norwegian Government took over substantial German shareholdings and after subsequent purchases now owns 51.02 per cent. of the share capital. Nevertheless Norsk Hydro operates in every respect as an autonomous group.

FERTILISERS, CHEMICALS AND PLASTICS

The Group produces approximately 30 different chemical products, partly for direct sale and partly for incorporation in other products of the Group for ultimate sale. The most important of these are fertilisers and PVC resins and Norsk Hydro is currently one of the major producers of ammonia and fertilisers in Europe.

Other chemical products of the Group include methanol, nitric acid, chlorine, caustic soda, carbon dioxide, argon, neon and other rare gases and heavy water for use in nuclear reactors.

ALUMINIUM AND MAGNESIUM

It has been natural for Norsk Hydro to be interested in the light metals area because of the growth of consumption of these metals and because of the Group's strong position as a low cost electricity producer. The gradual change to petroleum products as a feedstock for ammonia has made certain quantities of electricity available for profitable long term utilisation in the production of light metals.

Norsk Hydro's main aluminium interests are conducted through a 51 per cent. owned associated company Alnor based on the island of Karmoy in Western Norway, which resulted in a joint venture commencing in 1963 with the American aluminium group, Harvey Aluminium Inc. of California. Alnor currently has an annual production of 105,000 tons of raw aluminium of which about 35,000 tons is sold in semi-fabricated form as sheets, extrusions and wire rod.

Norsk Hydro is currently the second largest producer of magnesium in the Western world with an annual capacity of 40,000 tons.

ELECTRIC POWER

Because of its natural features, Norway is ideally suited for the development and production of hydro-electric power.

Total power resources of the Group are approximately 7,700 million kWh a year, of which 4,900 million kWh is produced in power stations owned by the Group or associated companies and the rest bought on long term contracts on favourable terms.

OIL

Activities and Production in Norwegian North Sea

As a heavy user of energy and as Norway's largest consumer of oil products it was natural that Norsk Hydro should wish to participate in the exploration for oil and gas in Norwegian waters once the prospects in the North Sea were initially appreciated. Accordingly Norsk Hydro entered into participation arrangements with three French groups, Elf, Total and Aquitaine together with other partners, to form the Petronord group ("Petronord"). In 1965 Petronord was awarded production licences covering 12 blocks totalling 6,601 sq. kms. in the Norwegian sector of the North Sea ("the 1965 Licences"). Subsequently in 1969 Petronord was awarded additional licences ("the 1969 Licences") in respect of a further 4 blocks totalling 1,856 sq. kms.

Another major consortium to be successful in the 1965 awards was led by Philips Petroleum Company ("Philips"). In 1967 Petronord and the Philips Group entered into an Exchange Agreement whereby the Philips Group obtained a 20 per cent. interest in the 1965 Licences and Petronord obtained a corresponding 20 per cent. interest in the 11 blocks totalling 5,643 sq. kms. licensed to the Philips Group ("the Philips Licences").

Active exploration drilling took place both by Petronord and the Philips Group from 1967 onwards and in 1970 the first major commercial discovery on the "Ekofisk" structure was made on the Philips Licences. It was this discovery which really established the North Sea as prospectively being one of the world's major oil producing areas and in a short space of time other fields were found in the same area.

Following these arrangements Norsk Hydro at the end of 1970 had an interest, varying from 6.7 per cent. to 13.6 per cent., in 27 blocks totalling 14,100 sq. kms. in the Norwegian Sector of the North Sea. In 1971 blocks or part blocks covering a total of 3,537 sq. kms. were surrendered in accordance with the terms of the relevant licences. In 1972 the holders of the 1969 Licences acquired a 20 per cent. interest in Block 25/4 and Norsk Hydro's interest is 6.92 per cent. but would be reduced to 6.23 per cent. if the Norwegian Government exercised all its options. The Group plans to seek further awards in favourable areas as and when these are offered by the Norwegian Government.

Since its initial discovery the Ekofisk field has been further evaluated and the latest estimates of recoverable reserves from this field are 1,140 million barrels of crude oil and natural gas liquids and 100,000 million normal cubic metres of natural gas. In addition there are adjacent fields (West Ekofisk and Cod) also held under the Phillips Licences with estimated recoverable reserves of 567 million barrels of oil and natural gas liquids and 90,000 million normal cubic metres of natural gas. The Tor field, which is partly sited on the Phillips Licences and partly on a concession held by the Amoco Group, has reserves which are estimated at 128 million barrels of oil and natural gas liquids and 7,365 million normal cubic metres of natural gas.

In 1971 Petronord made a major gas discovery in a block 200 kilometres north-west of Haugesund held under the 1969 Licences on a structure now known as Frigg. Three exploratory wells have been drilled and a decision as to whether the field can be commercially developed is expected to be taken during the summer of 1972.

Exploration Activity in other areas

In line with its increasing international activity, Norsk Hydro has taken exploration interests in other areas, in particular offshore the United Kingdom.

The Group applied with others for U.K territory and in 1972 Licences were awarded to consortia in which Norsk Hydro has an interest.

In 1971 Norsk Hydro in a one third partnership with Continental Oil Company applied for exploration licences off the south coast of Sicily and it is anticipated that the results of this application will be announced soon.

Recently Norsk Hydro entered into an agreement with the Total Group, Texaco and Chevron to explore the Texaco/Chevron concessions covering an area of 3,328 sq. kms. on Spitzbergen. Norsk Hydro's interest is 7.36 per cent.

Norsk Hydro is also presently engaged with other international oil companies in seismic exploration off the West Coast of Greenland with a view to making an application for exploration acreage as and when that area is offered for licensing.

The prospects for development of oil and gas discoveries in which Norsk Hydro has an interest are promising in view of the political stability in the area and the close proximity to major and increasing markets. The Group's exploration activities have been successful to date and the Group holds licences covering areas which are considered to be attractive. The Group's policy is to increase its exploration interest in Norwegian territory and elsewhere.

Refining and Marketing

Norsk Hydro is in the process of developing a marketing organisation aimed mainly at the Scandinavian market. In order to secure a stable and economic supply of petroleum products for its large internal use and for these rapidly growing external sales, Norsk Hydro has decided to build an oil refinery near Bergen.

It is planned that the plant will be in operation by 1975 and it will have an initial capacity of 4 million tons of crude oil a year. Norsk Hydro has a 60 per cent. interest in the project, the balance belonging to Norsk Braendselolje A/S, a company owned equally by the BP Group and private Norwegian interests.

PROFITS AND TURNOVER

The accounts for the last five years to 30th June, 1971 show that turnover and other operating income of the Group has risen from N.Kr. 926.6 million to N.Kr. 1,219.7 million and that although the pattern has been irregular, profits before special items and taxation and special allocations have risen from N.Kr. 34.0 million to N.Kr. 58.8 million.

The Group's financial year ended 30th June, 1971 showed a decline over the previous year on the basis of the adjusted figures appearing in the Auditor's Report. This was mainly due to higher taxes on electricity, oil and other items in the second half year and unusually high costs of forward foreign exchange contracts which could not be fully compensated by higher prices.

CURRENT TRADING

It is at present too early accurately to forecast the results for the current financial year although profits before special items and taxation for the 6 months ended 31st December, 1971 as shown by unaudited accounts showed a fall of N.Kr. 36 million from N.Kr. 46 million to N.Kr. 10 million compared with the corresponding period of the previous year.

Although costs are beginning to stabilise, it must be expected that, as indicated in the interim statement, profits for the year to 30th June, 1972, will be considerably lower than last year. Part of the difficulties in the first six months were attributable to rebuilding and expansion of a major power plant which is now back in full production and to the current weak markets for light metals and plastics. The lower profits also reflect the substantial investments currently being made by the Group in oil exploration, marketing and building up the Group's oil organisation.

Although the Directors believe that the Group can expect the oil activities to contribute an increasing proportion of revenue and profit, it is still too early to predict the timing and amount of any benefit with any accuracy.

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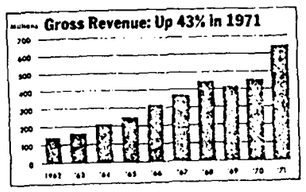
Merrill Lynch reports on its best year.

Three new records were set in 1971.

GROSS REVENUE reached $676 million – up 43 per cent from 1970.

NET PROFIT hit $70 million – up 72 per cent.

NET WORTH (assets minus liabilities) climbed to $393 million – up 40 per cent.



Those are the highlights of the 32nd annual report, just published.

It was a good start for Merrill Lynch's first year as a public company. (The first public stock offering was made on June 23, 1971.)

Some of the gains came from the general improvement in the economy and the stock market. But a lot of them came from management decisions made 3 years ago.

The move to diversity

In 1969 Merrill Lynch set out in a new direction – recognizing that the customer of the future would want to get more financial services from a single source. Here are some of the steps that were taken in the U.S.A. and through Merrill Lynch International:

...committed more resources to investment banking, both in the U.S.A. and internationally.

...acquired an investment counselling subsidiary (Lionel D. Edie & Co., Inc.) and a real estate financing subsidiary (Hubbard, Westervelt & Mottelay, Inc.).

...established an international investment counselling subsidiary Lionel D. Edie International Ltd.

...strengthened the ability to serve the individual investor. Partly by offering mutual funds. And partly by improving the handling of corporate and municipal bonds in odd lots.

The results

In 1971, every ingredient in the new mixture showed a good gain over 1970.

Commission revenue went up by 57 per cent – to $361 million. But because of diversification, even that hefty figure came to little more than *half* of total revenue.

"Commission revenue" sounds like it might refer just to brokerage in listed securities. But a lot of it came from three other sources: brokerage in over-the-counter securities, commodity futures transactions, and mutual fund sales.

Another area of dramatic growth was investment banking, both in the U.S.A. and abroad. Income from underwritings was almost $63 million, up 33 per cent over 1970. At the same time, an industry record was set in corporate underwritings. Merrill Lynch managed or co-managed 220 corporate underwritings worth $10 billion.

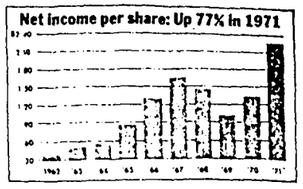
The fastest growing part of the business is dealing in securities as a principal (rather than as a broker). Revenue from principal transactions in U.S. over-the-counter stocks, government, municipal and corporate bonds and in Eurodollar and other Euro Currency securities has grown almost 33 per cent a year for the last 10 years.

Merrill Lynch, Pierce, Fenner & Smith International Ltd., is a wholly-owned affiliate of Merrill Lynch, Pierce, Fenner & Smith Inc. The international company operates branches and subsidiaries in 29 cities in 19 countries throughout the world, serving the international customers of its parent corporation. Through its subsidiaries, it is actively engaged in the world commodity markets and in underwriting and distributing international securities.

Keeping ahead of the times

Merrill Lynch has never thought that sheer size is a substitute for leadership. Here are some of the new things accomplished last year:

- Sharply increased its business with institutions both in the United States and abroad.
- Set a company record by executing $2.2 billion worth of large blocks of stock.
- Offered international institutional customers a new block trading facility for European securities.
- Greatly expanded its Merrill Lynch International facilities for after-market trading of Eurodollar and other Euro Currency securities.
- Offered customers more diversity by moving into options (puts and calls).
- Devised and successfully marketed a new convertible Euro-security that allows U.S. Corporations to raise equity capital outside the U.S.
- Acted as managing underwriter for a new growth and income fund. Sold 90 per cent of the total offering.
- Established a commodity agency relationship in Singapore and became one of three major partners in an Australian Merchant Bank, PFCB Limited.



Things we won't change

Merrill Lynch is prepared to accept change and, in some cases, to cause it. But there are certain things that simply will not be changed.

Capital will always be managed conservatively. Every effort will be made to serve our customers well. Business will be conducted with all kinds of investors – including the smallest. We will always try to protect the interest of the individual investor.

That's our credo. We think it will grow in importance now that we belong to the public we serve.

MERRILL LYNCH, PIERCE, FENNER & SMITH
International Ltd.

Associated Companies: Europe: London 25 Davies Street – Hamilton House, 1 Temple Avenue (Institutional Office) – Plantation House, Mincing Lane (Commodity Office) **Edinburgh** 48A Queen Street **Rome** Via Lazio 26 **Milan** Via Ulrico Hoepli 7 **Madrid** Torre de Madrid 9-4 **Barcelona** Avenida Generalisimo Franco 534 **Athens** 17 Valaoritou Street **Frankfurt** Bockenheimer Landstrasse 8 **Hamburg** Reesendamm/Jungfernstieg 3 **Munich** Dienerstrasse 21 **Dusseldorf** Koe-Centre Building, Koenigsallee 30 **Brussels** 52 Rue des Colonies **Amsterdam** 107 Weesperstraat **Paris** 96 Avenue d'Iena **Cannes** Carlton Hotel **Geneva** 31 Rue du Rhone **Lugano** Via Balestra 27 **Zurich** Muehlebachstrasse 25

Asia: Tokyo Kasumigaseki Building, Chiyoda-Ku **Hong Kong** 2 Ice House Street **Manila** A.I.U. Building, Ayala Avenue, Makati, Rizal

Latin America: Caracas Apartado 3419 **Maracaibo** Apartado 1343, Estado Zulia **Panama** 200 Via Espana, Panama City **Buenos Aires** Sarmiento 309, 4 Piso

Middle East: Beirut Starco North Building **Kuwait** Kuwait Investment Company Building, Safat Square



Nature's distribution relies to a great extent on a system of hit and miss. For which Nature, in her mysterious way, duly makes allowances. Quantity, as a substitute for accuracy, ensures the continuation of the dandelion cycle, for instance.

As part of the largest transport and distribution organization in Europe, the sheer quantity of our resources is something of a parallel to Nature's abundance. But, in the modern commercial context, we have to operate those resources on the basis of tailored efficiency.

Tailored to the customer's needs, especially the level of service his products and markets demand.

Apart from those two factors, every distribution system is determined by a number of variables – two of the most important being the product characteristics and the distribution pattern.

Whether it's fish or timber or anything else. Whether it's going from field, forest, sea or any other raw material source to factory; from factory to factory; from production line to port or warehouse; from warehouse to shop.

Once we've analysed the requirements, we recommend a distribution system to match them.

According to the individual case, it could include all or any of the following: vehicles; warehousing; routing; handling equipment and systems; maintenance and servicing; administration.

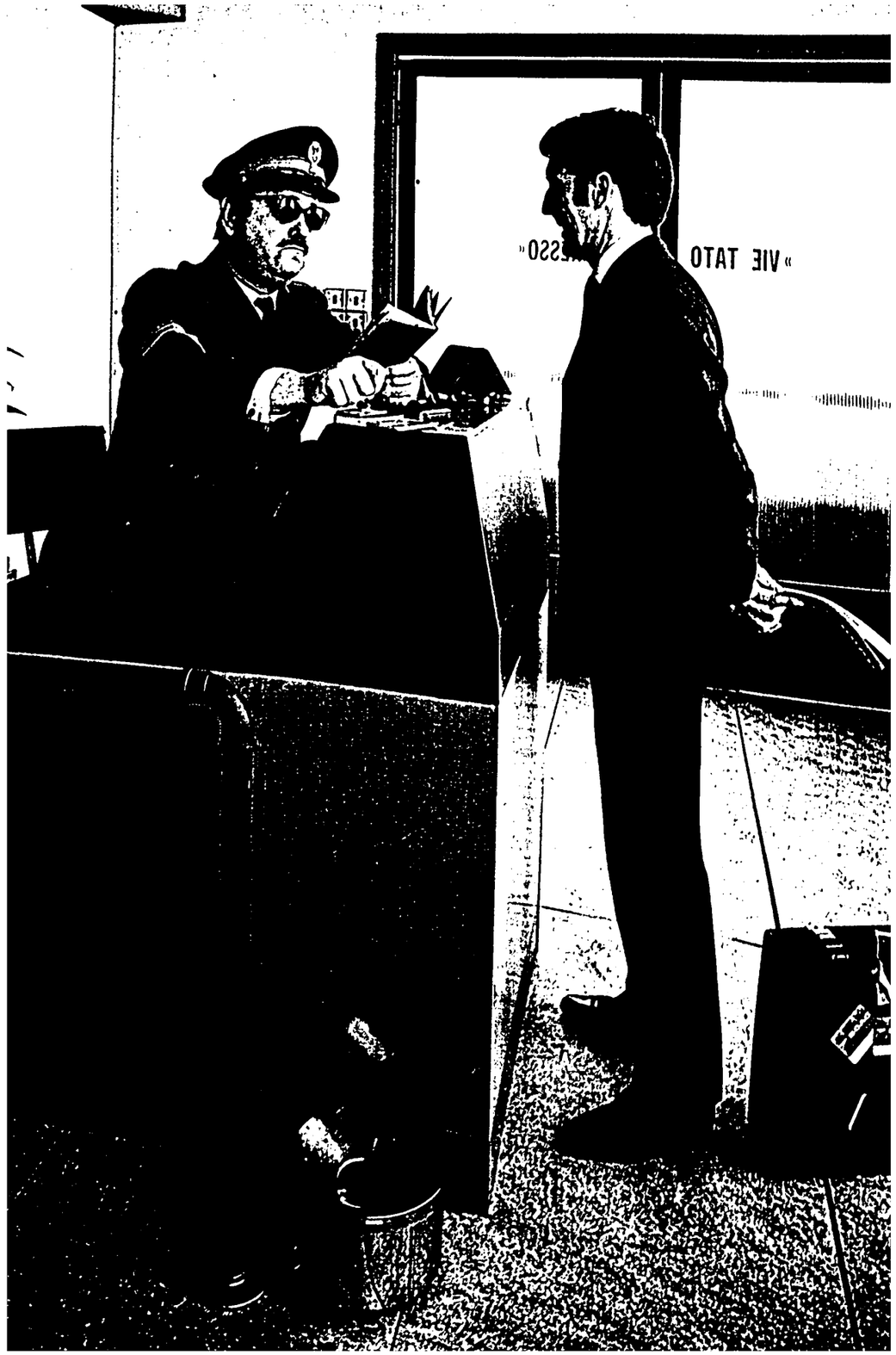
As well as all the legal considerations – from insurance and licensing to regulation testing and payload restrictions.

With branches and depots all over Britain, we have all the personnel, hardware, range of services and experience to put each customer's distribution system on the road.

If you're involved in transport and distribution, you should certainly get to know more about us. You'll find that, although our way of doing things is more economical than Nature's, it's aimed at the same thing: growth. Your company's growth.

British Road Services Limited,
Northway House, High Rd.,
Whetstone, London N20 9ND
Telephone: 01-446 1360

British Road Services Limited



Would you buy a £20,000 machine from a man about to leave the country?

If you would, tell us, what happens when that machine breaks down?

How can you call up someone who's chatting up a hostess 40,000 feet over the Atlantic?

When the machine breaks down, you'd better hope you bought it from a man who doesn't stray far from his phone.

Or from your neighbourhood.

Now that sort of man's not so difficult to find in a big market, say, in Europe.

But a darn sight harder to get hold of in a place like Peru.

Unless you buy some compressed air equipment from Atlas Copco.

Our salesmen have just about the least thumbed passports in the business. Because they only sell in the neighbourhood where they live.

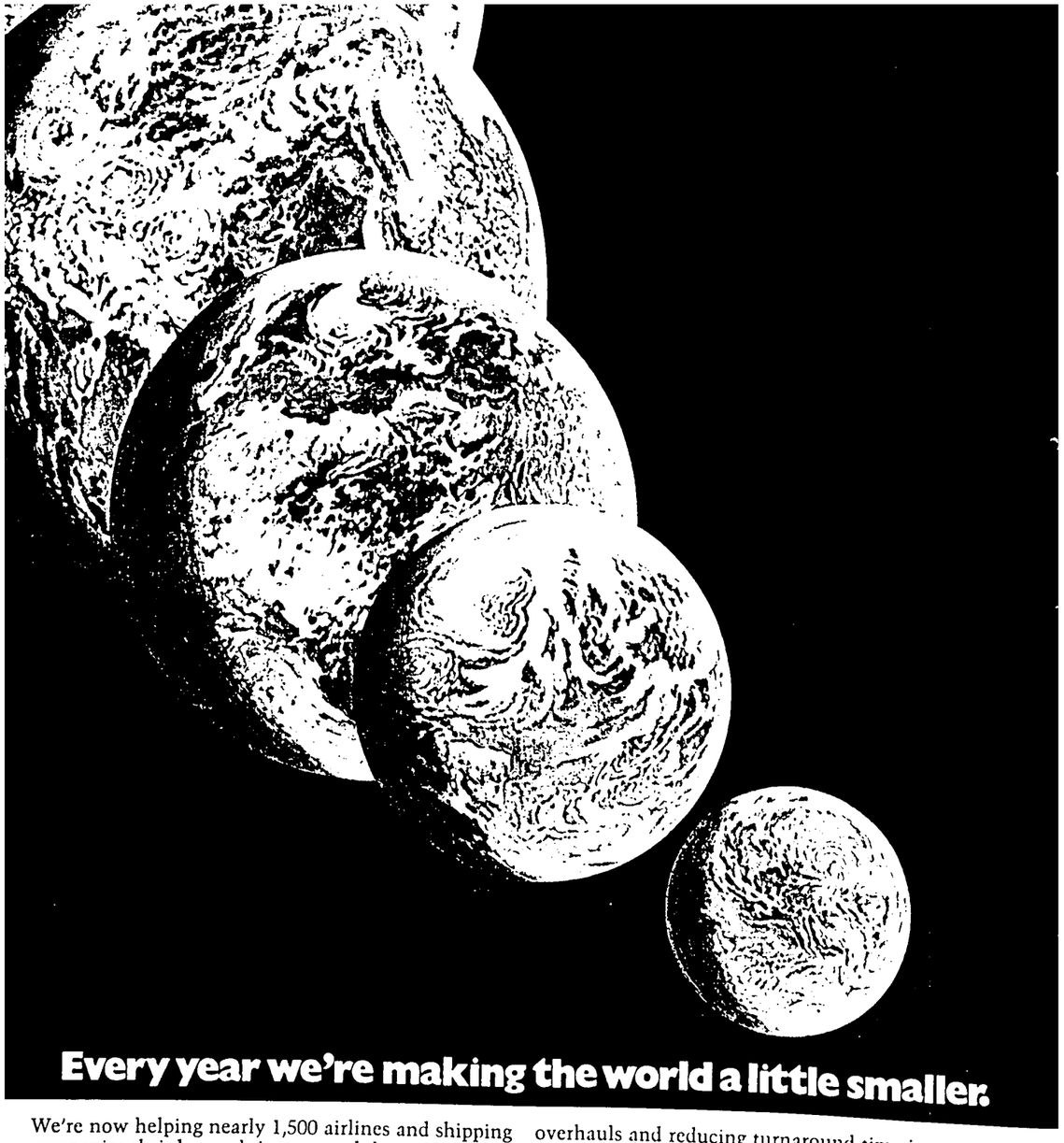
And they only live in neighbourhoods with plenty of compressed air centres to service machines.

And with 361 of these centres strategically placed around the world, there isn't far for them to travel.

So if you happen upon one of our salesmen abroad, tell him from us, 'Happy Holiday'.

Atlas Copco

COMPRESSED AIR EQUIPMENT FOR MINING AND CONSTRUCTION PORTABLE AND STATIONARY AIR COMPRESSORS, AND AIR TOOLS FOR INDUSTRY.



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We're now helping nearly 1,500 airlines and shipping companies shrink travel time around the world:

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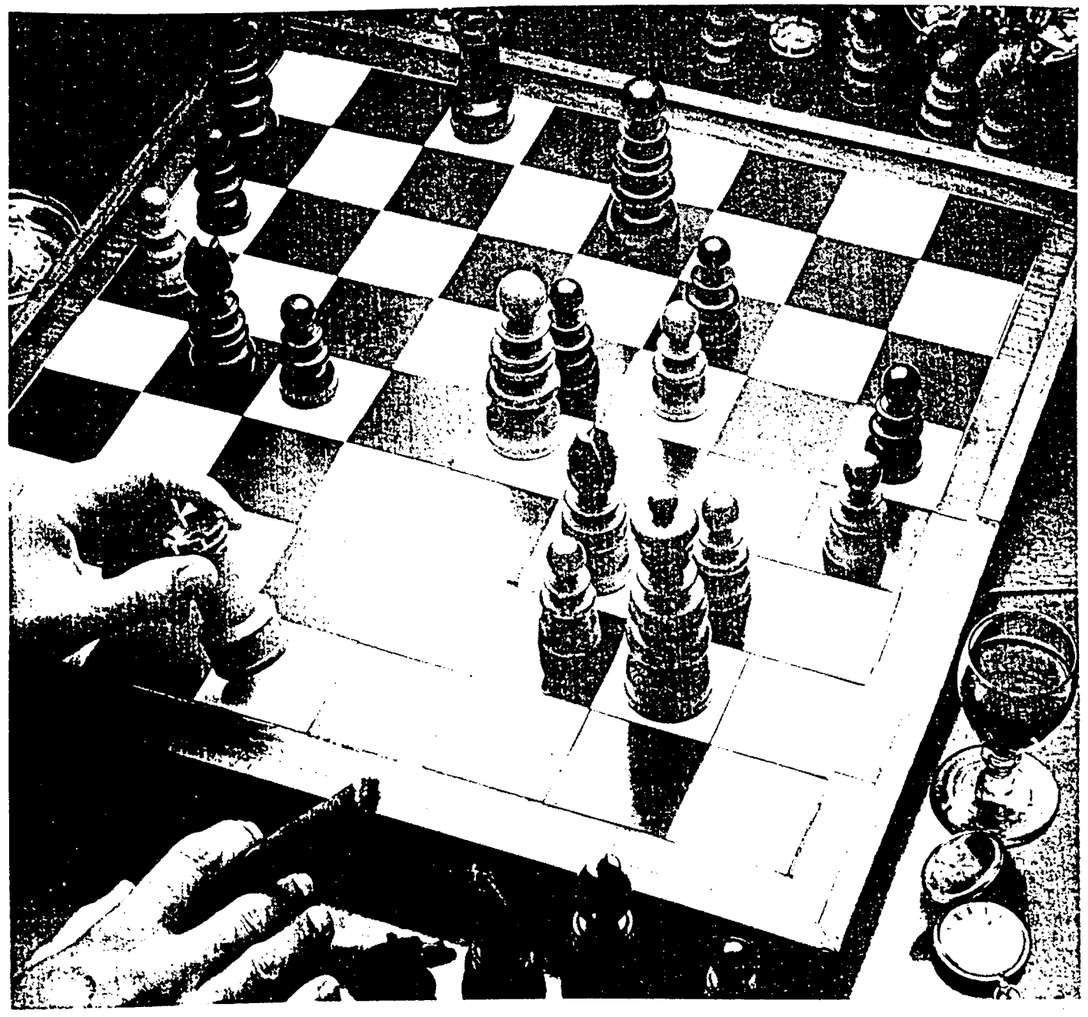
Special Chevron marine lubrication and fueling programs are helping ships go further between overhauls and reducing turnaround time in port.

Our service network provides laboratory analysis of customers' fuels and lubricants nearly anywhere in the world. And there's more.

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In the investment game, Charterhouse can put you several moves ahead.

Successful investment management is an exercise in anticipating the future.

Charterhouse may immodestly claim to have a proven record of success in the long term investment of substantial sums of money. Company pension funds, universities, charities, private clients with funds of £75,000 or more – our clients include many nationally known names.

We believe that the ability to take a successful forward view in the management of investment funds requires two things.

Firstly, reliable information. The ability to deal in any market is a vital attribute of a modern investment house. At Charterhouse we deal on an international scale: our highly sophisticated communications system includes a satellite link with Wall St, and an on-line television relay to the Stock Exchange.

Secondly, a clear-cut strategy. We like to deal on a personal level with our clients. We agree on investment objectives – the type of investment and the return required. Then we manage the fund against these specific objectives on a day-to-day basis.

We see ourselves as specialists in the prompt identification of change and the exploitation of what such change implies.

If you think our particular expertise can help you, please contact Michael Levete of the Charterhouse Finance Corporation at 01-248 3999.

Or if you are in the Midlands ring Ralph Sammell at 021-236 4936.

Charterhouse

The Charterhouse Group Limited
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All of these Debentures have been sold. This announcement appears as a matter of record only.

$40,000,000

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April 18, 1972.

THE WORLD *American Survey*

Making amends to Canada

Ottawa



Nixon's warmer up north

To be on bad terms with Canada looks bad: so President Nixon devoted himself in Ottawa from Thursday evening to Saturday morning last week to promoting the healing of those wounds in a once amiable relationship which were most raw, ugly and conspicuous. The dismissal of "mere atmospherics" as inconsequential, which characterises President Nixon's approach to the Soviet Union, does not apply to Canada and Mr Nixon conducted himself accordingly, revealing for once to a pleasantly surprised public a Nixon who was easy, relaxed, and—yes—warm. It worked well.

The Canadian prime minister, the stylish Mr Trudeau, shares with Mr Nixon an interest in avoiding ugliness in the relations between the two countries, although the two men have little else in common. When election time comes in Canada, as it soon will, and notwithstanding all that is said daily about the horrors of life with the American elephant, a reputation for getting on badly with the United States does a Canadian political leader no good. Mr Trudeau's government needs to be perceived as independent, but not as anti-American.

In a dashing attempt to reconcile these two requirements, Mr Trudeau returned from his visit to Washington in December with the news of what he called a "breakthrough": President Nixon had assured him that American policy did not require a permanent deficit in Canada's visible trade with the United States to balance a regular inflow of American investment capital. Only in Canada would this have been news, but Mr Trudeau made so much of it that he came under pressure to get President Nixon to say it again, in public. Mr Nixon did say it again, in his speech to the assembled members of the two houses of Parliament on April 14th, watched by the public on television, and he added:

> No self-respecting nation can or should accept the position that it should always be economically dependent on another nation.

One might think that such a proposition needed no denial, but in denying it Mr Nixon did the Canadian prime minister a good turn—which, no doubt, he will one day be privileged to repay. What led to this revealing incident was Mr Nixon's new economic policy, announced in August. Not only was the Canadian dollar subjected to an embarrassing upward pressure at a time when Canada's economy was slack and its unemployment high, but the trading community and public opinion also suffered the shock of finding that Canada's closeness to the United States did not protect it from the sudden surcharge on imports or from the discriminatory investment tax credit.

While these hardships ceased in December with the agreement at the Smithsonian Institution in Washington, and Canada even escaped with its currency still floating, a degree of pressure remained. Mr John Connally, in charge of Mr Nixon's foreign economic policy, was still seeking a shift of some $9 billion in America's trade balance. He got an agreement from Japan and another from the European community. But, according to the American figures, Canada accounts for $1.7 billion of Mr Connally's $9 billion and he wanted concessions on trade and payments policy from Ottawa. The negotiations to secure this broke down in February and are still at a standstill.

A part of the Canadian public was inclined to interpret these events as fresh evidence of an American policy of keeping the Canadian economy in a state of helotry. The Canadian government had to put up some resistance. Its own figures about the trade deficit and the payments flow were, in any event, quite different from the American figures, as they usually are. In addition, Mr Connally's way of conducting trade talks is something that Canadians found it hard to recognise as a negotiating technique at all.

They were being asked to rewrite the automobile agreement of 1965 in a way that dropped three safeguards inserted to protect the Canadian share of the motor industry, to increase the duty-free allowance for Canadian residents who go shopping in the neighbouring United States and to give up some preferences reserved to Canadian producers in the shared defence-production programme. None of these concessions, nor indeed all of them together, can be called extravagantly unreasonable. But the Canadian negotiators found it impossible to interest Mr Connally in any wishes that they might have. Mr Trudeau permitted himself to say on television that with friends like Mr Connally

one had no need of enemies. However, Mr Connally is still in charge and it looks very likely that the Canadian government will be negotiating with him again before very long.

Just when, the statements of both sides after Mr Nixon's visit leave obscure. Both governments have domestic politics to worry about. Mr Nixon's prospects of re-election in November do not depend on Canada in any way, but his Administration does feel that its chances of holding off protectionist pressure in Congress will be harmed if the Canadian talks produce nothing.

Mr Trudeau, unlike Mr Nixon, has some latitude to decide when his elections should be. A revised automobile agreement, involving at least a hypothetical loss of jobs for Canadians, would be no help to him in an election campaign. So the assumption is that the elections will come first—possibly not till the autumn—and the trade agreement later.

Apart from the customary review of the world scene, there were some other bilateral matters to be touched on. An agreement was signed by the two men for a joint effort to restore the water quality of the Great Lakes, beginning with the two which are the most terribly polluted, Ontario and Erie. The most definite step is a programme to improve the sewage works of municipalities draining into the lakes, with Canadian and American government money and some money from industry. But the agreement is vague on the question of what restrictions, if any, to impose on the use of phosphorus by the household detergent industry and the agreement is also being criticised for its financial inadequacy.

A subject on which neither government has been able to make up its mind yet is the future movement of oil and gas from Alaska and from the Canadian northwest. Mr Nixon has to decide whether to permit the big oil pipeline to be laid across Alaska to the Valdez terminal, whence tankers would carry it to refineries in Puget Sound, very close to Canadian coastal waters. The Canadians are uneasy at the prospect of a huge oil traffic in the sound, with the consequent risk of oil spills.

The Arctic energy question does not rest there. Canada, wrestling with its problem of identity, does not want to be dominated but it also does not like to be left out. The Alaska pipeline, as at present planned, looks like a way of bypassing Canada in the transport of oil. But the gas that will come up with the North Slope oil will need a market also and its most promising route would be up the Mackenzie river and across to the Great Lakes. The Canadian northwest has been giving thought to a development of the Mackenzie river which would include an Arctic port, a road, a gas pipeline and at some stage an oil pipeline as well. Obviously if President Nixon were to decide against the existing Alaska pipeline plan on environmental grounds, the Mackenzie valley scheme would be greatly accelerated. The resultant project would be not only vast but also complicated, involving presumably a development corporation, with the United States and Canadian governments and the oil and gas industries as partners.

This is what the Trudeau government is inclined to prefer. But it may well be too late now for the Alaska oil pipeline to be diverted. With the Alaska oil pipeline or without it, the Mackenzie valley development would also require huge new injections of investment capital, perhaps $10 billion, perhaps more, most of which could come only from the United States. A new round of Canadian introspection about foreign economic domination can hardly be avoided as the Mackenzie valley studies proceed.

30 days' war?

The Senate has sent President Nixon a sharp reminder that the Constitution gives Congress and not the President the power to declare war. Last week 68 Senators, Republicans as well as Democrats, hawks as well as doves, joined to pass a bill delineating for the first time which war-making powers belong to the legislative, and which to the executive, branches of the federal government. Only 16 Senators opposed the measure. No one expects such a forthright bill to be approved by the more conservative House of Representatives ; even if it were, Mr Nixon would certainly veto it. He considers it both unconstitutional and unwise. But ultimate passage into law matters less than the symbolic value of the bill. The President, and his successors, have been put on notice that American forces are never again to be committed to fighting long wars without congressional approval.

In essence, the war powers bill limits the President to sending American forces into combat in emergencies only—to respond to surprise attacks or to protect American citizens or forces



Stennis : constitutionalist hawk

caught in foreign hostilities, for example. But it forbids him from continuing combat for more than 30 days without the approval of Congress. The restrictions are intended to clarify the division of responsibilities set out in the Constitution, which says that Congress is to declare war and raise and support armies, while the President is to act as commander-in-chief. The bill specifically excludes the current war in Indochina from its provisions—an exemption requested by Senator John Stennis of Mississippi, chairman of the Armed Services Committee, a hawk, when he agreed to co-sponsor the bill. Senator Stennis, like the four Republican leaders who also voted for it, has been alarmed by what he interprets as the White House's usurpation of Congress's constitutional authority.

In a gesture directed more specifically at the current escalation of the war in Vietnam, the Senate Foreign Relations Committee voted this week to cut off money for all hostilities in Indochina after the end of the year, provided that all American prisoners of war were released. That proposal, tacked as an amendment on to a bill authorising money for the State Department, will be hotly contested on the Senate floor. It does not have the same bipartisan support which passed the war powers bill, for some of the Senate's firm anti-war Republicans have declined to criticise the Administration on its renewed bombing of Hanoi and Haiphong. Both houses of Congress have been engaged this week in a bitter argument about the escalation of the war. President Nixon is expected to give the country his assessment of the situation in a televised address next week.

This announcement appears as a matter of record only.

U.S. $25,000,000

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5½ per cent.
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Union Bank of Switzerland (Underwriters) · Vereinsbank in Hamburg · M. M. Warburg-Brinckmann, Wirtz & Co.
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19th April, 1972

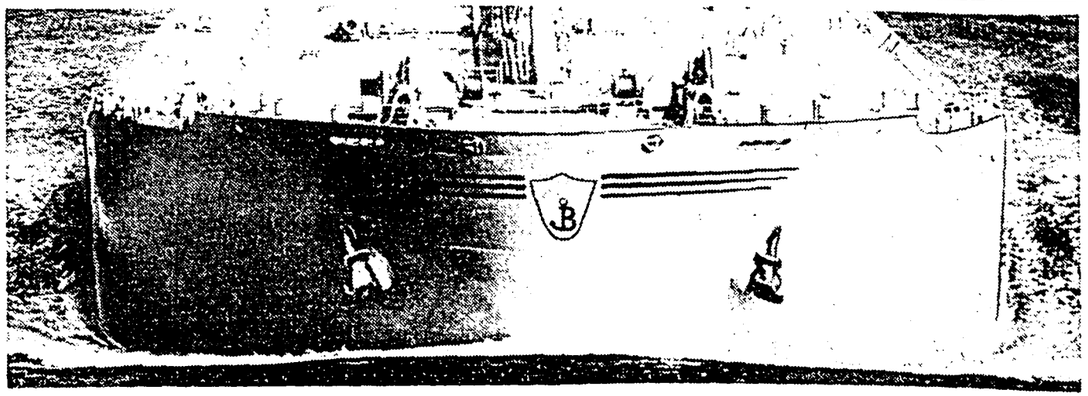
SIGVAL BERGESEN D.Y.

1935

SIG. BERGESEN D.Y. & CO.

SHIPOWNERS

(BERGE BERGESEN † 1874)
EDDA
1868



TELEGRAM: "SIGDY" — "GREENTANKERS" — "BERSIG" TELEX: OSLO 11172, 11937 TEL (28 LINES): 56 78 00 OSLO OFFICE: BERGEHUS, DRAMMENSVN. 106 P.O. BOKS 7600—SKILLEBEKK, OSLO 2 NORWAY

BALANCE SHEET
AS AT 1ST JANUARY 1972
OF
THE SHIPPING COMPANIES IN THE BERGESEN D.Y. CONCERN:
ROSENBERG, SNEFONN, BERGEHUS, SIG. BERGESON D.Y. & CO., SIGMALM, SIGANKA

(Figures in Kr.1,000=dbt. £58=$150)

ASSETS			
Cost price of ships in operation			1,441,994
Net depreciation			817,994
			623,500
Paid on new buildings		229,334	
Depreciation		210,666	18,668
Book value as at 1st January, 1972			642,168
Scale value of ships in operation		1,165,520*	
Paid on new buildings		229,334	1,394,854
Real estate, fixtures and fittings			4,911
Shares (book value—48,692) market value			71,510
Loans secured by mortgages			122,695
Debtors			122,695
Bank of Norway			23,107
Readily realisable assets, mostly bank deposits			208,613
			1,906,413

LIABILITIES		
Share capital	116,410	
Participants account	2,631	119,071
Taxed funds		36,470
Untaxed funds:		
Classification funds, etc	55,704	
Sinking fund	20,576	
Self-insurance funds	9,414	
Devaluation funds	22,122	
Investment funds	25,791	133,607
Dividend regulations funds		422
Difference new scale value/book value ships		752,686
Difference markets value/book value shares		22,818
Difference exchange value/book value mortgage debts		15,879
Net capital		1,080,953
Mortgage debts and long-term credits		741,903
Taxes levied not yet paid	5,884	
Expected taxes 1971	13,666	19,530
Creditors		51,473
Dividend 1971		12,554
		1,906,413

*insured against total loss 1st January 1972 for kr. 2,246 mill. Scale values are reduced 13% all over since 1.1.1971. The reduction amounts to kr. 168 mill.

CONSOLIDATED ACTIVITIES OF BERGESEN D.Y. CONCERN

The activities of the Bergeson d.y. Concern in 1971 show sales of goods and services amounting to N.kr. 866 mill including sale of ship, but excluding investments and new building contracts.

The working surplus of the shipping companies excluding sale profit rose by kr. 8 mill to kr. 242 mill in spite of considerable rise in costs. Depreciations for taxation purposes including depreciation of sale profits amount to kr. 250 mill. One ship was sold during 1971. One ship—M/S "BERGE SIGLION"—71,500 t.dw.—was acquired and one new building—M/T "BERGE QUEEN"—230,400 t.dw.—was delivered.

The tanker fleet in commission thereby rose to 2,555,000 t.dw. with an average size of 160,000 t.dw. and an average ton/age of 3 years and 4 months.

After taking over M/T "BERGE SIGLION", the dry cargo group is operating seven ships totalling 552,000 t.dw. of which four offsore ships in joint ownership with foreign owners, in addition on a total of 668,000 t.dw. are time chartered. Thus the concern as of 1st January 1972 had a total of 3,735,000 t.dw. in operation.

The concern has new building contracts at fixed prices for four 225,000 tonners (oil/ore) with Uljanik, Yugoslavia (partly in joint ownership with foreign participants) four 280,000 tons tankers with Mitsui, Japan, and two 285,000 ton tankers with Odense Staalsk bvaerft, Denmark, totalling 2,530,000 t.dw. Three of the new buildings will be delivered in 1972, four in 1973 and three in 1974. All new buildings have been chartered for 5 years or more from delivery. The average of the fixed building prices are considerably below today's market price, and can thus absorb the change in currency values. Of the charter parties for the ships in operation, one expires at the end of 1972 the other ships' charter parties expires 1975-1983.

The total fleet including new buildings, excluding chartered ships, as pr 1st January, 1972—5,667,000 t.dw.

After long term investment liabilities, instalments on new buildings and instalments on loans are regulated, cash and bank deposits amounts to kr. 230 mill (as last year). The overdraft facilities are then not used. Based on investments, finance arrangements and freight contracts, the liquidity position will improve as the new buildings come into operation.

The concern takes part in oil operations through NOCO and NOCOTO.

During 1971 the fleet has operated very satisfactory with an average off hire of 6 days.

Dividends will be raised from 10% to 12% in A/S Sigmalm, from 40% to 50% (on the paid share capital) in Snefonn, and from 18% to 20% (on the said share capital) in Bergehus.

—FULL SPEED AHEAD—

Fed's dilemma

Washington, DC

Nearly all the indicators are now pointing clearly to a robust expansion of the American economy and this very fact is the major factor in a new dilemma for the Federal Reserve Board. Since early in 1970 the central bank has been struggling with the operational problems of attempting to create the desired growth in the money supply and other money and credit "aggregates": trying to select which is the right aggregate to control; being badgered by ultra-mathematical economists and unsophisticated Congressmen alike; dividing within itself on the technical issues involved. Now the board has a real problem.

The badly-burned American bond market—burned, that is, by six years of inflation and unpredictable gyrations in interest rates—is in one of its frightened phases. With doubts about the economic expansion dissipated effectively and with doubts about the success of the government's programme for controlling inflation revived, the herd is now rushing towards higher interest rates. This is a reflection of a familiar paradox: a strong economy means strong demand for credit, with no necessary addition to the supply. But the present situation is complicated by uncertainty about what the Fed is trying to do.

In recent days, the seers in the money market have had to cope with the following:

Publication of the Federal Reserve's deliberations of last January, in which a majority of the Open Market Committee, over vigorous dissent by three members, voted to pump new reserves into the banking system solely on the ground that the narrowly-defined money supply had failed to rise during the autumn.

Publication by the Federal Reserve Bank of New York of a highly technical analysis by Mr Alan Holmes, manager of the open market account, of how very hard it is to achieve whatever target for the monetary aggregates the open market committee may choose to select.

A sharp run-up in short-term interest rates, clearly with the concurrence of the Federal Reserve, following the troubles of the foreign exchange markets and new pressure on the dollar in the early spring.

An almost despairing speech by Mr Sherman Maisel, a leading intellectual on the Federal Reserve Board who is soon to leave it, saying that monetary policy has no business to be in the headlines or front-and-centre in economic considerations because, among other things, the costs of trying to regulate the economy by monetary means are much too high.

The problem now is, of course, that interest rates have been moving up at a time when the Federal Reserve, the President, the Secretary of the Treasury and Democratic party politicians of all stripes find this distasteful. If the Federal Reserve pumps in yet more money, long-term rates could well go higher as "inflationary expectations" are reinforced. If it pumps in less, they could go higher on the ground that the supply of credit is insufficient.

What this really says is that the problems of a central bank are always more difficult when the economy as a whole is doing better. It has been a long time since overheating was even a remotely distant concern for the United States. The involved techniques of how to create a given growth in the money supply, the "bank credit proxy" or other arcane measures of monetary policy, will remain important issues. But perhaps today's dilemma is the kind that the Federal Reserve should welcome.

Breaking the nets

What the American television audience sees on its screens in the evening is determined largely by what the three nation-wide commercial television networks choose to put out. Last week the Justice Department accused the

The Chinese are coming

The first fruits of President Nixon's visit to Peking have arrived in America. A team of top maoist ping-pong players flew into Detroit last week. They were applauded warmly as they displayed their invincibility and insisted diplomatically that friendship was more important than victory. In two weeks they will play in five cities and will be exposed to such capitalist delights as Disneyland (where Khrushchev was forbidden to set foot) and Williamsburg, Virginia, tactfully described as a symbol of the American revolution.

The cost of the tour is being met with money raised by the bourgeois National Committee for United States-China Relations and the host is the American Table Tennis Association; but the visitors are being supervised anxiously by the State Department, which has nightmares about some untoward incident. Already the team has been picketed by right-wing Christians and by Nationalist Chinese. Indeed, the security surrounding the Chinese is so intense that the "friendship between our two great peoples" to which President Nixon referred when they visited the White House has had little chance to flower.

Equally secure in their air-conditioned apartment, but more approachable, are the two young pandas, Hsing-hsing and Ling-ling, who have arrived at the National Zoo in Washington, to the bitter envy of every other zoo in the country. America has not had a panda since 1953; now there are even hopes that when they are old enough the pair may breed. This particular cultural exchange is shadowed, however, by the news that Milton and Matilda, the two young musk-oxen which were America's gift to the Peking Zoo, are ill with a rare skin disease; embarrassingly, they brought it with them.

Compared with the pandas, the news that the first American businessmen to be allowed into China for many years have arrived at the Canton trade fair is dull stuff. Most of those chosen for the honour by the Chinese represent small firms anxious to buy carpets, textiles and exotic foods. An exception to this rule is the Boeing Company, which is hoping to sell civilian jet aircraft to the Chinese, one of the few things that they are believed to want to import from abroad.



EAGLEHART
© NEWS WEEK AMERICA

". . . And This J. Edgar Hoover Wants To Know If We're Members Of A Communist Or Communist-Front Organisation"

networks of exerting an illegal control over the business of writing and producing programmes of television entertainment for "prime time"—the hours in which viewing is at its peak. The department wants the networks to stop producing their own entertainment shows and involving themselves financially in shows produced by outsiders, whether advertisers, independent producers or the makers of full-length films. The present situation in which the networks have extensive investment in supposedly independent productions serves, in the department's view, to deny access to national television networks to producers with whom the networks have no financial ties. The department would allow the networks to retain the right to organise national schedules and to produce their own news, sports and public affairs programmes.

The three networks—the Columbia Broadcasting System, the National Broadcasting Company and the American Broadcasting Companies, Inc—were stunned by the suit. (A former subsidiary of CBS, Viacom, International, was also named as a defendant). They are already under a new restriction issued by the Federal Communications Commission which requires them to give up half an hour a day of prime time to local television stations in order to encourage greater diversity in programming. Moreover, the Justice Department has had this particular suit lying around for several years. Why was it sent to court now?

Several glib answers are circulating. One is that the department, embarrassed by the current scandal about its supposedly over-lenient treatment of the International Telephone and Telegraph Corporation, wants to polish its image as a vigorous prosecutor of anti-trust cases. Another is that the suit is the Administration's warning to the industry that its supposedly liberal Democratic television commentators had better provide fair coverage during the presidential campaign or the industry's powers will be trimmed. The real explanation seems to be that the department has finally decided to take action on a legitimate and important issue of monopolistic restraint of business but that it has done so at a most inopportune time.

The very appearance of the suit may have practical effects. The FCC may give up thoughts of relaxing its prime time restrictions on the networks. Another is that the networks will be very shy of entering into financial arrangements with outside producers. But neither the FCC nor the Justice Department can answer the major question that the whole controversy raises: how can independent producers invest the $250m or so required to develop a new programme without a guarantee that a national network will buy it?

Muskie's mistake?

FROM A CORRESPONDENT IN BOSTON

In a moment of candour recently, Mr Kevin White, the Mayor of Boston, suggested that if Senator Edmund Muskie were to lose in the Democratic primary elections in both Massachusetts and Pennsylvania next Tuesday, his candidacy for the presidential nomination would be "terminal." While the mayor confessed later that he "should have kept his mouth shut," the comment echoed the misgivings of many in the Democratic party's hierarchy in Massachusetts; they had endorsed the Senator from Maine as an early front-runner and are now feeling some embarrassment at their candidate's less-than-stunning showing in the early contests.

Maine was a political subdivision of Massachusetts in the first days of the Republic and only a few weeks ago this regional proximity worked to Mr Muskie's advantage. He was known and respected for his positions on issues affecting the economy and ecology of New England and was felt to have most of the Democratic regulars in his pocket. But even devoted Muskieites are showing exasperation at their man's tendency to take his neighbours for granted. Having forsaken the New Hampshire voters for those of Florida, Mr Muskie is now neglecting Massachusetts in the last week of the campaign to solicit support in Pennsylvania. Pennsylvania will send 80 more delegates than Massachusetts to the Democratic nominating convention in Miami in July and Mr Muskie is hoping to wrest some of these from Senator Humphrey on Tuesday. But in the effort he risks a falling away of support closer to home that could be far more serious in the long run than his lack-lustre showing in New Hampshire.

By contrast, Senator George McGovern of South Dakota has been devoting a great deal of time to Massachusetts, with evident results. A poll of voters' preferences conducted by a Boston newspaper showed Mr Muskie leading Senator Hubert Humphrey in February by a comfortable 46 per cent to 15 per cent, with Mr McGovern's 11 per cent in third place. Two months later, Mr Muskie had only 27 per cent of the same constituency, while Mr McGovern's following had risen to 38 per cent and Mr Humphrey's only two points, to 17 per cent. Moreover, Mr McGovern had become the favourite of voters under the age of 30 and over 65, those in both the highest and the lowest income groups and those who were "very sure" that they would vote next Tuesday.

One factor in the reversal could be the way in which the Senator from South Dakota speaks directly to issues, while Mr Muskie tends to hedge and ponder, seeking a broad middle ground. Like Governor George Wallace of Alabama (who is also on the ballot in Massachusetts but has made no appearances in the state), Mr McGovern is hoping to draw heavily on the working-class vote in communities like Lowell, Springfield and Fall River, where unemployment and inflation are very tangible issues indeed.

But unlike Mr Wallace Mr McGovern deals successfully with the economic effects of the Indochina war on the average worker, without soft-pedalling the moral effect on the country as a whole. While as yet innocent of charisma, he has the advantage of visibility and a certain plodding patience in widening his appeal to the rank-and-file. He is an obvious favourite of Boston's large population of college students but strives to free himself of the image of a one-issue candidate supported mainly by academic mandarins. At one of his frequent appearances at a construction site in Boston he clamped a



McGovern even courts the cops

N.V. PHILIPS' GLOEILAMPENFABRIEKEN
EINDHOVEN

The Annual Report and Accounts of N.V. Philips' Gloeilampenfabrieken and the Holding Company (N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken) will shortly be available in their English translation. The Holding Company owns Fl. 1,242,415,000 ordinary shares of N.V. Philips' Gloeilampenfabrieken out of a total of Fl. 1,242,646,000 ordinary shares in issue.

The development of the Philips' Group as a whole over recent years is shown in a table published in the Annual Report from which the following figures have been extracted.

	1971	1971*	1970	1969	1968
	(*in millions of guilders*)				
Sales (excluding inter-company sales)	18,120	16,437	15,070	13,023	9,721
Increase on the preceding year	•	9%	16%	12%	12%
Trading Profit	1,315	1,161	1,280	1,354	1,121
As percentage of sales	7.3%	7.1%	8.5%	10.4%	11.5%
Net Profit	343	271	435	518	439
Per ordinary share of Fl. 10 (in guilders)†	2.49	1.91	3.29	4.09	3.86
Increase on the preceding year	–21%		–16%	19%	24%
Retained Profit	110		193	255	210
As percentage of net profit	32%	14%	44%	49%	48%
Dividend per ordinary share of Fl. 10 (in guilders)	1.60**		1.70**	1.90	1.80
Scrip Issue	—		—	10%	—
Net Worth	6,731		6,324	5,548	5,127
Long-term liabilities and provisions	6,406		5,324	3,411	3,070
Short-term liabilities and provisions	7,314		6,692	5,606	3,899
Current Assets	12,683		11,167	9,270	6,955
Ratio of current assets to short-term liabilities and provisions	1.7		1.7	1.7	1.8
Additions to property, plant and equipment	1,287		1,158	715	481
Depreciation of property, plant and equipment	835		608	549	461
Number of employees	367,000	339,000	359,000	339,000	257,000

*The figures in this column do not include the new consolidations as at 31st December, 1971, or reflect the changes in the principles of calculating profit. These figures are therefore comparable with those for 1970.

†Net profit after deducting distributions other than to ordinary shareholders.

**For 1971 shareholders may receive a distribution in the form of ordinary shares chargeable to Share Premium Account, free from Netherlands taxation, such that one ordinary share of Fl. 10 is distributed on 40 ordinary shares of Fl. 10 (36 in respect of 1970), or, at their option, a final dividend of Fl. 1·00 in cash (Fl. 1·10 in 1970).

Below is set out an Abridged Statement of the Consolidated Financial Position as at 31st December, 1971, combining the data of N.V. Philips' Gloeilampenfabrieken and the United States Philips Trust.

ABRIDGED STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 31st DECEMBER, 1971

(*in millions of guilders*)

ASSETS	1971	LIABILITIES	1971
Buildings, machinery and other property, plant and equipment	7,306	Share capital and reserves	6,731
Subsidiaries and associated companies (non-consolidated)	666	Minority shareholders' interests	840
Sundry non-current assets	636	Sundry provisions	2,386
Stocks	5,635	Long-term liabilities	4,664
Debtors	5,800	Current liabilities	6,512
Liquid Assets	1,248	Profit available for distribution	158
	21,291		21,291

Copies of the above Accounts will be obtainable from the Company's British Fiscal Agents HILL SAMUEL & COMPANY LIMITED, 100 WOOD STREET, LONDON EC2P 2AJ

Thomas Tilling Another successful year.



Summary of key points from Sir Geoffrey Eley's Review:

–The improvement over 1970 was dramatic.

–All industrial sectors of the Group save one contributed to the advance and 77% of the £6.1 million increase in profit before tax was contributed by our maintained interests.

–The total dividend recommended for the year is 21% compared with 18% in 1970. Results and prospects warrant a scrip issue of one for five ordinary shares.

–Capital expenditure amounted to £12.5 million and acquisitions for cash to £3 million yet there was an outflow of cash of only £2 million.

–Whilst it would not be prudent to rely on an equally dramatic increase in 1972, I remain confident about the future and next year expect to be able to give you another good report.

	Improvement 1971 over 1970	1971 £m.	1970 £m.	1969 £m.
Sales	+29%	319.7	247.2	189.6
Group profit before tax	+47%	19.0	12.9	10.3
Profit after tax attributable to Tilling shareholders	+66%	11.6*	7.0	5.0
Ordinary dividend		21%	18%	17%
Dividend cover (after full 40% tax charge)		2.0 times	1.6 times	1.2 times
Earnings per ordinary share (after full 40% tax charge)		8.5p	5.6p	4.3p
Return on average funds employed		18.0%	14.4%	13.9%

*Before provision for deferred taxation of £1.5m. (1970 £0.3m.)

THOMAS TILLING LIMITED

For a copy of the 1971 Annual Report, please write to:
The Secretary (38), Thomas Tilling Limited, Crewe House, Curzon Street, LONDON W1Y 8AX.

worker's helmet on his head and called attention to his blue shirt, which he intends to "wear to the inauguration."

While the most powerful man in the Massachusetts Democratic party, Senator Edward Kennedy, has disqualified himself as a convention delegate and remained aloof from the primary contest, many of his close associates and those of his late brothers are actively working for Mr McGovern. If most of the state's 102 convention delegates are committed to the Senator from South Dakota, only Mr Kennedy, of all the state's Democratic leaders, stands to emerge without acute embarrassment.

Tax time

Not long ago the way America collects its income taxes was being held up as a model to benighted foreigners: the system was said to be so simple and efficient that little checking for fraud was needed. Now it appears that there may be quite a bit of fraud after all. And why? Because, it is said, over half of the taxpayers—mostly the least educated—find the tax form so complicated that they resort to commercial tax consultants. Some of these are fly-by-night "experts" who are incompetent; some advertise that they can obtain large refunds of tax—and do so by inventing false dependants; some even appropriate the refunds themselves.

The situation is not quite so black as Mr Connally, the Secretary of the Treasury, painted it at first when he said that a check in one region had shown that 97 per cent of the tax consultants had submitted fraudulent returns. Only 20 per cent of the cases involved deliberate fraud, as opposed to error, and the consultants investigated were already under suspicion.

Where error is concerned, not even the Internal Revenue Service is immune. The Wall Street Journal submitted a not very complicated tax return to five different IRS offices for advice and received five quite different answers. So it does not seem surprising that a private study for the IRS reported that there were parts of the tax form which only a college graduate could understand. Now the IRS is considering bringing back a short, simplified form for people whose only income comes from wages; it is estimated that about 30m of the 70m or so taxpayers could use it. Unfortunately, when it was available, few did so. In addition, at the end of last week IRS officials were working long hours to help taxpayers to fill out their forms—something which they have never done before.

Manpower is stretched very thin at the IRS, particularly now that it has the new job of enforcing price controls. Mr Connally's talk of millions more returns being audited needs to be taken with salt. Last year only 1.4m individual returns were checked and the goal this year is 2.1m. The service relies, instead, on well-publicised penalties for a few miscreants. Because of its shortage of manpower it feels that it could not undertake to license tax consultants, as some reformers have suggested. But it may ask Congress for power to run persistent wrong-doers out of business and to impose heavier fines for making out fraudulent returns. The new talk of fraud comes as Democratic campaigners for the Presidency are finding an overwhelming response to accusations that huge loopholes in the federal tax law benefit the well-off at the expense of the struggling little man. The case for reform looks stronger than ever, particularly if, as seems possible, federal tax rates have to be raised next year.

Federal income tax

(Married couple with two children, standard deductions)

Earned income	1962	1969	1971	1972
$3,000	65	0	0	0
$5,000	420	290	178	98
$7,500	877	756	578	484
$10,000	1,372	1,225	1,000	905
$15,000	2,486	2,268	1,996	1,820
$25,000	5,318	4,853	4,324	4,240



Barnes must save his own skin first

Lone star cloud

Texas is the only really large state which is not holding a presidential primary election this year. But the outcome of both the Democratic nominating convention in Miami Beach and of the presidential contest itself could be affected by the primary elections which Texas is holding in two weeks' time, to choose the party nominees for Governor, Senator and congressional seats. For what is at stake there, and then in the general elections in November, is the long-established but weakened control of conservative Democrats over Texas.

The Governor, Mr Preston Smith, who is running for re-election to a third term, has been involved in a banking scandal in which the Speaker of the State House of Representatives was convicted of accepting a bribe. The scandal has also touched, although not so closely, the Lieutenant Governor, Mr Ben Barnes, who is also seeking the Democratic nomination for Governor. By no means a reactionary, this young man—he is only 33—has long been regarded as the saving grace of the right wing of his party in Texas. But now he is fighting for his political life, against a large field led by two strong campaigners who are making much of the corruption issue. One of them, Ms Frances Farenthold, a liberal State Representative, has the advantage of being a woman.

In the Senate contest Texas's best-known liberal, ex-Senator Ralph Yarborough, is trying to make a come-back at the age of 68, pointing out that he comes from a long-lived family. His leading opponent is Mr Barefoot Sanders, a moderate who served in Washington during the Johnson days; whichever one gets the nomination, he will put up a strong challenge to the Republican Senator Mr Tower.

This year Texas is a key state in the presidential contest—Mr Nixon lost it by only 39,000 votes in 1968—and the campaign there will be one of the most important in the country. With the state's chief Democrat, ex-President Johnson, in poor health, with the next most important Democrat, ex-Governor Connally, a leading figure in the Republican Administration in Washington, with the remaining Democratic party officials smeared by a scandal and with the Democratic party itself divided, the Republicans ought to win "big" in Texas in November, for the first time in a century. But the Republicans are short on both organisation and attractive candidates. And there will be over a million new young voters on the rolls and also, if last winter's mayoral election in Houston is any guide, a greater participation by Negroes and Mexicans. They are not likely to vote for Republicans—or for conservative Democrats.

COLOGNE REINSURANCE COMPANY

(KÖLNISCHE RÜCKVERSICHERUNGS-GESELLSCHAFT)

COLOGNE

Established in 1846

Balance Sheet as at December 31st, 1970 (Summary)

ASSETS	*DM.*	*LIABILITIES*	*DM.*
Uncalled Capital	3,000,000,—	Capital Subscribed	16,000,000,—
Freehold Properties	11,231,503,31	Statutory Reserve	4,000,000,—
Mortgages	2,518,552,72	Free Reserve	7,300,000,—
Loans and Debentures	71,649,538,57	Free Special Reserve	3,000,000,—
Equalization Bonds	7,305,114,69	Reserve acc. to art. 6b of "EStG"	1,452,946,56
Share Holdings, Securities	218,829,738,71	Value Adjustments	566,942,95
Claims against Associated Companies	245,927,251,43	Policy and Annuity Reserves for Own Account	379,459,580,—
Claims against Non-Associated Companies	332,317,451,90	Unearned Premium for Own Account	98,031,432,33
Banks and Post Offices	19,669,44	Reserve for Outstanding Claims for Own Account	254,383,637,—
Cash on deposit and on current accounts	14,722,463,21	Other Reserves	7,695,493,19
Interest and Rent Accrued	3,457,433,38	Liabilities against Associated Companies	10,539,843,40
Inventory	298,747,87	Liabilities against Non-Associated Companies	126,972,986,10
Other Assets and Deferred Items	74,288,54	Other Liabilities	577,876,94
		Deferred Items	71,015,30
		Net Profit	1,300,000,—
	911,351,735,77		911,351,753,77
In 1969, the *Gross Premium Income* under the various Branches resulted in the following amounts :—			
Life	127,269,363,—		
Accidents, Third Party, Motor	199,926,572,—		
Marine	24,923,345,—		
Fire, Hail and General	109,344,199,—		
	461,463,479,—	*Distribution of Profit:* 10% dividend on DM 13 millions paid Share Capital	1,300,000,—

The *Company's Capital and Reserves* as at December 31st, 1970 amount to DM 764,000,000,—.

The complete Balance Sheet has been published in the "Bundesanzeiger."

All these bonds having been sold, this announcement appears as a matter of record only

ASIAN DEVELOPMENT BANK

Asian Development Bank

Head Office: Manila (Philippines)

F lux. 400,000,000

6¾% Loan 1972-1987

This loan has been underwritten by the following financial institutions:

KREDIETBANK S.A. LUXEMBOURGEOISE

BANQUE LAMBERT-LUXEMBOURG S.A. BANQUE INTERNATIONALE A LUXEMBOURG S.A.

BANQUE GENERALE DU LUXEMBOURG S.A. BANQUE DE PARIS ET DES PAYS-BAS pour le Grand-Duché de Luxembourg

CREDIT COMMERCIAL DE FRANCE

April 1972

BRITAIN

Derry made its mind up long before Widgery



Widgery : what should soldiers do ?

The Government's policy of conciliation in Ulster has run into trouble, and Lord Chief Justice Widgery's findings on how the paratroopers came to kill 13 men on the streets of Londonderry on January 30th have done nothing to help Mr Whitelaw. Mr Eddie McAteer, the old guard leader of the Nationalists, actually claimed that the report meant the end of the Secretary of State's mission. Both wings of the IRA denounced it as a whitewash. Predictably, Miss Bernadette Devlin called Lord Widgery the latest in "an ever-growing line of British establishment liars sent to slander and libel the people of Ireland." But those remarks were predictable: the events on that Sunday have already become yet another myth in Ireland's history.

Both the Government and the army say they are satisfied with Lord Widgery's findings. Lord Carrington, the defence minister, sees the report as a vindication of the paratroopers. Certainly Lord Widgery has dismissed the more fanciful accusations made in January. What happened, he says, was not an unprovoked or reckless attack, nor was it a ploy to flush out the 200 or so IRA gunmen who *control* the Bogside and Creggan. The soldiers did come under "ill-directed" fire before they shot back. Lord Widgery was impressed by the confident way in which the soldiers gave their evidence and stood up to hostile cross-examination. Apparently there was no "general breakdown of discipline." Some soldiers showed a "high sense of responsibility" that afternoon. But the report also makes some disquieting points, which will be picked up abroad as well as in Free Derry.

No proof exists that any of the 13 dead men or the wounded had been handling either a gun or a bomb when shot. Paraffin tests found traces of gelignite on the clothes of only two of them. Moreover, Lord Widgery talks of army shooting in Glenfada Park, where four men were killed "without justification," as bordering "on the reckless."

The report's terms of reference did not require Lord Widgery to pass any judgments, although it was intended to provide "an objective view of the events" so that "those who were concerned to form judgments would have a firm basis on which to reach their conclusions." But he does bring into serious question the wisdom of the army's decision on January 25th, accepted by "higher authority" (this remains unidentified in the report but was, in fact, Lord Carrington and not Mr Brian Faulkner), to send the troops into the Bogside to arrest demonstrators if the illegal civil rights march were to degenerate into hooliganism. No loss of life would have resulted if, after the stonethrowers had dispersed, the army had just reverted to its normal low key approach.

Lord Widgery is right to emphasise the anarchy which runs in most of Londonderry west of the river Foyle (although in the Commons on Wednesday Mr Heath said these no-go areas would not be tolerated much longer). Between August 1st and mid-February alone, 2,656 shots were fired at the army, along with 456 nail and gelignite bombs. And there were 225 explosions in the city, mainly in business premises. With this experience, it is difficult to understand why Brigadier MacLellan believed that his paratroopers would not come under fire from an IRA bastion like the Bogside if they were to go in to make arrests. That was bound to lead to a gun battle, with the likelihood of the loss of civilian lives. Lord Widgery does point out, too, that there had been no clear separation between the rioters and the marchers before the soldiers went into action.

But the report raises more fundamental questions. Lord Widgery expresses surprise that the yellow card of instructions—about when a soldier can fire—forbids warning shots. Every shot must be aimed at the person whom the soldier believes is using or is about to use a "firearm for offensive purposes." Yet it is often impossible, particularly in an urban guerrilla campaign such as that in Ulster, for a soldier to make an instantaneous distinction between, say, a stone thrower or a nail bomber, or between a man with a sub-machine gun and a photographer with a camera with telescopic lenses. Lord Widgery puts his finger on the dreadful dilemma of soldiers faced with gunmen close to innocent civilians:

> Either they must go all out for the gunmen, in which case the innocent suffer; or they must put the safety of the innocent first, in which case many gunmen will escape and the risk to themselves will be increased.

Lord Widgery very sensibly concludes that "the individual soldier ought not to have to bear the burden of deciding whether to open fire in the confusion such as prevailed on January 30th. In the conditions prevailing in Northern Ireland, however, this is often inescapable."

Local elections

Labour still to win

Next month will see the last of the annual elections for the soon-to-be-obsolete borough and district councils in England and Wales. Once these were primarily local contests over local issues and local personalities ; indeed, they still are in many small towns and rural areas. But in the main towns and boroughs these local elections are now generally regarded as performing two national political functions : a sort of low turnout opinion poll, and the opportunity for the opposition party at Westminster to take control of the major town halls as compensation for losing the general election. As 1969, when the seats up for election this year were last fought, marked the depth of the Labour government's unpopularity, the results this year are going to look particularly good for Labour.

Labour is bound is to gain something of the order of 1,000 seats in the borough elections. But the real measure of the changing popularity of the two main parties will be the swing in votes since last year's local elections. In the spring of 1971, unemployment was rising, inflation was rampant, the unions were mobilised against the Industrial Relations Bill and the country had recently suffered power cuts and a postal strike. In many areas, notably Scotland, inner London, Manchester and Merseyside, the Conservatives turned in their worst local election performance ever ; elsewhere it was little better than in 1945, their worst year. Only Tory aldermanic reserves and the 1969 stream of councillors prevented Labour from a massive takeover of the town halls. A swing compared with 1971 is, therefore, a swing on a pretty awful year for the Conservatives. The size of the swing to Conservative since last year (if there is one) will indicate whether or not there is any need to take seriously talk of a general election this year.

It will need to be a sizeable swing. One of 5 per cent would still leave Labour favourites to win an early general election (the maximum annual swing in local elections ever achieved by a Conservative government was in 1958-59, when it was a fraction over 5 per cent). One of 7½ per cent would, on past records, correlate with a level pegging general election, so the swing to Conservative would have to be nearer to 10 per cent before any Tories could bang the drum for a general election with much confidence.

But even a swing of 10 per cent to the Tories would still switch the bulk of the big cities to Labour. Labour now controls only a quarter of the local authorities with populations over 100,000 to the Tories' two-thirds. A swing of 10 per cent to Conservative will still give 13 councils, including the prizes of Birmingham, Bristol, Leeds, Liverpool and Teesside, to Labour, which is also bound to pick up four towns not controlled by any party. It will require a political miracle for Labour not to emerge as the party with a majority of the big cities in May ; such is the delayed effect of Labour's 1969 unpopularity working through the triennial system.

Opinion polls are turning the Tories' way, but it is unlikely they will move fast enough to stop a Labour landslide. A repetition of last year's voting would switch 20 big towns (21 including Oxford) from Conservative, which would divide the 57 such towns into 40 Labour to 14 Tory with 3 split. The really marginal boroughs are Ipswich, Reading, Southampton and York (where the Tories need small swings to save control) and Northampton, Walsall and Wolverhampton (where Labour needs small swings to take control). So the regular pattern of the national opposition party taking over control of most local government centres of power a couple of years after its national defeat is going to be repeated, come what may.

By-election

Look you

No one would grudge Plaid Cymru two cheers for its achievement in coming a very good second, only 3,710 votes behind Labour, in the Merthyr Tydfil by-election, but the nationalists would be silly to imagine that all Wales is now theirs for the taking. To begin with, they did not actually win Merthyr, and—as the Liberals could tell them—winning by-elections is the only thing that really matters for minority parties. Secondly, Merthyr's voters are a particularly independent-minded lot, who, at the general election, elected as an independent Labour MP, Mr S. O. Davies, the man who had been their member since 1934 and who had been cast out by the local Labour party to make way for a younger man. There was also considerable feeling in the town against the way Labour has been running the council. Plaid Cymru was the most effective protest vehicle.

That does not mean Labour has no need to worry. The new MP, Mr Ted Rowlands, was a former junior minister at the Welsh Office, but the margin of his victory in a seat which has traditionally given Labour a fat five-figure majority is something of a shaker. Whatever the cause—whether it be local resentment or reaction to Labour rifts nationally or a positive vote for more Welshness—it must disturb the complacency of those who have always assumed the Welsh valleys belonged to Labour almost as of right.

Political control of the big towns

Political control now, and after the May elections, in Britain's 57 provincial towns with 100,000 or more people.

Labour controls 15: Aberdeen, Blackburn, Dudley, Dundee, Glasgow, Hull, Manchester, Newport, Norwich, Oldham, St. Helens, Sheffield, Stoke-on-Trent, Swansea, Thurrock. They all stay Labour.

No control in 5: Birkenhead (Lib), Salford (Lib), Basildon (Ratepayers), South Shields* (council equally divided) will all be captured by Labour even if there is a swing of 20 per cent to Conservatives since 1971.

Havant and Waterloo (Ratepayers) stay no control.

Conservatives and allies* control 37

On a 15 per cent swing to Conservatives: Bristol*, Coventry, Leeds, Nottingham, Teesside, Warley and West Bromwich will go Labour, while Conservatives will lose control of Bradford (Lib), Edinburgh* (Lib), Oxford (Univ) and Reading (Lib).

On a 10 per cent swing to Conservatives: Birmingham, Bolton, Leicester, Liverpool*, Luton and Stockport will also go Labour.

On a 5 per cent swing to Conservatives: Bradford, Derby and Sunderland will also go Labour, while Conservatives will lose control of Huddersfield (Lib).

On no swing from 1971 : Ipswich, Reading, Southampton and York will also go Labour.

On a swing of 5 per cent to Labour: Northampton, Walsall* and Wolverhampton will go Labour while Conservatives will lose control of Poole (Lib and RA).

On a swing of 10 per cent to Labour: Cardiff, Edinburgh* and Newcastle will also go Labour. Conservatives should keep Blackpool, Bournemouth, Brighton, Plymouth, Portsmouth, Solihull, Southend and Torbay.

Notes
Towns where Conservatives control with local allies marked*.
Brackets after the no control town show the party holding the balance of power ; in Oxford the university elected members will probably hold the technical balance of power after the elections but Labour can take a majority of the political members on no swing from 1971.

Dons

Clocking in

British academics tend to anticipate damp squibs with the protest worthy of a nuclear threat. The universities were dragged kicking under the wing of the Public Accounts Committee: the much-prophesied destruction of academic freedom has so far amounted to the acceptance of a little accounting advice from the Comptroller and Auditor-General's helpful department. Then there was that report from the now defunct prices and incomes board, which had the temerity to suggest that a tiny proportion of dons' pay should be dependent on teaching ability ; that stirred up a hornets' nest, and came to nothing. Finally, the vice-chancellors' committee (et tu, Brute ?), which had been criticising as useless the University Grants Committee's efforts to distil the comparative costs of research, undergraduate and post-graduate teaching from the regular accounts, agreed to carry out a sample survey in 1969-70 of how dons spend their time. Those surveyed were asked to allocate their time, half-hour by half-hour, between external professional work, personal research, supervising research, two levels of teaching and "unallocable" internal work from 8 am to midnight for a week—in short, they were asked to keep a diary.

Naturally, there was a good number of irritable professorial letters to the newspapers. One can understand why: the details of any such survey must border on the ludicrous. That half-hour spent grumbling about Professor Bumbletwit's appointment—was that research or administration ? If a vital philosophical truth dawned on me in the bath, can I put that half-hour down to personal research ? And, as the vice-chancellors' cost analysis committee (chaired by Mr Charles Carter, of Lancaster) points out in its report*, published on Friday, there is a tendency for total working time to be "modestly overestimated." Mathematics dons were either the most honest or worked the shortest hours: their average working week was 45 hours, while those in medicine and (much more surprisingly) in the arts disciplines claimed a 54-hour week.

But the sample was satisfactorily large—partly because 11 university institutions asked that all their dons be surveyed as they were interested in the results for internal purposes. Nearly 8,000 dons were sent diaries, out of a total of just over 27,000 ; over 80 per cent returned their first in a usable condition, and just over 60 per cent completed three diaries for different types of weeks in the academic year. Needless to say, most took the opportunity given to comment on the survey: the report states blandly that scientists usually criticised the methodology and those in the arts the principle of the survey.

The most reliable results are probably those which show what proportion of their time dons spent on different activities, rather than the total number of hours: 37 per cent on undergraduate teaching, followed by 24 per cent on personal research. Surprisingly, this proportion diminishes as one goes up the academic hierarchy, with professors spending only 18 per cent of their time on personal research (though they spend as much again on external professional activities). Perhaps they're quicker workers.

*Report of an Inquiry into the Use of Academic Staff Time. 30p.

National theatre

Sweet prince?

The National Theatre board announced this week the appointment as director-designate of Mr Peter Hall, for nine years the very successful director of the Royal Shakespeare Company and, for a brief, unhappy period, artistic director of the Royal Opera House. This does not mean that Lord Olivier, the incumbent director, will leave before early 1974 : it is proper that the man who started the company at the Old Vic in 1963 should steer it into its majestic new home on the south bank of the Thames.

The National has started off this financial year well with 97 per cent attendances for "Jumpers" by Tom Stoppard and "Richard II." It certainly needs some success. The current publicity has caught it at the end of a bad period—lasting several years—during which many of its more talented actors like Robert Stephens and Maggie Smith (whose names, along with that of Albert Finney, had been bandied about as possible successors to Lord Olivier) have left, and many plays have been commercial, some might say also artistic, flops. The low point came during the company's extra season last summer at the New Theatre in the West End which, at a time when most commercial theatres were packed, often played to half-empty houses and made a substantial loss.

Some of the blame for this was put



Hall : objections overruled

down to a bad choice of plays and thus to Mr Kenneth Tynan, the theatre's literary adviser, who, it is said, has strong influence over Lord Olivier's selections. Mr Tynan has objected, along with Mr Michael Blakemore, a resident director, and Mr Frank Dunlop, director of the Young Vic, to the way Mr Hall was selected. Mr Hall's past record as a very literary-minded director suggests he will give less ear to artistic advice from others than did Lord Olivier, who is primarily an actor-manager.

Mr Hall's new operation is bound to be different, if only because it will be twice as big. The new theatre will have two auditoriums—seating 950 to 1,140—and the present establishment of 44 actors will be doubled. That raises the touchy question of provincial touring. At present the company's touring record is bad (four weeks last year and none planned for this) but Lord Olivier has always objected to breaking up his ensemble—an argument that lost weight when he was happy to divide the company between the Old Vic and the New Theatre. With twice as many actors, Mr Hall will have even less excuse.

Legal aid

Limited liability

The expansion of free legal services has been one of the most slow-moving social reforms of postwar Britain. It is easy to see why : the need for legal help is only spasmodic ; free help undoubtedly does encourage spurious litigation in already over-crowded courts ; and reform is expensive. But over 20 years a system has grown up

which at any rate makes it possible for the poor to get subsidised help to get a divorce or maintenance (the principle uses to which the legal aid scheme is put). And a well-supported scheme, put forward by the Law Society, which will make it possible to get proper help, up to the value of £25, in a dispute which does not immediately need to be taken to court, is at last enshrined in a Government bill now going through Parliament. But it is already coming under fire.

It has been a persistent criticism by the Child Poverty Action Group, among others, that legal aid does not extend to tribunals ; this was recommended by both the Rushcliffe committee in 1945 and the Franks committee in 1957. In the second reading debate on the Legal Advice and Assistance Bill it became clear that it would be possible for solicitors to give advice on how to make written representation to tribunals under the new £25 scheme, but this does not extend to representing their clients there. It is likely to be some time before this next major reform takes place.

There has also been criticism of the recovery provisions of the bill : solicitors' fees must come out of any property and so on that is recovered. That is, at worst, rough justice : the legally aided client will be in no worse a position than a richer litigant in deciding whether it is worth suing, and will risk less. More pertinently, the CPAG is beginning to agitate about the income limits. These are notoriously ungenerous and moreover vary between schemes. The limits for the existing legal advice scheme are a disposable income of £9.50 a week and savings of £125 ; for legal aid (or representation in court) the disposable income must be under £20 a week, but it is provided free only if income is under £6 a week.

The limit for the new scheme is fixed at the legal aid level (at that point a client will be expected to contribute up to £12), and if disposable income is below £11 he will have to pay nothing. But to make things even more complicated, the amount of income that is disregarded (for, say, each child) to arrive at the disposable income figure varies between legal aid and legal advice, and it is not yet clear which system will be slotted into the new scheme. For legal aid, the Supplementary Benefits Commission calculates eligibility (though the disregards are not as generous as for supplementary benefit itself) ; Sir Geoffrey Howe, the Solicitor General, has said that solicitors will calculate it for the new legal advice scheme, which should speed things up but will probably take up a good deal of solicitors' time and add to their bills. But it is to be hoped that this scheme will at least make them more enthusiastic about aiding poorer people ; part II of the bill, which allows for the setting up of special centres staffed by solicitors employed by the Law Society in poor areas (another much-requested reform), is to wait on part I ; it may not be implemented at all if the £25 scheme goes well.

Race relations

Tinker's reprieve

A heated meeting in London on Tuesday night led to the chairman of the council of the Institute of Race Relations, Mr Michael Caine, of Booker McConnell, saying he would resign. Several others, representing a majority on the council, are expected to follow. They wanted to sack the institute's director, Professor Hugh Tinker, and close the magazine, Race Today (see *The Economist*, April 1st), but the vote went against them.

Presumably, it will now be left to the minority remaining on the council to raise the money urgently needed to save the institute from bankruptcy. This has been predicted within six months and the defeated group held that the money would not be forthcoming without a new director and a return to a more sober, less partisan style at the institute. The majority of those members who bothered to vote evidently felt that the IRR was right to try to express the views of ordinary black people (although how far it has really done so is another matter). They also seemed to like Race Today well enough to give Professor Tinker more support than he might otherwise have received.

Cricket

Willow talk

A pessimist might view the prospect of this summer's fight for the ashes with all the excitement of a fisherman being offered a day out at the end of Wigan pier. The Australian cricketers arrived here this week with a record whose only comfort must be that it could not get worse. Of their last ten test matches, they have lost six and drawn four. And, despite their victory over there the winter before last, the Englishmen look something less than all-time greats. Their performances against Pakistan and India last summer were lamentable.



Chappell : ashes to dust ?

Then there are the two captains. The Australian, Ian Chappell, is said to display the audacity of an Errol Flynn beside his predecessor, Lawry, but then that is like taking Mr Duncan Sandys as a measurement of repartee. England's captain is almost certain to be Illingworth who, as everyone knows, brought home the ashes and any who dare to criticise him can expect summary execution. As a player who keeps his head down when all about him are losing their wickets, Illingworth is admirable. If he is not quite as couth as some of the gentlemen who have led England in the past, few people outside the Long Room at Lord's are likely to care. His professional skill and intelligence make him a formidable captain of his county, Leicestershire. But match him against an equally dour Australian, determined to save the game and hang the spectators—then the summer yawns in anticipation.

But pessimists are occasionally wrong. What with three one-day tests as well as the five five-day ones for the ashes, no fewer than four different competitions for the counties, and betting shops at some of the game's most famous grounds, it is clear that cricket is in the process of a peaceful revolution. Even the lordly ones of the MCC, the governors, are responding to demands for change, if somewhat arthritically. Both Illingworth and Chappell will go out knowing that they are carrying a considerable responsibility for the future of cricket itself. They will be more likely to serve the game well if they can treat the legendary ashes as something a shade less precious than the treasures of Tutankhamen.

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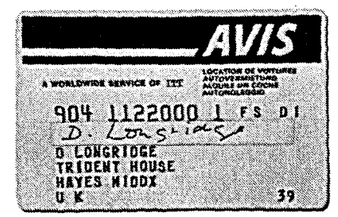
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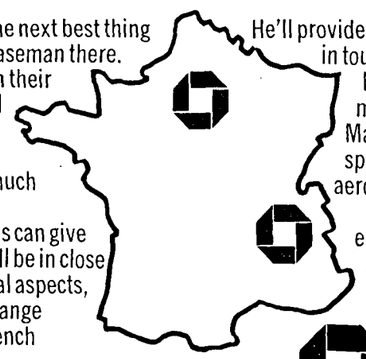
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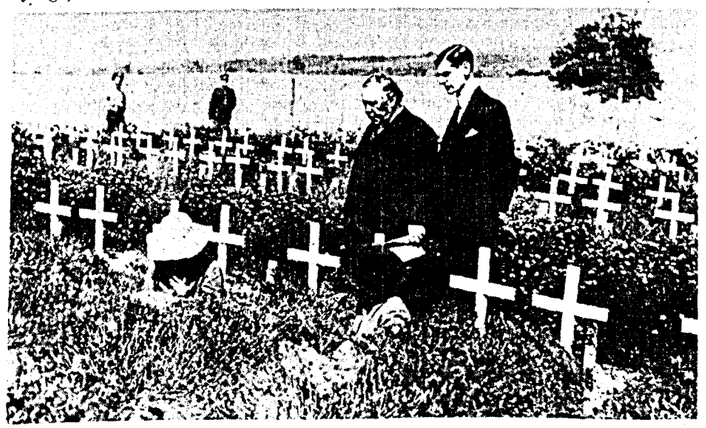
THE RISE AND FALL OF HORATIO BOTTOMLEY
By Alan Hyman.
Cassell. 320 pages. £3.

One of the most effective platform techniques of the greatest Victorian propagandist of atheism, Charles Bradlaugh, was to dare God to strike him dead. It is possibly the most plausible item of circumstantial evidence to support the widely-believed rumour that Bradlaugh was Horatio Bottomley's father that Horatio spent all his life daring society to strike him down. Audacity was unquestionably the keynote of his amazing career of fraud and demagogy between the 1880s and the 1920s.

Bottomley rarely took any trouble to conceal his motives or his methods. His total shamelessness was one of his greatest strengths, because with it he destroyed any links of commonly-shared attitudes and assumptions by which his victims and critics could get at him outside courts of law. And inside a court Bottomley was extremely formidable, admittedly the most accomplished lay lawyer of his day. After his first appearance in court, successfully defending himself against accusations which for anyone else would have been indefensible, the judge, Hawkins (later Lord Brampton), was so impressed that he congratulated Bottomley, urged him to take up a career at the bar, and sent Bottomley his wig and his notes of the case as a memento of the occasion.

That was undoubtedly a just tribute to Bottomley's sheer talent. The interesting thing about Bottomley is that he could without any doubt have become a millionaire and a success in the world of business and politics without fraud if he had wanted to. It was not, in other words, the case of a man being fraudulent as a necessary and unavoidable means to an end; being fraudulent was in itself of the essence, the end in itself. Given the choice, Bottomley would prefer dishonesty to honesty, even if it cost more trouble. Like kippers and champagne for breakfast, it became more than a habit; it became an integral part of the process of life.

Bottomley was thus a very special case of social pathology, by no means just curious, but important, particularly because he combined financial swindling on a colossal scale with phenomenally successful popular journalism. The strength of this book is that it does justice to Bottomley's John Bull, which appeared in 1906, the year he entered the House of Commons in the great Liberal landslide. And as a manipulator of words on the platform he was just as good. It was in the use of words that Bottomley's genius lay. That is why worldly success as such never particularly interested him except as the background for a flamboyant life-style. In his financial swindles Bottomley was usually rather clumsy and incompetent. He was always in the bankruptcy courts. His great war bonds swindle was essentially a matter of muddle. It proves to the hilt that with method and efficiency and even a touch of honesty he could have made much more than in fact he did. He liked seducing with words: seducing rich old men to hand over their fortunes to him; seducing juries to acquit him; seducing patriotic mobs in Trafalgar Square or the Albert Hall with the most shamelessly sentimental chauvinism that has ever been seriously and publically uttered in this country: seducing the semi-illiterate readership of a demagogic tabloid. For that matter, he liked seducing a harem of women. In other circumstances, Bottomley might have made the greatest of revivalist preachers. But to the putative son of Bradlaugh and the undoubted nephew of George Holyoake that was out of the question. His alternative choice was more entertaining and probably no more harmful. After being sentenced to penal servitude in 1922, Bottomley was noticed by the prison chaplain sewing mail-bags. "Ah, Bottomley, sewing?" "No, padre, reaping!"



France, 1917: from carnage, a swindle

Labour hero

SIMPSON THE OBSTETRICIAN
By Myrtle Simpson.
Gollancz. 304 pages. £3.50.

So much in this book sounds extraordinarily familiar. Professorial quarrels; doctors at odds with one another; students demonstrating and expressing their views on lecturers at the end of each year; frowns from the academic and medical establishment; claims of medical breakthroughs and counter-claims; above all, masculine pontifications on the exclusively feminine process of childbirth. James Young Simpson tended to be at the centre of every controversy.

His name is chiefly associated with the use of anaesthesia in childbirth. He did not discover either ether or chloroform; his claim to fame in this context is his resolve "to beat down all opposition, particularly that of the pious and sanctimonious men of his profession." He had long been dismayed by the fearful pain inflicted by surgeons operating in the days before anaesthesia: one of the most harrow-

ing documents in this book is a letter to Simpson in his support from a doctor who had had a limb amputated without it:

> The particular pangs are now forgotten but the black whirlwind of emotion, the horror of great darkness and the sense of desertion by God and man bordering close on despair, which swept through my mind and overwhelmed my heart, I can never forget, however gladly I would do so.

Like that poor Dr Wilson, Simpson realised that pain is not ennobling but humiliating, and dangerous because of the shock and exhaustion it can cause. Having learnt of the successful use of ether in surgery he quickly saw that it could relieve the indignities of childbirth.

The storm he evoked fully matched the controversy over the first heart transplant. But the news of medical advances could not be kept from the layman, even in the 1840s, and women patients voted with their feet. Simpson became successful and rich, *accoucheur* of society women as well as of the poor of Edinburgh's slums. But he did not restrict himself to obstetrics (or even to medicine, for he acquired renown in archaeology). He was always in the van of every new medical discovery, not so much an innovator himself as immensely quick to see the possibilities of a new idea, to test it and to apply it if it passed. He had sound views on medical education and on the design of hospitals, anticipating today's view that they should be built with the need for change always kept in mind. He championed women doctors. He saw that the best way to convince his opponents was by the use of statistics; he collected cases and compared mortality rates according to the type of treatment.

But if he was modern in much of his thought he was Victorian in his tireless enthusiasm and optimism. Today's Committee on Safety of Medicines he would probably have brushed aside as too cautious. He was also a typical head of the family. Mrs Simpson, who is married to a descendant, tells us that he enjoyed his offspring when they were infants but tended to ignore them as children. He remained a Christian, though his scientific background led him to question much of what was being preached.



Simpson the deliverer

For all his compassion towards his patients, Simpson does not emerge from this biography as a wholly likeable man, though the reader is most effectively involved in his story. Apart from fathering nine children (four died) he seems to have pretty well ignored his ineffectual wife, whom he proposed to and married in a hurry to strengthen his candidature for the chair of midwifery, it then (1839) being considered indelicate for a lady to consult an unmarried obstetrician. He was also unnecessarily quarrelsome. Mrs Simpson tends to gloss over his defects, and her biography has, besides a pedestrian beginning and a surplus of exclamation marks, some loose ends: for instance the identity of the two mysterious children whose keep Simpson (in one case) and his wife (in the other) were paying for remains hidden.

Psephos

GREEK AND ROMAN VOTING AND ELECTIONS

By E. S. Staveley.
Thames and Hudson. 271 pages. £4.

Everyone knows that the ancients voted incessantly, but few know much about how they did it. Dr Staveley rightly hopes that his book will be read as much by modern psephologists as by students of ancient history. They should indeed find it interesting, but they must be warned. The subject is one of surprising complication; the evidence is scrappy; and the doctors disagree. The book is hard going, from the nature of the subject.

Dr Staveley concentrates on Athens and Rome (with just a glance at the uninteresting and badly documented case of Sparta). The striking thing about this book, taken as a whole, is how widely each system varied from the other. The Athenians' was quite unlike anything that we know. The Athenians did three things: they voted in assemblies and juries; they drew lots; and every so often they ostracised, by a unique system of write-out voting. The amateur has heard most about ostracism (Dr Staveley tells us a lot more; little of it is certain except for the fascinating survival of *ostraca* with great names on them, such as Themistocles, Pericles and Aristides). One pauses with envy and fascination to think who would be ostracised first if we had the system here.

The real oddity of the Athenians was their delight, based on a radical passion for fair shares for all, in nominating officials by drawing lots, with every possible precaution against fraud and elaborate lot-drawing machines. Some of these have survived. To form a jury involved nine successive drawings of lots. This complexity, the absence of great personal wealth and the large size of the assemblies made corruption difficult; it does not seem to have been an important factor. But the most important officers, particularly generals (who came to dominate civil administration), were inevitably appointed by vote: one could not trust an army to a man chosen by lot.

The Romans' system was totally different, and a little closer to some of the worse modern ones. Their oddity was to decide most things by group votes. Each group voted separately, and the man who came out top in the majority of the groups won—but not without great elaborations, always weighted in favour of the nobles. The simplest and most effective mechanism of weighting was that the rich groups were smaller, more numerous and voted first. The votes were, of course, delivered by influence in the usual Roman style. The bias of the system and the strength of *clientela* meant that pure fraud, though certainly practised, was usually unnecessary.

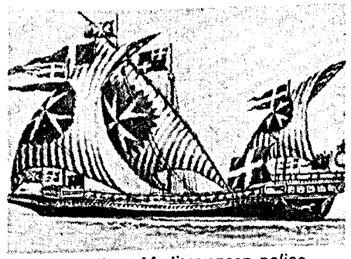
The Greek style of voting was that of a town meeting crossed with a lottery; the Roman, in the absence of a party system, like a primary in a one-party state, heavily gerrymandered in favour of the wealthy. An American party boss could have worked it easily. He would have found Athens a harder nut to crack.

Marching as to war

THE MONKS OF WAR

By Desmond Seward.
Eyre Methuen. 346 pages. £4.95.

It is hard to think of a less edifying spectacle in medieval history than that of the expeditionary forces of western Europe slaughtering the entire population of Jerusalem in the name of Christianity, but there is perhaps one: the interrogation—meaning torture—



Maltese galley: Mediterranean police

and painful execution of members of the most militant of the military orders that were founded in the wake of that first crusade, on trumped-up charges of sexual and religious perversions, by the orders of a Christian king and his puppet pope. Not everyone is as convinced as Mr Seward of the Templars' innocence: he fairly quotes as distinguished an opponent as Sir Steven Runciman. But the ending of this order was even sorrier than its conception, because however horrific the deeds it perpetrated in the name of religion, in its heyday there was at least a consistency that bred phenomenal courage. When Christianity turned and rent the Templars, they lost even that, confessing in fear to crimes that they afterwards denied.

The Europeans who settled in Outremer—"colons," as Mr Seward calls them—acquired, along with the dress and medical skills of their opponents, the desire to treat as well as fight. They had to, to survive: for most of its existence the European settlement was no more than a string of coastal towns. The orders were born in Jerusalem: but their vows were stern and uncompromising. No member was allowed to ask for ransom (though some did), and when captured they were usually slaughtered. The military orders, the only regular troops, who garrisoned frontier forts, were as bellicose as any military establishment: much of the blame for the crusaders' defeat by Saladin at the Horns of Hattin can be laid at the door of the impetuous leaders of the orders. Not one of his opponents could hold a candle to Saladin for chivalry. But the military orders had their humane side. The Templars began as the "Poor Knights," in poverty and prayer, as "military Cistercians"—a police force to protect pilgrims. And the Hospitallers fulfilled a nursing vocation with skill and devotion: their militarisation took nearly a century.

The Hospitallers survived, in Malta, for centuries after the Templars or indeed after the Teutonic Knights, whose crusade in northern Europe is also charted by Mr Seward. The Templars were put down, the Teutonic Knights defeated and finally metamorphosed from monks into Lutherans. It is impossible to regret the disappearance of either, even without the twentieth-century parallels that make the story of the Teutonic Knights so distasteful. As Mr Seward points out, they were religious fanatics first and nationalists, or racists, only incidentally. Thus they did not achieve nazi canonisation; but the similarities are great.

Only the Spanish orders, the armies of the *reconquista*, achieved, in their own times and terms, success. The Hospitallers held Malta from the Moslems: the siege of 1565 is one of the best-told episodes in Mr Seward's history, and the courage displayed by the order can hardly fail to incite admiration. Its last tiny state was not toppled until the Napoleonic era, when it was a dictatorship of incredibly advanced benevolence, with the best medical services of the day and a welfare system that would still leave most advanced nations standing. Mr Seward is almost at his best on the later days of the military orders: he lacks the gift of clear exposition, and though his scholarship is great, his theme both interesting and hitherto largely unexplored and his judgment sound, the more compressed chapters are slightly unclear. But he does not lack perception. Bernard of Clairvaux, inspirer of the crusades and father of the orders, comes in for a good deal of criticism: but his achievement, or rather the orders', is spelt out. It was to channel feudal brigandage, to harness a pagan hero cult to Christianity so that while dangerous and destructive it was not directionless. The crusaders were land-hungry invaders, marching to hymns sung to old Roman marching tunes, indulging in indiscriminate slaughter along their way. The injection of monasticism added fanaticism to aggression—but also, at least, discipline.

Copious correspondent

THE JOURNALS AND LETTERS OF FANNY BURNEY, VOLUMES I AND II

Edited by Joyce Hemlow, Curtis D. Cecil and Althea Douglas.
Clarendon Press: Oxford University Press. 336 and 291 pages. £3.25 each.

For most readers, Fanny Burney's name conjures up the spirited girl of whom Dr Johnson was so fond, the

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witty author of "Evelina," who became a lady-in-waiting to Queen Charlotte. But it is not the youthful Fanny Burney whom we meet in these volumes. The letters and journals collected here date from 1791, when she was already nearly 40. After five years at court, she had returned to live with her father, the redoubtable musician Dr Charles Burney. She cannot have imagined that a husband was just over the horizon; but in the second of these two instalments we trace the progress of a lightning courtship, terminating in her marriage to the Chevalier d'Arblay. When they were beyond meeting distance, they wrote to one another in French, for his English was rudimentary. His letters, which she treasured along with the "themes" in English written under her tutelage when they were first acquainted, are reprinted here, and enable us to glimpse something of the charm and intelligence and integrity of this political exile. His prospects at the time of their marriage were bleak, and Dr Burney withheld his approval, but the two were blissfully happy together.

Eight more volumes are projected, covering nearly half a century, for Madame d'Arblay outlived her son as well as her husband, surviving until 1840. The second half of her life has not hitherto been nearly so well documented as the period when she was still Fanny Burney. If the two volumes under review are a fair indication of what is to come, there will be a great deal to please readers whose preferred method of entry into the historic past is through personal, informal records. Fanny Burney was a born chronicler and a letter-writer almost of genius. As long as her beloved sister Susan Phillips was living (most of the letters of 1791 and 1792 are addressed to her) she wrote without inhibition: warmly, amusingly, vividly, truthfully. In later years her journals perforce became less intimate, more consciously literary. She was, after all, a professional writer, and a very successful one.



Fanny Burney: half a century to go

As an old woman, Madame d'Arblay spent years going through her correspondence and journals, editing them for posterity. She was by no means the only Burney to write copiously or to keep the letters she received; there are over 1,000 letters extant written by her father to his vast acquaintance. Apparently Fanny discarded much that she considered ephemeral; but the pains she took to trim and tailor what she did preserve have given the present team of editors formidable difficulties to contend with. The texts published here have been reconstructed with the most scrupulous care. This edition is on a plane of scholarship far superior to any existing collection of Fanny Burney's letters and journals. The introduction and annotations are admirably helpful and the index in volume II covers all the material so far published.

World enough and time

THORNTON'S TEMPLE OF FLORA
Reproduced by Geoffrey Grigson.
Collins. 72 pages. £4.25.

THE LIVING CLOCKS
By Ritchie Ward.
Collins. 319 pages. £2.50.

Two water-lilies, stiff and wide-eyed as country children, with a mosque towering in the background, stare out of their plate: one of a spectacular, romantic series of flower engravings planned and commissioned by the rich, slightly dotty young Dr Robert Thornton, who beggared himself in the early part of the last century producing a series of otherwise wholly unmemorable botanical works. The camera has put an end to the kind of amiable nonsense that can send clouds scudding across the sky, and galleons reeling before the storm, without fluttering so much as a petal of the flowers beneath, and this flowery, bowery sentiment was scientifically disreputable even in Dr Thornton's time. But the fact remains that Robert Thornton, silly and trivial as he was, is remembered for his "Temple of Flora" when better men have been forgotten.

For a hundred years before Dr Thornton, men had puzzled over the habit among plants of folding their leaves at night, and opening them by day, and of sticking to their routine even in day-long total darkness. If and



Lilies: labouring after all?

when the public gets round to being interested in the in-built clocks that make plants close their leaves, cockroaches run at night, birds migrate halfway round the world and humans feel tired after a long flight, then Mr Ritchie Ward's book will become one of the standard references. If you want to know, step-by-step, the research that has been carried out, who did it, when they did it and their latest theories, that is all here. Until then, the crashing, soporific dullness of the book is likely to put off any casual reader.

Yet the subject is fascinating. The most bird-brained of migratory birds navigates by the stars, even when it has never migrated or been near another bird in its life, and is shut in a planetarium: except, of course, if it belongs to a species that prefers to navigate by the sun. The dimmest of plants set their internal clocks in such a way that they are not easily fooled by either artificial light or dark. After some quite revolting experiments on cockroaches, scientists have isolated the cells that control the clocks, although some still believe the accuracy of the time-keeping is influenced by circumstances and is not wholly self-contained. It's Mr Ward's secret how he managed to make it all such a drudge to read.

A new style

BATTLE FOR THE ENVIRONMENT
By Tony Aldous.
Fontana/Collins. 288 pages. 45p paperbound.

Battles occur where people choose to stand and fight, and this book is a handy account of the better-known set pieces of recent years in Britain where defenders of "amenity" have taken on public authorities—or where public

authorities have taken on each other. It is no accident that most of the examples, apart from national parks, are drawn from London and southern England, for this is where public amenity is most closely identified with organised middle-class private interests. As Mr Crosland has said, it looks different in Grimsby.

Some of the best examples in this book are in fact the work of thoughtful professional planners in the service of an enlightened public authority, because they show things being done, and for once being done right, rather than merely prevented. One such example is the reclamation of coal and pottery wastelands in Stoke-on-Trent, now turned into green hills and valleys, lakes and sports fields. Another is the management of weekend traffic in the Goyt Valley, part of the Peak District national park—visitors park their cars and take free mini-buses to walking places. On the other hand, there were no strong interests opposed to these pleasant achievements; over more momentous things like motorways and airports there will always be bitter conflicts, and it is this fact that has brought the environment right into the centre of traditional politics.

In a useful couple of chapters Mr Aldous sketches the background and structure of the new Department of the Environment, and the personalities and powers of its chief ministers. He can be accused of taking Mr Peter Walker, its supremo, rather too much on his own estimation. But there are signs that the existence of this huge department, which merges nearly all the powers of government affecting the environment, plus the political and organisational flair of the Secretary of State, really is producing a new style. One instance described here concerns the new regulations controlling heavy lorries. A national organisation, the Civic Trust, did an impressive job assembling evidence of damage done by heavy lorries collected by amenity societies all over the country (an example, incidentally, of how the motivation of such societies can be turned to wider use). This evidence was heeded, against the strong wishes of the haulage industry, as it would never have been under the old Ministry of Transport. On planning battles in general, Mr Aldous's advice seems to be: if you want the DoE to sit up and take notice, write in person to a minister, preferably by hand and misspelt. The book ends with some good ideas on the possible future development of the planning inquiry system.



The distaff side: two Jenny Marxes

Marx past

KARL MARX
By Werner Blumenberg.
New Left Books. 207 pages. £2.50 cloth, 85p paperbound.

MARXISM IN OUR TIME
By Isaac Deutscher.
Cape. 312 pages. £2.95.

One of the great sorrows of Karl Marx's misery-ridden life was the fact that he had no male heir. His wife Jenny had two sons, but both died very young. He could not recognise the illegitimate son, Freddy, that he had by Helene Demuth, who kept house for the Marxes for many years. Any publicity arising out of this episode would have seriously hurt the reputation of the already revered revolutionary sage and leader in mid-Victorian Europe. It would probably also have wrecked his marriage to the devoted but fanatically jealous Jenny.

After Marx's death, socialist leaders tried to suppress all evidence about Marx's illegitimate son, but a letter containing the facts and a confirmation by Engels eluded them. The letter, by a German lady socialist, is quoted in Herr Blumenberg's illustrated biography, a work of painstaking scholarship but nevertheless consciously aimed at a wide readership. Herr Blumenberg, a veteran German Social Democrat who was until his death in 1964 associated with the International Institute for Social Research in Amsterdam, was not himself a marxist. His detachment is in agreeable contrast to the hagiographical approach to the founder of "scientific socialism" practised not only by communist governments but by many western socialists as well. This warts-and-all approach to Marx seems to annoy the author of the preface to this translation, who would clearly have preferred a more "ideological" portrait, affirming Marx's validity and relevance to our own age and its problems.

That Marx's thought is as valid as ever is the contention of a series of Isaac Deutscher's posthumous essays, edited by his wife from notes, tape-recordings and other material. With his customary eloquence and vigour, the late author meets some of the central contradictions of marxist theory and practice head on. In the process he makes some remarkable jumps: he claims, for example, that America's involvement in Vietnam was responsible for the return to reactionary and oppressive policies in Russia after 1964. But it is all good fun, and his long interview on Stalin's suppression of the Polish Communist party still makes good reading. That interview shook the communist establishment in Poland after it was published in France in 1958. On the model of Mr Khrushchev's famous oration on a similar subject two years before, it became known as "Deutscher's secret speech."

WHO'S WHO 1972

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ADAM & CHARLES BLACK

Nowhere man

NO NAME IN THE STREET
By James Baldwin.
Michael Joseph. 168 pages. £2.

The writing of this book was obviously a painful process. It took Mr James Baldwin from 1969 to 1971 to put these thoughts on paper. The period covers the assassination of Martin Luther King, the rise and fall of the Black Panthers, the chaotic courthouse scenes and the bloody prison riots. The book makes difficult reading. The narrative is interrupted constantly by rambling reflections. But two themes recur throughout the book ; the assassination and Baldwin's own frail attempts to get Tony Maynard, a black friend of his, out of prison. Mr Maynard is accused of murdering a marine in a street brawl in New York in 1967. Even Baldwin, for all his influence, is unable to find his way through the labyrinth of the American criminal system.

Baldwin writes as an exile. He is an outsider in the black world of Harlem where he grew up ; he is an outsider in the white world in Europe and in the African world of his voluntary exile, among the poverty-stricken Algerians in Paris. Even on his return to the United States he never quite seems to fit in with the civil rights movement, although he takes an active part in it. It was Mr Eldridge Cleaver who pointed out in a not very flattering but perceptive essay in his book "Soul on Ice" that Baldwin, one of the most revered and respected black writers of his time, was caught in a vacuum between the worlds of blacks and whites. As Baldwin himself writes, he became "the Great Black Hope of the Great White Father."

All the black names of America are here, like a list for some socio-political summit : Martin (Luther King), Malcolm (X), Huey (Newton), Bobby (Seale), Sammy (Davis Junior). And Baldwin is there with them, making speeches, raising money, marching, demonstrating. But he rarely manages to make these people come alive. They flit in and out of hotels, in and out of aeroplanes, on and off platforms. But where is the dedication, the commitment, or even the passion ?

There is, at least, poignancy. An old friend of Baldwin's from Harlem days telephones to ask if he can have the suit which Baldwin wore to Martin Luther King's funeral. It is almost new, but because of its associations Baldwin announced in a press interview that he could not wear it again. He writes of his friend :

> He couldn't afford to throw suits away—he couldn't, in short, afford my elegant despair. Martin was dead, but he was living, he needed a suit and—I was just his size.

Salted down

EUROPE AT RISK
By Alan Watson.
Harrap. 224 pages. £2.50.

Mr Alan Watson has written a classical book on Europe. His enthusiasms and hopes may have a slightly dated feel to them : he pretends to little of the sophistication and depth of knowledge of Mr Ian Davidson's "The Making of Europe" (*The Economist*, November 27, 1971), but this is nonetheless a readable and roughly accurate account of how Europe reached wherever it now is.

As a broadcaster, Mr Watson has a much larger audience, used to the very high standard of his questioning in economic and current affairs programmes, than will read his book. He has also been an academic. These qualities combine well with his founding faith in a liberal and federal Europe to compel the reader onwards. The more fastidious may weary of a style which abounds in superlatives. The somewhat baroque manner of Mr Watson's prose is least convincing at the moments when he is trying to conjure up in the reader's mind a Europe which was in truth never likely to exist.

The same build-up for what the author wished had happened, rather than what has, lands him in a rather muddled account of regionalism and the sovereignty of member states, and in a spectacular misapprehension of the balance between Germany's Ostpolitik and its continuing need under any government for an anchor in the west. It is a sign of Mr Watson's qualities that these defects only mar his book : he has a verve which those interesting themselves in Europe afresh, or even for the first time, will find attractive —if occasionally in need of a counteractive pinch of salt.

Common knowledge

For five years the Irish University Press has been discovering, sorting, editing and reprinting the British parliamentary papers of the nineteenth century. It has been a mammoth undertaking, whose completion has just been announced and should be welcomed. The House of Commons' library has a complete set of parliamentary papers, but only as far back as the fire of 1834 ; before that date even its files are incomplete, and IUP has had to hunt elsewhere for some of the earlier papers. It now reckons proudly that the verbiage of all the nineteenth-century reports of select committees, royal commissions and the like runs to some 4.5m pages, which have been thinned down to a mere 1,000 volumes with an average of 680 pages in each.

IUP appears to be so dazzled by its own remarkable achievement that it has been loosing off quiverfuls of statistics. The pages of a complete set would stretch for 134 miles end to end, or cover 11 acres. If one read the series continuously for 10 hours a day, it would take six years to get through. And piled on their sides, these fat green morocco-bound books would be 11 times the height of a double-decker bus. That, one would suppose, was enough to put off all but the most enthusiastic librarian ; but a sensible decision was made to publish them in subject sets, rather than in strict chronological order. Thus there are five volumes on elections (£190), four on animal health (£164.95), even three on the aborigines (£63.75), four on drunkenness, a huge bunch of 30 on the poor law (£1,012.50) and as many as 95 on the slave trade (£2,870.40). Even the embryonic income tax gets two (£65) and so indeed does decimal coinage (£52) ; monetary policy runs to 12 (£330.40) and industrial relations to a total of 44 (£1,600). The index alone runs to eight volumes (£210.40) ; and a complete set would cost some £27,000.

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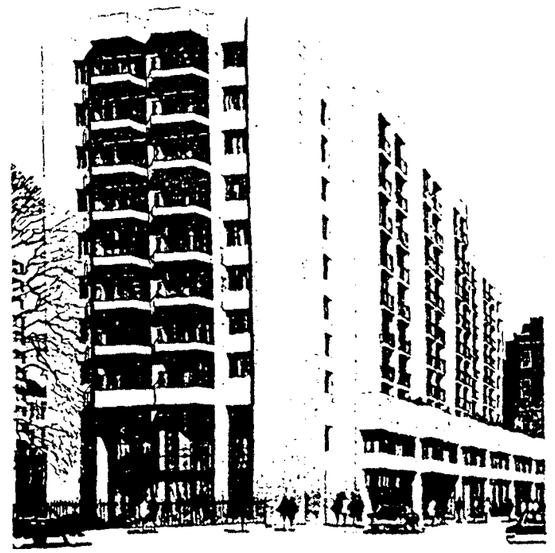
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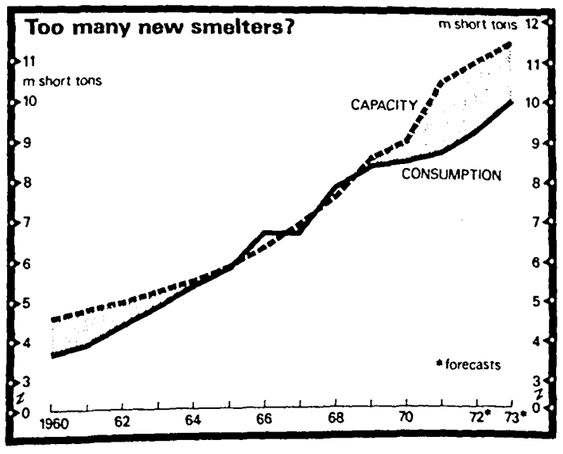
Aluminium: ending the glut

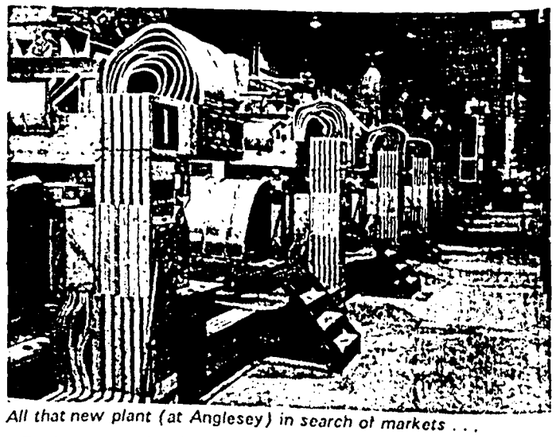
The world's aluminium bosses will be meeting in London next week, ostensibly to talk about statistics and technical matters (like the new OECD working party on aluminium), but really to see what they can do about the massive glut that has dogged the industry in the past few years and already caused production cutbacks and delays in commissioning new smelters.

The meeting may start in moderate optimism because demand has been picking up in the past few weeks. The Detroit motor industry started buying earlier than usual this year, and all demand seems to be running at a higher level. One or two major companies have run temporarily out of aluminium stocks. This has bolstered the industry's confidence, and some of its leaders are privately hoping for a hardening of prices by the end of the year. But that does not mean that selling at list prices will once again become the norm: virtually all high-volume aluminium products have been sold at some discount for the past two years. List prices merely put a ceiling on prices when the metal is scarce; at the moment they have little practical meaning.

The unprecedented surplus of capacity in the past two years has happened at the primary end of the business, where the aluminium is smelted from bauxite ore, and there are two main reasons for it: a worldwide fall in demand as America's recession spread to Europe, and a rash of new smelters, many in countries new to the industry. Virtually all of these new smelters have government subsidies of one form or another. The three new British smelters, given the go-ahead under the last Labour government to help Mr Wilson's balance-of-payments problems, are no exception. It does not help either that several of the new smelters in the business are owned or operated by companies outside the aluminium establishment.

The new smelters were planned in the second half of the 1960s when demand throughout the western world was running ahead of capacity and periodic famines of aluminium had to be made up by imports from communist countries. Further increases in consumption appeared to be inevitable. In OECD countries, the industry worked to a rule of thumb that said aluminium consumption went up twice as fast as national income. The 1960s confirmed this when the annual growth of gnp in OECD countries averaged 4%, and the demand for aluminium went up by 8% a year.




All that new plant (at Anglesey) in search of markets . . .

During 1970, the first of the new and expanded smelters started production, and (western) world output went up by 700,000 tons to 8.9m tons (totals in short tons throughout). But this was also the year when the bottom dropped out of the market. American consumption, which makes up over half the western total, fell by no less than 9%, which left the total only 1% up on the year before, at around 8.45m tons. This meant a surplus of nearly 500,000 tons. Demand in America picked up only moderately last year (4% up), and by then the downturn had reached Europe too. Apart from west Germany, all the EEC countries used less aluminium last year; in Britain the drop was 7%. Total consumption for last year is estimated at just under 8.7m tons.

But 16 new smelters had come on stream and a number of existing ones expanded considerably, jacking production up to 9.6m tons. Capacity went up much more, by a total of 16% in 1971, but the industry was running at only 80%-90% of capacity. It could be argued that even this reduction was too little and too late, but prolonged overcapacity was a novel problem. Earlier surpluses had usually led to price wars, with metal often changing hands at below cost price. East European primary producers, and Norwegian and Belgian makers of semi-fabricated products like sheet, led the way in price-cutting, but Germany has also been guilty of it, and continental producers say that ingots from British smelters could be bought at times for £200 a ton, or £10-£20 below production cost.

The industry is always reluctant to shut down smelters when demand is slack because it costs so much to start them up again. The residue of flux and unrefined ore left in the aluminium "pots" has to be dug out when they have cooled down, and the lining of carbon blocks replaced before they are started up again. The RTZ consortium's Anglesey smelter and British Aluminium's one at Invergordon, the first two of Britain's new smelters, went through this process after the miners' strike had shut them down. The third one, Alcan's at Lynemouth, Northumberland, was not far enough advanced to be affected, but is now starting to run in its first batch of pots on power from the national grid. Its own coal-fired power station will not be ready for some months.

Growing, growing

For all the new air of optimism, the glut could last well into 1973 even if consumption goes up at the hoped-for rate of 5% this year. New capacity to be added this year will take the total up to 11m tons, with a further 500,000 tons to come next year. Against this, consumption forecasts for this year are now between 9.1m and 9.3m tons. This means that stocks are in for another big rise.

By the end of this year the industry may find itself faced with the need to cut the average utilisation of smelters back to 75%. Even on the most optimistic assumptions, it is unlikely that demand will catch up before 1974. But the pressures to avoid a price war will be strong. The industry has recently been reporting a marked fall in profits; Reynolds has even shown some losses.

In the longer term, the outlook for aluminium is still rated good. Before the present hiccup in demand, the industry had expected to reach a primary capacity of 14.5m tons by 1975, and 20m tons by the end of the decade. To push up tonnages in the medium term, the industry is pinning its hopes on a number of new applications.

Aluminium's main selling points are its relatively high strength-to-weight ratio, useful for aircraft and lorries; its resistance to corrosion in certain alloys, which is important in packaging, building and boats; and its electrical conductivity which makes it a useful substitute for the much more expensive copper. Its conductivity is lower than copper's so a greater volume has to be used, but this is more than made up for by its lower price and weight. New applications are likely to concentrate on exploiting these properties.

Motor market

Top of the list is a much wider use in cars, where cost has up to now worked against aluminium. It could be helped by (a) the tightening-up of safety regulations which will make cars heavier because of extra built-in protection, and (b) the probable increase in engine size to compensate for the reduced efficiency of lead-free petrol—assuming the anti-lead campaign succeeds. The motor industry is looking hard at aluminium radiators, which have been tested for several years, and even aluminium body panels for mass production cars, in which Ford in America has shown some interest. Aluminium bodies have been restricted up to now to relatively high-priced cars. But there will be tough competition with the newer types of plastics for car bodies, because the chemical industry, too, is trying to find work for excess capacity.

Aluminium is both lighter than conventional cast iron for car engines and conducts heat better, which means that engines can be run at higher temperatures (and thus more efficiently) without overheating. Because of these advantages, aluminium has already been used for big and high performance engines, but these have tended to cost more than the conventional kind.

Reynolds Aluminium in America and British Aluminium, its associate, have been working on an "all aluminium" engine for many years. A special alloy containing a high proportion of silicon is used. The snag has been very rapid wear of the aluminium piston rubbing against the aluminium bore. Reynolds has now got round this by plating the piston with a minute thickness of iron.

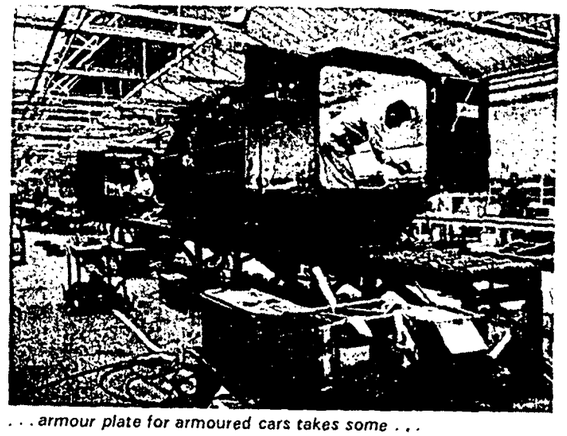
General Motors is using aluminium engines in its Vega compact cars, and finds that the investment needed and the labour costs are lower than for a conventional engine. The main limitation is the cost of casting aluminium cylinder heads in quantity. The Vega uses a cast iron cylinder head which weighs more than the aluminium cylinder block. But there are signs that the technical problems of casting aluminium heads economically can be overcome.

Ford of Britain, too, is looking at aluminium engines, even though its iron founding technique is probably the most efficient of all the motor manufacturers. Its new racing engine for the Escort will be made of aluminium, with the pistons running in aluminium bores. In its laboratories Ford has an engine that eliminates the cylinder head altogether.

The common problem of aluminium cylinder heads for mass production is the need for inserts for valve guides and seats. It now looks as though research will eliminate the need for valve guides, but the prospect of lead-free petrol is likely to make valve seats even more necessary.



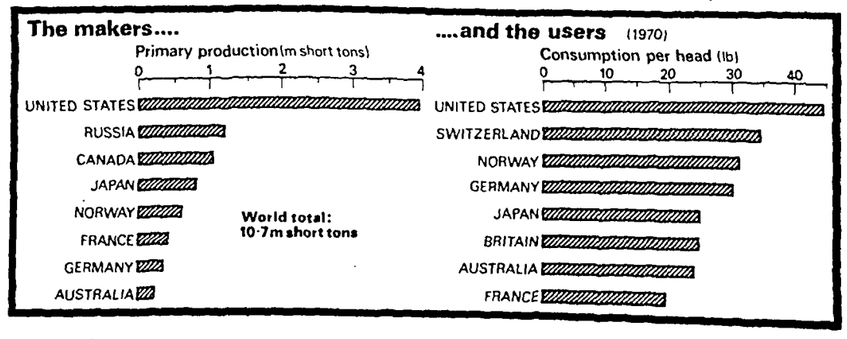
. . . but cans should take more


. . . armour plate for armoured cars takes some . . .

In other areas of transport, the aluminium industry is looking for ways of using up excess capacity for aircraft plate left over from the days of all-aluminium aircraft and big aircraft industries. The advanced passenger train will be using alloys developed from aircraft materials, and there should be an order soon for the plate to build the tanks of a big new liquid natural gas carrier. For the immediate future, the best bet in Britain looks the £3½m order for aluminium armour plate for the Alvis Scorpion light armoured car. Military vehicles will increasingly need to be air-lifted, which puts a premium on lightness. The Scorpion deal, and others that may follow, will provide a great deal of work for Alcan Booth's plate mills and for British Aluminium.

At the consumer end, aluminium foil has taken off after a £½m marketing operation by British Aluminium. Now Alcoa is hoping for a trial order for all-aluminium cans, with easy-open ends and an aluminium body. The cans' two big plus points are easy high-quality printing for expensive groceries and the like, and their reclamation value. The aluminium industry is hoping to win the nature lobby's support by pointing out that in America scrap aluminium fetches $200 a ton, against only $15 a ton for scrap glass.

There could be a major advance in the use of aluminium in the electrical industry over the next few years. A number of British electricity boards have approved a new aluminium cable, developed by Alpex, which can carry loads of up to 1 kv. This market is reckoned to be worth £10m. Other big potential applications are the telephone network and house wiring. There are still problems of detail, like corrosion and safety, but, assuming these can be overcome, the market is likely to take up 20,000 tons a year. But Britain will continue to lag behind in using aluminium in housebuilding. The British are more concerned with initial cost than with ease of maintenance, and prefer traditional materials like bricks and wood to anything that smacks of prefabrication.



'Successful employment of greater resources'

. . . LORD POLWARTH

The 276th Annual General Meeting of the Proprietors of the Bank of Scotland will be held on May 2nd within the Head Office, Edinburgh. The following is an extract from the statement by the immediate past Governor of the Bank, The Rt. Hon. Lord Polwarth, T.D., D.L., LL.D., D.LITT., D.UNIV., C.A.:—

Our Bank has now completed the first year in its enlarged form, following the merger of the Bank of Scotland and The British Linen Bank. In banking it was a year of fundamental change. The economic scene was dominated by continued inflation, with rising unemployment and sluggish business conditions. It is against this background that the Bank's results were achieved.

The Year's Results

The Group Profit before taxation amounted to £9,734,000, compared with £8,770,000 for the previous year, an increase of 11%. But for a special charge for retirement benefits, our pre-tax profit would have shown an increase of 14%. After taxation the profit has increased from £4,919,000 to £6,983,000.

This result has been achieved in the face of lower interest rates and increased costs, and is primarily due to the successful employment of the greater resources available to the parent bank and its subsidiaries.

North West Securities have expanded their operations particularly in the field of leasing. The Finance Company have been active in seizing opportunities outside the traditional banking sphere. Between them they have made a substantial contribution to the improved group profit.

Balance Sheet

Group deposits at £529 million are higher by £88 million—an increase of some 20%, while traditional banking deposits were on average 8% greater during the year.

Advances at £312 million and Hire Purchase lending of £32 million together show an increase of some £47 million or over 15%. Our lending under the fixed rate export and shipbuilding finance schemes increased by an average of £11 million, and amounted at the end of our year to some £40 million, with firm commitments of a further £50 million.

The investment portfolio increased by some £23 million, reflecting the disposition of part of our increased resources which have not as yet been taken up by lending.

Dividend

We feel that the results justify an increase in the dividend and we therefore recommend a final dividend of 11%, making 20% for the year, compared with 19% for the previous year.

Having referred to the introduction in September of the new arrangements for credit control, Lord Polwarth continued:

The Outlook

There are two simple parts to any financial assessment —revenue and costs.

In conditions of low interest rates, slack demand and recently of greater competition, we have shown that we can increase our income. If following the latest budgetary measures economic growth is restored and sustained, and if a return of confidence encourages industry to borrow more, then, other things being equal, there is no reason why we should not maintain or even improve on our past performance.

It is in the field of costs that our concern lies. Banking must inevitably be a labour intensive industry, and in our case salaries and charges for pensions account for 60% of our expenses. We are bound by agreements on salaries and other conditions negotiated by the Scottish Banks jointly with the organisations representing their employees. Where we can exercise control is in numbers of staff and here we can report a measure of success. In spite of substantial all-round expansion of the Bank's business during the year, staff numbers have remained virtually unchanged.

The range of services which we offer is impressive and is being widened as opportunities arise. The readiness of our Staff to respond to fresh challenges and adopt new methods means that we can face the problems and uncertainties of the future with confidence.

(Lord Polwarth's statement was prepared before his appointment as Minister of State, Scottish Office, and his consequent resignation as Governor of the Bank.)

BANK OF SCOTLAND

BUSINESS

Who's Waterloo?

Grudgingly, the railway unions accepted on Thursday night that the National Industrial Relations Court was not a papier-mâché Tory stage prop but a court of law with real powers. They agreed to the first cooling-off period ever ordered in Britain

Whether railwaymen would obey a back-to-normal order or not is something that remains to be seen ; some of the Southern Region's militant depots were voting on Thursday morning to come out on strike. But, at the end of the day, the moderates may chiefly have been regretting that they chose to boycott Sir John Donaldson's court on the day that it was making legal history. It will never be known now how the decision might have gone if the unions had turned up to argue that a work-to-rule is not a strike, and was therefore outside the court's jurisdiction because a man cannot be ordered to work overtime when it is not written into his actual working contract. Many unions had believed that they could make a detour around the man-trap in the act by going for most forms of industrial disruption short of an actual strike. The court served notice on them, on Wednesday, that they cannot, and a raft of British employers let out a sigh of relief.

Before the court's decision, many people believed that the verdict might go the other way. The Government itself was very unhappy about taking on the unions in a case it was not 100 per cent sure it could win, and it was nothing like as confident of this one as the public statements coming out of Whitehall made it appear. The Industrial Relations Act has plenty to say about strikes, but does not specifically deal with working to rule. No one could say for certain, until Sir John handed down his judgment on Wednesday evening, if working to rule came within the scope of the law at all. A major test of this kind was the last thing that the Government wanted. It could not afford a defeat in such a major clash with a big union, full in the public eye, and the new Secretary for Employment, Mr Maurice Macmillan, would have been relieved if the Trades Union Congress and Mr Vic Feather had pulled the right rabbit out of the hat for him. But in both the cabinet and the railway unions there were sterner counsels, and so the law took its course.



Geoffrey's quicker off the mark than Vic

The industrial relations court was again in action on Thursday, hearing the case of the Heaton and Craddock haulage companies whose container lorries have been persistently blacked by members of Mr Jack Jones's Transport and General Workers' Union in the Mersey docks. Once again, the unions may regret that they decided to boycott the court, because it had already fined the TGWU £5,000 for ignoring the injunction to lift the blacking, and on Thursday increased the damage by £50,000. The threat hangs over Mr Jones that all his union's assets may be sequestrated if he refuses to pay ; the fine can, of course, be paid for him, and may be by the TUC. But he could so easily have given the court the answer that local union officials have tried and failed to get the dockers to lift their ban, so that he could plead that the TGWU was in the clear and there could be no question of fines, sequestration or anything else.

Only one of the handful of employers in Manchester who are suffering from the gadfly attacks of Mr Hugh Scanlon's Amalgamated Engineering Union, with its sit-ins and small strikes, has yet gone to the court for protection ; the firm actually closed down shortly after. But the relative lack of success that the union is having, either in increasing the Manchester employers' wage offer, or in disrupting output at all significantly in the area, is beginning to sink home, among employers as well as unions. Mr Feather said this was a week that everyone

would live to regret. Some Manchester people are not so sure.

But when the general sense of surprised relief—and chagrin among the unions—has died down, there remains the fact that the railway union's pay claims are still on the table. It is not within the court's powers to order the unions to accept British Rail's offer ; all that it has done in practice is to see that for 14 days the negotiations are not carried out under the duress of a gradual grinding down of the country's entire railway system. The law provides for such a cooling-off period of up to 60 days ; the Government actually asked for only 21 and got 14, but it can go back for an extension if things still look sticky at the end of the fortnight. Will the cooling-off period work in getting a settlement ?

If the American experience is anything to go by, there is an even chance that the dispute will be settled before the cooling-off period comes to an end and less than a one in seven chance that industrial action will start up again even if it isn't. Britain is not America, but it is quite wrong of Labour spokesmen to say (as Mr Eric Heffer did on BBC radio on Wednesday night) that the system in America had been a total failure. What is more in doubt is the effectiveness of a compulsory ballot of union members, and Mr Macmillan significantly cooled towards that one as his advisers looked more closely at it.

In the railwaymen's claim, the gap between them and British Rail is now so narrow that it can be said that it would take very little in goodwill to close it. However, the trouble that has run through this particular dispute has been that the concessions have all come from British Rail, without one conciliatory gesture yet from the unions. Mr Dick Marsh has increased his original offer of 8 per cent by small stages to more than 11 per cent, and he agreed without demur to accept the 12½ per cent suggested by the arbitrator, Mr Alex Jarratt, on Sunday night. With bonus payments, this means a great deal more for some than it looks ; some train drivers now stand to get well over the 16 per cent that they demanded when they first went into the negotiations.

The unions rejected Mr Jarratt's offer out of hand, but they still assume that it is still available, to be used as the floor from which to start negotiations for whatever more they can wring out of Mr Marsh. They should not go some way towards placating them.

Mr Scanlon's object had been to pick the employers off one by one. Past experience gave him every reason to believe that this would not be difficult to do, and would lead in the end to much higher wages than anything that he could negotiate centrally with the federation. But in Manchester, at least, the employers have displayed a wholly uncharacteristic solidarity, and Mr Scanlon sounded worried when he gave a rallying call at his union's conference in Eastbourne on Monday and criticised some of his members for their lack of militancy. But it is difficult to be militant when no one is very interested, and the rail dispute has been hogging the headlines.

There are now 25,000 men involved in sit-ins and strikes in the Manchester area, but the employers hope either that they will be able to coax local shop stewards to accept moderate wage deals or Mr Scanlon will abandon his policy of selective assault and return to the national negotiating table. The second seems the more likely. However, things were not at all happy for British Leyland. Hardly a day passes without some British Leyland workers on strike, but this week 10,500 men struck out of a labour force of 169,000 and 1,000 cars were lost each day.

Other people's troubles

The engineers' pay claim is not going quite according to the Amalgamated Engineering Union's plan. For three weeks strikes and sit-ins have been erupting all over the Manchester area : the table lists those it has been possible to trace to date, but it may not necessarily be complete because some of the companies are very small. On Wednesday, the Engineering Employers' Federation decided the time had come to help some of them and a £1m fund was set up. Some employers had begun to grumble loudly about the federation's policy of forbidding its members to strike individual bargains with Mr Hugh Scanlon's men. The fund should

Manchester's sit-ins, in chronological order

Company	Business	Numbers	What's happening
March			
E. Peart	Engineering	110	Sit-in after pay row while working to rule
British Steel			
(Openshaw)	Steels	360	Sit-ins after threatened suspension of men going slow. Men suspended
(William Robertson)	"	25	
(Rylands, Whitecross)	"	260	
(Redpath, Pearson)	"	500	
Serck Heat Transfer	Car radiators	100	*On strike*
Lawrence Scott & Electromoters		500	Sit-in
Davies & Metcalfe	General eng	150	"
Sharston Eng	Light eng	22	Sit-In halted by court order. Men return. Factory subsequently closed
Ferranti (Hollinwood and Moston)	Electrical inst	3,000	*Once-a-week strikes*
Royles	Light eng	50	Strike
GEC/AEI (Openshaw)	Switch gear	800	Sit-in following ultimatum to close unless normal working resumed
(Trafford Park)	Power eng	3,500	Workers suspended without pay after " union sanctions "
GEC/AEI Diesels	Diesels	1,200	Sit-in after suspension of men for going slow
Mirrlees (Hawker Siddeley)	Diesels	950	Sit-in
April			
Simon-Vicars	General eng	280	Sit-in
James Mills (GKN)	Re-rolling mill	900	"
Joseph Robinson	General eng	50	"
Flexibox	Mechanical eng	80	"
Archibald Edmeston	Plastics plant	100	"
Barlow and Chidlaw	Gears factory	106	Men laid off after sit-in
Metal Box	Machinery	300	Sit-in
Linotype Machines	Printing mach	500	"
Viking Engineering	General eng	100	"
Flexibox	Cartons	20	Men laid off after strike
Frederick Smith (GEC/AEI)	Drawn sections	800	Sit-in and suspension
Hawker Siddeley	Aircraft	1,200	Sit-in
Francis Shaw	Plastics plant	450	"
Record Electrical	Electrical inst	270	"
Kearnes-Richards	Mechanical eng	280	"
T. C. Thompson	General eng	100	"
William Neill	General eng	320	Men laid off
Glynwed Steel Pressings	Steel	300	" "
Hawker Siddeley	Aircraft	2,000	*Once-a-week strikes*
Matthew Swain	Ironfounder	130	Sit-in
Capper-Neill	Instrument plnt	85	"
AEI Scientific Apparatus	Instruments	185	Men laid off
Appleton & Howard	Pumps	25	" "

Standard Life again improve Bonus Record

REVERSIONARY BONUS
for the year ending 15th November 1971 £3.50% on basic sum assured plus £5.00% on attaching bonuses

INTERMEDIATE BONUS
at same rates as Reversionary Bonus

CLAIMS BONUS
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These results confirm our position at the top of the "performance" table and once more our policyholders will receive substantial increases in their benefits.

This is what really matters. It is not our style to make over-generous forecasts of what bonuses new policies might earn. Our concern is to provide the best possible results at the end of the day, and we do so at a consistently high level to give a performance record which is not beaten by any other company. Consider these results:—

Year in which policy for £1,000 was effected	Original Term	Amount paid in 1972
1932	40 years	£3,782
1942	30 years	£3,046
1952	20 years	£2,221
1962	10 years	£1,433

This kind of performance makes it easy for you to recommend Standard Life to your clients.

Standard Life
ASSURANCE COMPANY
Established 1825. Assets exceed £900,000,000.
Head Office: 3 George Street, Edinburgh.
Branches throughout the United Kingdom and the Republic of Ireland.

Reckitt & Colman

Sales up 11.1% Earnings up 17.0%

Extracts from the Statement by the Chairman, A. M. Mason.

Sales in 1971 at £192,920,000 were 11.1 per cent up on the previous year. Trading profit of £21,544,000 showed a 16.8 per cent rise, while profit before tax at £19,800,000 improved by 17.5 per cent over 1970. Earnings per share were 16.0p, an increase of 2.3p. Our overseas business accounted for 72 per cent of sales. The Board recommends a final dividend of 11 per cent, making a total of 19 per cent, compared with 17 per cent in 1970.

I am particularly encouraged by the fact that, while sales have increased at a rate somewhat better than last year, both profit before tax and also earnings have advanced at a considerably greater rate.

United Kingdom and Republic of Ireland

At £53,180,000 sales showed an increase over 1970 of 6.4 per cent. Much was done during 1971 in terms of rationalisation of fixed assets. Surplus land and certain of our depots and residential properties were sold, with the result that substantial cash was released. Sales of food, wine and soft drinks at £20,520,000 were 9.9 per cent above 1970 and profitability was greatly improved. 1971 was, unfortunately, not a buoyant year for household products in the UK, with sales at £12,470,000 being 2.5 per cent below the previous year. Sales of UK toiletries in 1971 of £8,710,000 showed a 4.1 per cent increase. Sales of pharmaceuticals, both ethical and non-ethical, at £6,560,000 showed a 10.6 per cent increase. Sales of industrial and other products in 1971 at £4,920,000 were 16.0 per cent ahead of the previous year.

Overseas

Sales in Continental Europe increased to £22,940,000, a rise on the previous year of 11.2 per cent, with household products still accounting for the greater part of the total. Trading profit in Europe showed a 15.7 per cent increase over 1970. Early in 1972 we acquired the Olivin business, whose toiletry sales in Europe amount to £10 million. We welcome the United Kingdom's impending entry into the European Community and believe that the opportunities offered by it will greatly enhance the Group's future in this sphere of its operations.

1971 was a greatly improved year for our North American business following the setback which it suffered during the previous year. Sales reached a record total of £50,760,000, an increase of 13.4 per cent, while trading profit showed a rise of 34.1 per cent. A major step has been taken in the decision to build a new production and distribution plant at Springfield, Missouri, at a cost of some £5 million.

In Latin America sales in 1971 of £14,970,000 were only marginally above those for the previous year.

Sales in Asia improved by 3.1 per cent to £6,930,000 but there was a decrease in trading profit.

Sales in Africa as a whole improved by 14.2 per cent to £18,170,000 with trading profit showing a satisfactory increase.

Sales in Australasia advanced from £20,710,000 to £25,970,000, an increase of 25.4 per cent. Trading profit was 43.4 per cent in advance of the previous year. Reckitt & Colman Australia Limited, in which Reckitt & Colman Limited, as the parent company, owns 70 per cent of the equity, achieved record sales and profit and thus greatly increased its strength and representation in its product fields.

Prospects

Our recently introduced Group Management Structure was designed to provide a sound base for taking full advantage of the opportunities which I am sure the seventies will offer. The results for 1971, coupled with our long term plans, enable me to feel that we have gone some appreciable way towards fulfilling our objectives. World-wide development of our major product groups has been gathering momentum and the results will manifest themselves with increasing profitability in the years ahead. We have made a good start to the decade. The aim of the Board is to ensure that shareholders, the majority of whom are long-term investors, have a strong and progressive investment. Of this and of the future I am confident.

The annual general meeting will be held at the Connaught Rooms, 15 Great Queen Street, London WC2 on Friday, 12th May, 1972, at 11.00 a.m. Copies of the annual report and accounts can be obtained from the Registrar, Reckitt & Colman Limited, PO Box No 22, Hull HU5 1SD.

SALIENT FEATURES	1971 £ million	1970 £ million
Sales	192.9	173.6
Trading profit	21.5	18.4
Profit before tax	19.8	16.8
Profit after tax	10.3	8.9
Earnings attributable to ordinary shareholders	9.4	8.1
Ordinary dividends	5.6	5.0
Earnings per share	16.0p	13.7p
Ordinary dividends—pence per share	9.5p	8.5p
—rate per cent	19%	17%
Dividend cover	1.7 times	1.6 times
Ordinary shares of 50p each in issue	58,845,877	58,827,527

get anything. British Rail's last offer, before Mr Jarratt intervened, was generous (which was how the Prime Minister described it) then it has to be regarded as over-generous now that Mr Jarratt has added his extra on the top. Even so, if British industrial relations run true to form, the unions will expect a sweetener ; the public, which has up to now been behind the Government, may expect them to be offered it ; and in the end Mr Marsh might even be told to give it—so that Sir Sidney Greene, Mr Ray Buckton and Mr Percy Coldrick could go on maintaining the illusion that they are reasonable men, ready to do a deal on terms of all take and no give.

When he put the Government's case for a cooling-off period to the court, Sir Geoffrey Howe, the Solicitor-General, had to convince Sir John Donaldson that the present go-slow was having a disruptive effect on the economy, and he understandably laid it on with a trowel. He produced affidavits from two senior civil servants to vouch for the economic disruption, backed by Mr Buckton's own televised predictions that a work-to-rule would generate chaos. He stressed the vulnerability of those bulk commodities that go by rail : cement, steel, iron ore, chemicals, fertilisers and, most important of all, 80 per cent of power station coal and one-fifth of industry's fuel oil. And the crowds of commuters waiting for trains, fighting to get into trains, or finding ways of getting to work other than by train, made their own point.

What Sir Geoffrey did not think it necessary to add was that only 9 per cent of the country's passenger traffic and one-fifth of its freight still go by rail, and there is no practical difficulty about transferring most of this to the roads and the air. Coal would be the only serious problem, since some pits are geared to deliver their coal, and some power stations to accept theirs, only by rail. But, as Sir Geoffrey admitted, coal stocks at the power stations are now back to a published figure of six weeks' supply, although some of those who were most afraid of a showdown with the rail unions have doubted the reliability of this estimate because they do not believe that stocks could have built up so quickly after the miners' strike. The really vulnerable fuel this time round is oil ; on Sir Geoffrey's estimate, half industry would feel the effects of the go-slow within a fortnight.

On these arguments Sir Geoffrey got his cooling-off period. The court agreed with him that the railway rule book says that railwaymen "must make every effort to facilitate the working of the trains and minimise any avoidable delay" (rule 176), and it accepted that leaving passengers stranded miles from home fell some way short of this. However, in its first four days, the go-slow stopped equally short of bringing the country to a halt. A lot of people were inconvenienced, a few were distressed, some letters were late and by Thursday some coal supplies were held up. But it was not this that made the Government sufficiently willing for a settlement out of court that it agreed to the expedient of calling in Mr Jarratt and accepted in advance whatever he thought fit to advise. What all industry, from the Government and the Confederation of British Industry downwards, was almost too frightened to speak of, was a repetition of the sort of industrial blacking that took place towards the end of the miners' strike, should goods and passengers be switched on any scale to other forms of transport.

The airlines, therefore, made no attempt to put on extra flights for those passengers that the railwaymen left stranded at Euston station. The bus companies had coaches in their garages, but did not bring them out to run express services for commuters. They fell well below the standard of care for the community that public service industries should show. The congestion on the roads suggested that some goods must have been transferred from the railways, but it is obvious that life could have been made much easier for many people had the labour relations establishment been a little less afraid of its friends in the unions and a little more ready to test the goodwill and enterprise of the average lorry driver. It would have happened if there had been rather more faith in the strength of the Industrial Relations Act and of the law of the land, because this secondary blacking of goods transferred from one form of transport (or one source of supply) to another is now actionable under the act. Perhaps, after the court's decisions this week, there will be a little more faith and a good deal more courage next time.

The Irish go cannily

Instead of going all out for growth, as he probably should have done, Ireland's finance minister has been over-fearful of inflation

Ireland's finance minister, Mr George Colley, produced a budget on Wednesday that will improve social welfare benefits (including increases of between 50p and £1.95 in retirement pensions), take 50,000 people out of the income-tax net altogether by raising allowances, and put up, by a modest amount, agricultural subsidies for pigs, sheep and horticulture. His largesse will cost £26m in a full year, bringing the total expected expenditure to £650m. Not much to write home about, one would have thought, but it will get him into a budget deficit—usually taboo in Irish economics—of some £35m. And it was the first time in many years that taxes were not increased, a gesture Mr Colley described as his contribution to arresting the inflationary spiral.

The budget had a fairly favourable reception, although inevitably the farmers protested that their extra benefits, only £2¼m in a full year, were nowhere near enough, and the opposition parties insisted that the recourse to deficit budgeting only underlined the perilous state of the economy. However, some economists reckon that the

minister may have deliberately underestimated revenue and that the out-turn at the end of the year may be more evenly balanced than forecast.

The big question is whether Mr Colley has been right not to go for a period of really fast expansion, of, say, 4 or 5 per cent a year, as an OECD report on the Irish economy, published on Monday, strongly urged him to do. Ireland's growth in the past couple of years has been a dismal 2 per cent a year, and, in the absence of any strong stimulus, this year will see little better—at best, 3 per cent. Because of this, unemployment in Ireland has been even heavier than usual, going beyond 8 per cent this winter, and slow to come down again. Perhaps as much as one-third of this will be blamed by Irishmen on Britain's own unemployment problem ; normally Irish workers escape redundancy at home by taking jobs in Britain until times get better. But there are structural problems, too. More than a quarter of the workforce is still on the land, and although new jobs are being created in grant-aided manufacturing industries, redundancies are high. Although between 8,000 and 8,500 new jobs should be created this year, between 4,000 and 4,500 old jobs will disappear.

Obviously what has stopped Mr Colley from pulling out all the stops is the fear of accelerating inflation. Over the past three years, Ireland has suffered worse cost and price rises—averaging 8 per cent a year in 1969-71—than almost any other industrial country. Unit labour costs have risen by 11½ per cent, which dwarfs even Britain's 8 per cent plus. The dread is that unless Ireland can curb its inflation, it will become uncompetitive in world markets and its already large trade gap will widen even farther.

Unabated inflation is the one thing that could knock Ireland's growth chances in the EEC. With the referendum coming up on May 10th, this must have been very much in Mr Colley's mind. The Lynch government now seems convinced that the market will offer Ireland new opportunities to restructure its economy and get full employment. The official hope is that growth between 1970 and 1978 will average 5 per cent a year, and, since the start of the 1970s has been disappointing, the rate is clearly expected to accelerate later on. About 14,000 new jobs a year in industry and services are being looked for and, allowing for the drift from the land, a net 6,000 new jobs a year will be very much higher than in the 1960s. There will have to be changes in agricultural policy when Ireland is in the market. Pig, poultry and egg production is not expected to do brilliantly, and horticulture may suffer. But Ireland's agricultural mainstays—livestock and dairy produce—should thrive. All in all, Ireland is looking for a 30-40 per cent expansion in agricultural output by the end of the transition period; with higher EEC prices, the increase in value could be as much as 75 per cent. But all these glowing forecasts hinge on one assumption: that Ireland will be able to maintain its competitive position. The chances for this, at the moment, look less than even.

The Irish have tried hard to get some sort of prices and incomes policy going. A national prices commission, set up last October, has powers to supervise and investigate price changes, including retailing and services, as well as manufacturing, and delay price rises. Inflation has in fact slowed down marginally, from around 10 per cent early last year to nearer 8 per cent now, but how far even this small success is because of the commission's activities is hard to say. The voluntary national pay agreement concluded in 1970 will start to run out from the middle of this year and much depends on what will replace it. The last agreement, granting about 10 per cent in the first year and 4 per cent (plus an index-linking clause) in the second, was clearly inflationary, but preferable to the free-for-all that preceded it. The non-agricultural wage bill, up by 14 per cent last year, may go up by 12 per cent this year. Any new agreement will have to be less inflationary than this. The OECD suggests that if a voluntary agreement along these lines is not possible the government should impose statutory controls.

One bright spot is that labour relations have improved in the past year or two, after years when wage claims almost inevitably led to lengthy and damaging strikes. Under a new agreement, workers can now cross picket lines except in specially agreed situations. This seems to be working : last week's electricity strike, after initially crippling effects, has now been virtually defused because other workers have gone in to do the work of the 600 strikers.

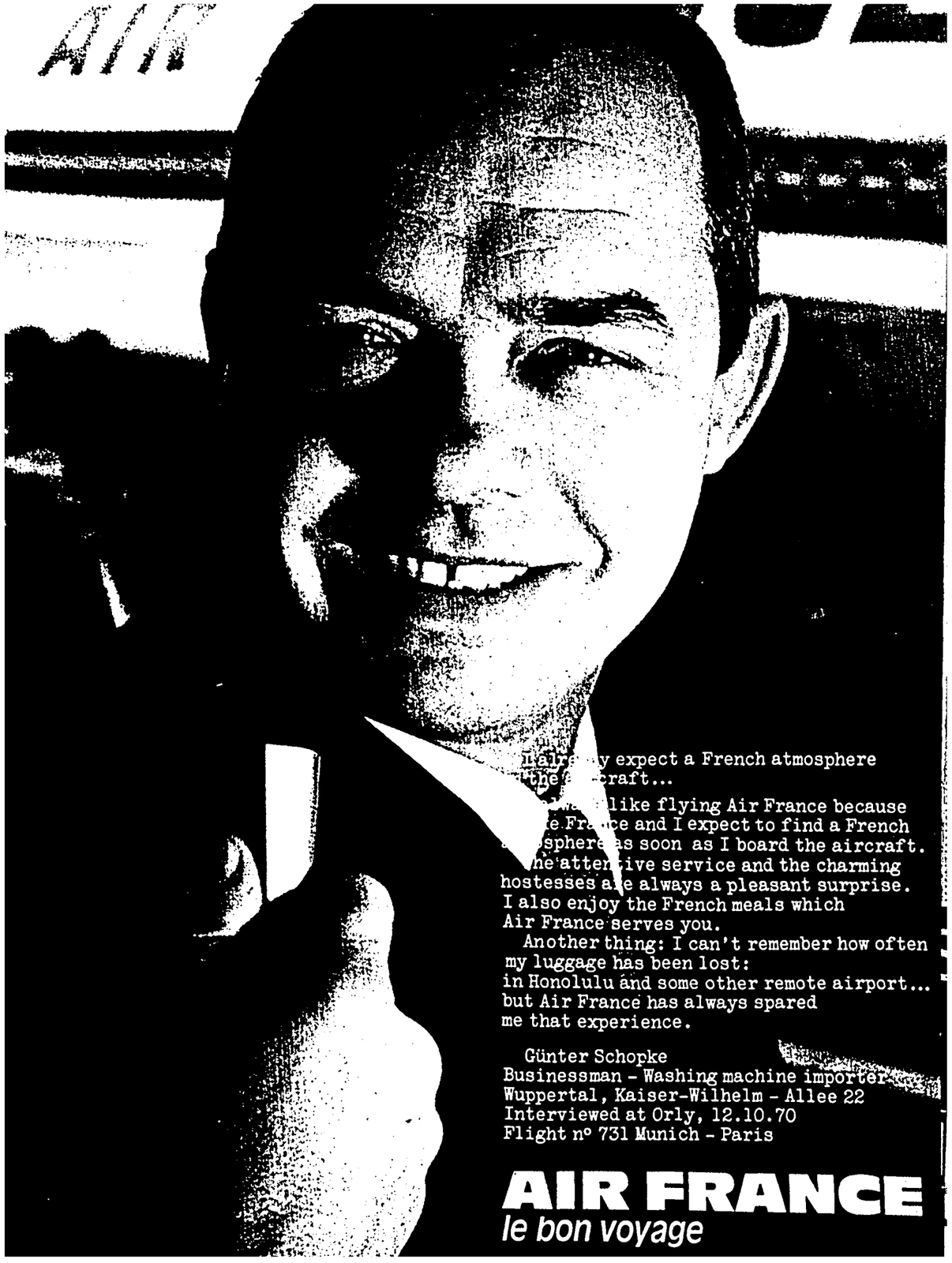
But, when all is said, Ireland needs confidence and this week's budget is really a mouse. The OECD is not noted for a dash-for-freedom policy, but when it urges a country on to expansion that country ignores the advice at its own peril. An opportunity has been missed in Ireland this week.



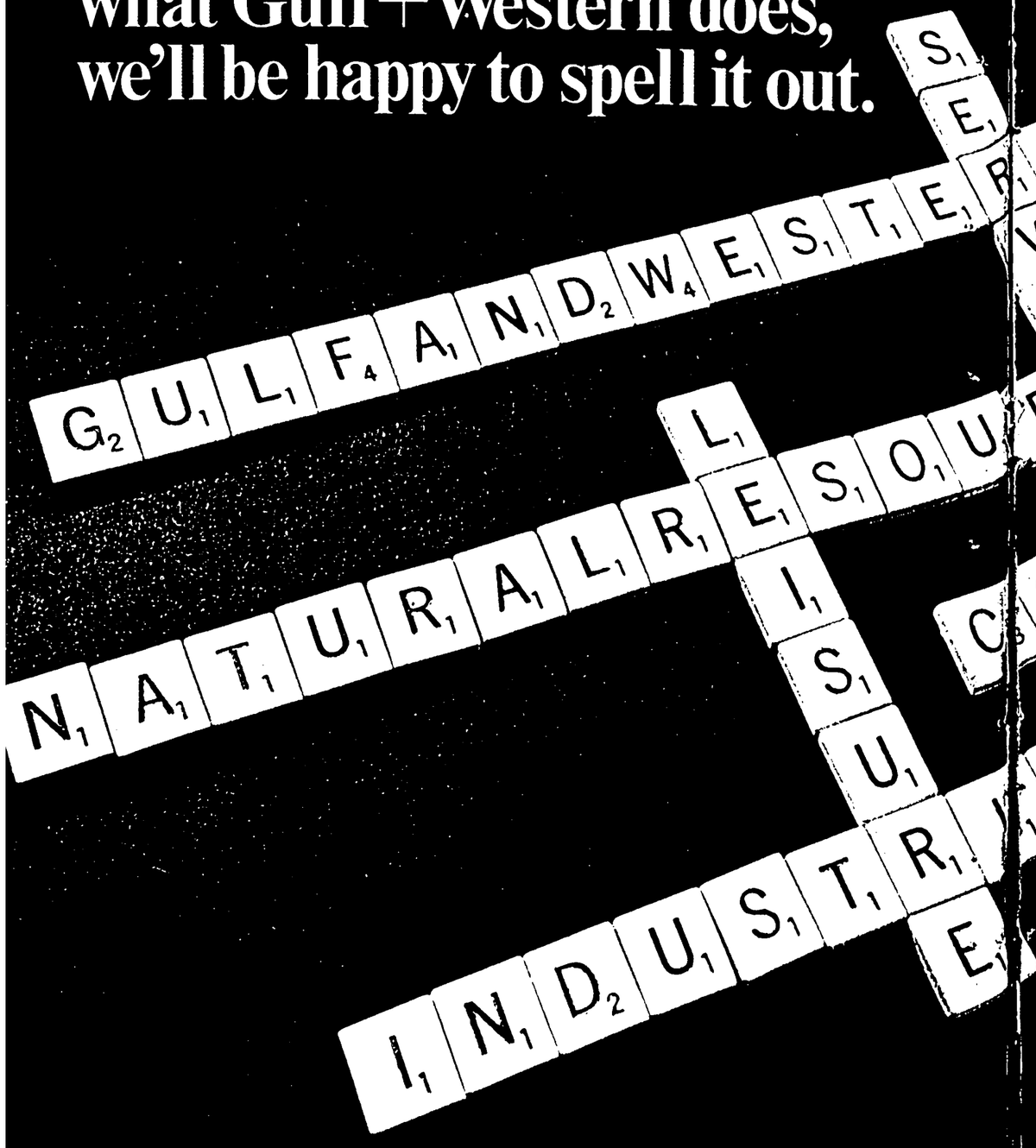
They rang up to say the power was going off last weekend . . .



. . . so I took a few precautions



If you're puzzled about exactly what Gulf+Western does, we'll be happy to spell it out.



When you manage a corporation whose 1,700 plants and offices in 49 countries employ over 70,000 people—it's understandably hard to give a quick overview of your total operations.

But we think this "diagram" may help. It shows the five major fields of Gulf+Western's Stage II activity.

Within those five areas are some well-known corporate names. Under SERVICES, for example, there's Associates Corporation of North America—active in financing and a wide range of insurance programs. Under CONSUMER GOODS, you're probably familiar with our Consolidated Cigar subsidiary and many of its leading brands: Muriel, El Producto, and Dutch Masters cigars. Under LEISURE, our G+W operations include both Paramount Pictures and Famous Music Corporation.

However, our list of familiar names only goes so far. Unless you need forgings, pipe fittings, traffic safety systems, precision metal parts, or carloads of other things from automobile parts to zinc to components for home appliances—you might not know G+W's subsidiaries.

But think of this. Some 50% of our manufacturing operations go toward helping other companies whose products affect your life. The sugar in your coffee and the boxes your cereal is packaged in may have come from subsidiaries in both G+W's CONSUMER and NATURAL RESOURCES areas. The cans you see in your kitchen cupboard could have been shaped by presses from a G+W company in the INDUSTRIAL MARKETS area.

We look at it this way. G+W's Stage I was our period for developing a solid base of assets; now, in Stage II, we're serving the growing needs of five consumer and industrial areas. Today, either through our own products, or by helping other companies make their products, Gulf+Western is making life easier for millions. And more rewarding for its more than 100,000 stockholders.

Learn more about G+W. For 1971 Annual Report, write: Dept. of Investor Relations, Gulf+Western Industries, Inc., 1 Gulf+Western Plaza, N.Y., N. Y. 10023

Gulf+Western
STAGE II

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Skyline London is much more than a hotel. And we have many things which you might consider extras. Yet, we charge no more than any other good hotel.

Let's see what you get for your money.

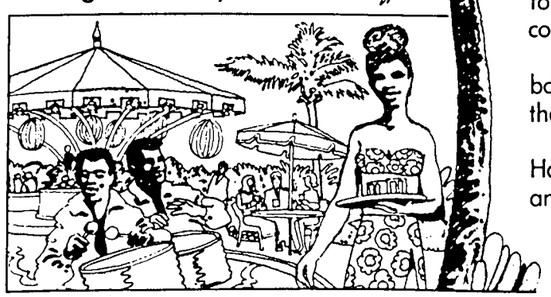
You get the extraordinary

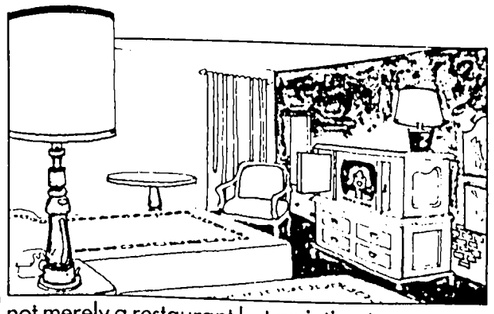


Caribbean Patio–a full-size swimming pool and bar set in a huge indoor tropical garden amid giant palm trees and hundreds of exotic plants.

You get Diamond Lil's–a complete reconstruction of a saloon from the days of the Gold Rush. Every night except Sunday our own Diamond Lil keeps the place swinging with the help of a honky tonk piano and old-time banjos.

You get the Colony Room–





not merely a restaurant but an intimate, Edwardian styled dining room complete with dancing six nights a week and an adjoining cocktail bar.

You get Le Cafe Jardin–a French-type cafe where you can eat 24 hours a day.

And you get one of the best bedrooms in London. Each one is soundproofed and decorated in period style. Each has its own colour TV, bath, shower, extra-long bed and personal room thermostat.

You'll find everything you need at Skyline London. Shops, sauna, a bank–everything. And as we're just 2 minutes from London Airport, we have free regular transport to and from the hotel and in to the very heart of London. Write to us for a brochure or contact your local travel agent.



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Our address is, The Skyline Hotel, Bath Road, Hayes. Our telephone number is 01-759 2535 and our telex: 934254.

It's nice to find out you can get extras in a hotel. But it's even nicer when they're not extras.

SKYLINE LONDON (HEATHROW)

A world of difference

The Canadian Chain. Toronto, Ottawa, Montreal, Brockville, Kingston (Jamaica) and London (Heathrow)
(Park Tower, Knightsbridge, London. opening Spring 1973)

BANCA D'AMERICA E D'ITALIA

Joint-stock Company Head Office : Via Manzoni, 5, Milan

At the Annual General Meeting held on 6 April, 1972 the balance sheet as at 31 December, 1971 was adopted.

The facts and figures of the balance sheet and the report of the Board confirm that **the Bank has maintained its steady progress,** particularly in the last few years.

Business in 1971 was especially marked by :

1) an extension of the Bank's activities, both at home and abroad, so as to satisfy fully and with plentiful means the growing credit needs of manufacturers and traders :

2) flexibility, in step with changing market conditions, so as to assist customers in their many different requirements ;

3) a strong boost to all services, both traditional and of more recent date, such as :

"PRESTITEMPO" —personal loans, extended and diversified in many different ways in order to meet the needs of the "family sector," linked as they are with the demand for a wider range of goods and services ;

"BANKAMERICARD" —the most widely distributed bank credit card in the world, now also extensively used in Italy through a vast network of channels ;

4) a forward-looking policy in a world making steady and rapid progress: the bank for everybody, for every need, dynamic in action, in step with the times.

Capital	L.4,550,000,000
Reserves	L.6,650,000,000
Net Profit for the Year	L.1,576,869,891
Deposits	L.939,480,914,628
Investments (loans to customers, credits to banks, securities)	L.746,767,378,892

poised for recovery

- High level of activity in consumer products
- Poor demand from capital investment sector
- Record bicycle sales
- Excellent results from Domestic Appliance Division
- Improvement in Engineering Division profits continues
- Important new ventures in Europe
- Low demand frustrates Steel Tube, Aluminium and Machine Tool Divisions

TI Chairman, Lord Plowden, sums up:

"We had looked to 1972 as a year of recovery, but it would be unrealistic to expect other than poor results for the first half of the year . . . The measures announced in the Budget give further substantial stimulus to the United Kingdom economy. The effect on TI should be favourable, although it is too early to make a detailed assessment . . . When the long-delayed recovery takes place we shall be ready for it."

SUMMARY OF RESULTS 1971

External Sales	£366,597,000
Profit before Tax	£20,073,000
Taxation	£8,075,000
Net Profit attributable to TI	£10,675,000
Earnings per Share	30p

1967 Coventry Gauge · 1968 TI D.E.D. · 1969 Coventry Gauge · 1970 Coventry Gauge · 1970 Crane Packing · 1971 Raleigh Industries

Tube Investments Ltd

advanced engineering

BUSINESS *Britain*

The CBI tries for a slow thaw



CBI's Partridge, Adamson : hoping

If the Government had not had more important things on its mind, it might by now be a little nettled at the Confederation of British Industry, particularly after the despairing compromise that the CBI put up on Wednesday, intended to give the Government an extension of the 5 per cent price freeze—which is otherwise due to expire in July—without causing a revolt among those CBI members who are refusing to sign on again.

The original agreement was signed by 200 large companies. Unless the CBI can get approximately the same number to sign again, the undertaking will be as good as worthless. So it has proposed splitting the difference: if industry agrees to sign on for another six months, the Government should then agree to a slow thaw for the next six. Thus, by the middle of next summer the freeze would be a thing of the past, avoiding another round of awkward discussions when the Government again asks the CBI what it intends to do this time next year. The CBI seems to think that it can get an acceptable number of members to sign its plan. Otherwise its director-general, Mr Campbell Adamson, who can usually give points to a sheepdog when it comes to rounding up stragglers, will have to admit defeat.

Ministers feel he could be giving up too easily. Most firms' arguments against another year of keeping prices within 5 per cent chiefly reflect managements' dislike of being constrained by undertakings of any kind. The Government is under the plain impression that it struck a bargain with the CBI before the budget, under which, in return for substantial tax concessions for industry, the CBI would undertake to keep the freeze going until mid-1973, when the economy should be moving again and there would be no further need for it. The CBI had pointedly deferred any discussion about the future of the freeze until its members had seen what they were getting in the budget. Now, although pressed hard, they have twice voted to put a decision off until they see how the budget works, which will bring them to mid-June, or only days before the present undertaking runs out. The Government needed an undertaking this week to answer wage demands—like the railwaymen's—based on how inflation erodes present and future earnings. It certainly did not get it.

Companies that enthusiastically signed the original undertaking last July, also in return for sizeable concessions from the Government, have a variety of complaints. Some are merely over administrative points, although that does not make them any less irritating. Some accuse retailers of putting up prices with a fine disregard for the freeze, so that the substantial sacrifices being made by industry in keeping prices down are not being passed on to the consumer. The whole purpose of the exercise is, they suspect, being nullified at the shop counter. But the bulk of the complaints turn on the effect of the freeze on company profits.

This is a difficult argument to support when company profits as a whole have been rising at a rate of more than 15½ per cent, and the CBI knows it. There has been admitted hardship among companies that were either too public-spirited or just too slow to put their prices up in the first half of 1971, when everyone else was doing so, and who were then prevented from raising them by the freeze. But those who did put their prices up in the first half of 1971, which were the majority, have been showing better profits. But not, they argue, putting on the sackcloth and getting out the ashes, if their accounts are reworked on a basis that takes account of the effects of inflation. Then the crippling effects of the freeze show up.

Ministers can argue that the form in which British company accounts are published does not take account of inflation, so why should the Government be expected to? Industry must rest content with being judged on its public record; it cannot have one set of figures for fair weather and another for foul, and trot them out according to the circumstances. The Government has one powerful weapon in reserve. The nationalised industries were obliged to observe the 5 per cent freeze for the past nine months, so that the prices of gas, coal, electricity, road and rail transport and steel have all been more or less static during that time. As a result, at least five of them are having to be subsidised by the Government and three others are teetering on the borderline between profit and loss. What would industry do if their prices are let rip?

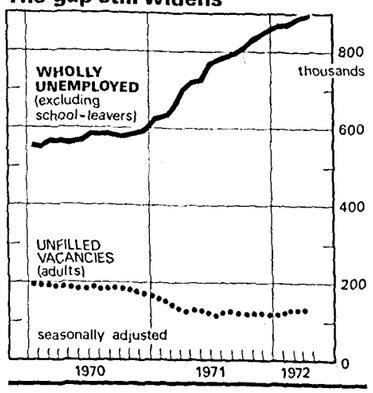
Still what it's all about

Neither the CBI nor anyone else could squeeze many trendy signs out of the past week's battery of economic indicators. The unemployment figures, released on Thursday, did suggest that in the three weeks after the budget (the count was on April 10th) unemployment may have stopped growing ; the track indicator (the seasonally adjusted wholly unemployed, excluding the temporarily stopped and school-leavers) had risen by only 4,000 since March 13th. But, then, it had also looked as if it might have been heading down in February, only to be followed by a fairly hefty rise in March, so caps should not be flung too high. And for the Government there is the embarrassment that the raw count still tops 1m when Northern Ireland is included. By comparison the small increase in jobs on offer notified to the employment exchanges is small beer.

For the rest, the indicators are either out-of-date or hopelessly messed up by the power cuts. The Department of Employment did not even attempt to provide a figure for average earnings in February. But, ding-dong, the arguments over price inflation continue ahead of this weekend's new figure. Mr Jim Prior, the Minister of Agriculture, tried his best to appease the Commons on Tuesday with an assurance that the rise in food prices was now slowing down, but he had to admit that in February they were up nearly 12 per cent on a year ago. Consumers have not been slow to react. A survey of the grocery trade by A. C. Nielsen shows that although the total turnover in 1971, at nearly £4 billion, was up 9 per cent on the year before, the extra was entirely because of price increases ; and in volume terms the total was almost certainly down—either because people just bought less food, or because they turned away from convenience foods to cheaper lines.

While these are average figures for the whole country and some of the more efficient multiples are clearly doing better than that, grocers as a group must be getting rather depressed. Over the past five years their trade has gone up by 35.4 per cent, yet all but 0.8 per cent of that went on higher prices : they are having to run very fast just to stand still. Yet, despite the price rises, staple foods are taking up a diminishing part of consumers' income. Back in 1961, the average worker had to work 59 minutes to buy a pound of tea, 11 minutes for a pound of bread and 36 minutes for a pound of butter. Last year, it took him only 34, 8 and 27 minutes.

The gap still widens



Do you sincerely want to work?

Counting the unemployed in a society might seem child's play. But two new papers* show it is nothing of the sort. Mr John Wood, deputy-director of the Institute of Economic Affairs, manages to snick 200,000 and more from the official figure of long-term male unemployment in Britain. Professor Maurice Peston, on the other hand, says the total figure provides a floor to the right number, but that its ceiling is some 600,000 higher ; that would put the true count today in the range 1m to 1.6m (not nearly 3m, as Mr Wilson claimed a fortnight ago).

The unemployment game, in fact, is an old one, but it is played only in politically sensitive times. When Mr George Brown, as he was then, ran the Department of Economic Affairs, he looked longingly at an estimate of 100,000-150,000 unemployable (the blind, the halt and the lame, and so on), but the Labour government never quite had the nerve to remove these people from the unemployment registers. Mr Wood revives the idea : he also thinks there might be 100,000 phoney registrations of people deliberately exploiting the system of social benefits. Another of his suggestions is that the jobless rate should be related to the total working population rather than just to employees : but doing so would cut it by only 0.1 or 0.2 percentage points, not big stuff.

On the other hand, Mr Wood is very sketchy about the other side of the picture, painted in by Mr Peston. The way Britain collects its unemployment figures, neat and quick as it is, excludes those people who were in employment before demand for their services fell, and may still be available for work, but who do not register because they are not eligible for benefit. The main category here is married women, but there are part-timers and others too. The best guess of the size of this under-recording seems to be that it is not as much as Mr Peston's possible 600,000 but about 400,000—100,000 men and 300,000 women.

Any politician can define unemployment to suit his purpose. But most other industrialised countries, including the United States, Canada, Germany and Japan, use household surveys to measure unemployment, sometimes in addition to a register, and so do tend to get a better idea of the availability for work. On an American definition, the British rate would be somewhere between 1 and 2 percentage points higher than it is—but probably still just short of the current American rate of 5.9 per cent. When Britain is inside the common market, it may well have to make more use of household surveys and periodic labour force surveys, in line with EEC practice.

That would suit both the latest critics of the unemployment register, for they both ask for more detailed information about unemployment—including occupation, age, duration and frequency of unemployment. Mr Peston has a sophisticated notion to weight the number of unemployed in different skilled and unskilled categories according to their economic worth, signified by relative wage rates. His point is that as total unemployment rises the proportion with administrative and professional qualifications rises, so that an increase in unemployment from 3 to 3.5 per cent is much more serious economically than one from 1.5 to 2 per cent.

But whereas Mr Wood quite erroneously argues that the problem is more the inability to direct available labour to where it is most wanted, rather than any general inadequacy of demand, Mr Peston says just the opposite : no improvements in the mechanism would have offset the deficient effective demand of the past few years. And that, obviously, is what Mr Barber thinks.

*"How Much Unemployed?" By John B. Wood. *Institute of Economic Affairs.* 60p. "Unemployment : Why We Need a New Measurement." By Maurice Peston. *Lloyds Bank Review.* April 1972.

Another good year for Legal & General shareholders and policyholders– increased dividend, a scrip issue and record bonuses.

Here are 5 highlights of the Chairman — Viscount Harcourt's statement:

Increased dividend
the total distribution for 1971 is 10.5p per share—£6.3 million—an increase of 14.75% on last year.

Scrip issue
one new 5p share will be issued for each 5p share held at the close of business on 24th April 1972 by capitalising £3 million.

Record bonuses
a total of £39.8 million is allocated to all classes of 'with profit' policyholders compared with £18 million in 1970.

Capital appreciation
£34 million of the capital appreciation in the long term funds is allocated to shareholders and policyholders.

Premium income—U.K.
ordinary life premium income is up 25% on last year, and general business is up 45%.

During 1971 Legal & General has continued to expand ordinary life and general business in the U.K. This expansion can be seen in the figures quoted above. Pensions business still remains a very large proportion of our total business.

As the leading pensions office in the U.K., Legal & General welcomes the Government's declared aim in the White Paper 'Strategy for Pensions' but seeks an alternative 'recognition test' for exemption from the State reserve scheme.

New pensions contracts have been well received by the market and our Earnings-Related Pension Plan is in exactly the right form for the employer who wishes to apply for his scheme to be recognised.

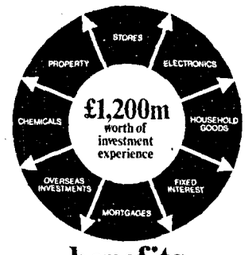
Our subsidiary company Legal & General Assurance (Pensions Management) which runs the new managed fund contract has had a successful year with every prospect that 1972 will produce even more rapid growth.

The new unit trust, Legal & General-Tyndall Fund and a new company, Legal & General (Unit Assurance), formed to underwrite the life assurance element of the 'Stockbuilder' Plan, both made a promising start in their first year of operations.

The Society faces the future with great confidence. The planned expansion of general and ordinary life business, the success of our new pensions contracts and the improving climate which we expect for developing our pensions business, all point to a successful future.

Legal & General's prime objective is profitable growth.

Legal & General's financial strength



benefits policyholders and investors

Legal & General

Copies of the Report and Accounts for 1971 may be obtained from the Secretary, Legal and General Assurance Society Limited, Temple Court, 11, Queen Victoria Street, London, EC4N 4TP.

Booker McConnell profits up 50% to over £7,000,000



A 50% increase in profits, to a new record of £7m, is the outstanding feature in the statement of Mr George Bishop, Chairman of Booker McConnell Limited.

This was attained by good results from every division, including, for the first time, a sizable contribution from the engineering interests.

The second outstanding feature of 1971 was that 40% of profits were earned in Britain. In 1972 the proportion should be higher.

The pace of acquisitions has increased, especially in food retailing and wholesaling. Expansion will be continued both by selective acquisitions and by internal growth.

The success achieved in the last two years is a fine stimulus to go all out in 1972.

£'000	1971	1970
External turnover	124,800	104,300
Profit before taxation	7,016	4,638
Attributable profit after tax	3,041	2,037
Earnings per ordinary share	12·49p	8·48p
Dividends per ordinary share	6·50p	5·50p

BOOKER McCONNELL

Britain · Guyana · Trinidad
Jamaica · Zambia · Malawi

HOW PROFITS INCREASED

£'000 (after tax)	1971	1970
Sugar	752	609
UK shopkeeping	436	291
Overseas shopkeeping and manufacturing	725	583
Spirits and liqueurs	343	282
Shipping	303	205
Engineering	386	11
Other	96	56
	3,041	2,037

A copy of the report and accounts is available from the Secretary, Booker McConnell Limited, Bucklersbury House, London EC4N 8EJ

Computers

Virtue's reward?

The easiest way for any country to protect its computer industry is to make certain that all the government orders possible go to the nationally-owned company. So the Department of Trade and Industry, when it announced earlier this year that in future most official contracts would be put up to tender, took a calculated risk that the damage this was bound to inflict on the only British-owned company, International Computers, and the size of subsidy it would have to be paid, would be offset by gains elsewhere. The risk is beginning to pay off in unexpected ways.

The first company to rise to the bait is the increasingly aggressive Honeywell group. Honeywell's Scottish factories turn out only small computers; the big machines are built in America. But government departments are interested mainly in big machines, and the chance of a slice of their business has been enough to decide Honeywell to switch some of its big computer output to Britain : deliveries from Scotland will start next summer. However, British business alone would not justify this sort of investment. To make the venture worthwhile, Honeywell has been obliged to scale up its Scottish plant to meet the whole of the export demand for its large computer—Japan apart.

There are other reasons why foreign computer manufacturers like to come to Britain; it is the only market that is not dominated by International Business Machines, and where other Americans can meet IBM on something like equal ground. It is a good jumping-off base for the common market. But Honeywell could as easily have decided to develop any of its factories inside the EEC: it has recently bought up all General Electric's European ventures. It was the prospect of British Government orders that tipped it, which must make the Government think seriously again about whether reserving its business for favoured domestic producers is the best way of encouraging investment in new technologies.

Vat

Return of the thumbscrew

A wholly justified roar of rage has gone up from the Bar Council and the Law Society over the powers and penalties that the Customs and Excise is demanding over the wretched traders who break the value-added tax rules. The Customs is not now seeking out smugglers. The duty on a bottle of whisky is about 700 per cent of its duty-free value ; it is about 500 per cent for tobacco. A stiff jail sentence may be necessary to prevent general evasion there. But Vat will be at the puny rate of 10 per cent and the powers that the department is demanding are wholly disproportionate.

These include authority for any customs officer to remove any document from a trader that bears on his taxable transactions without any special authority from, for example, the Vat tribunals which will be set up to deal with disputes about Vat. Drastic powers of search and entry are demanded. A justice of the peace who is satisfied that an

> offence in connection with the tax is being, has been or is about to be committed on any premises, or that evidence of the commission of such an offence is to be found there,

can authorise a customs officer to enter the premises, " if necessary by force," search them, remove anything he thinks may be relevant, and search anybody he thinks may be involved.

This is preposterous. It is also unnecessary. The Customs may have been worried by the scale on which wholesale evasions of Vat have recently been uncovered in France, but British Vat is simpler and at much lower rates than French Vat ; the incentive to swindle is much lower, and the Customs has power anyway to slap in an estimated assessment where it suspects false returns, which the trader must pay unless he can support a successful appeal against it. The Customs can demand any document it wants now without the need to break down the door.

Nor is there justification for other small meannesses like the option to hear appeals in public except in special circumstances. This is wrong : they should always be in private, because the information given at such hearings will always go further than the trader is bound to reveal under other statutes like the Companies Acts. And when it comes to paying assessments, why should the Customs and Excise follow a different practice from the Inland Revenue ? It is demanding that Vat assessments be paid on demand. But even the Inland Revenue does not demand prepayment before the hearing of an appeal. This part of the bill needs to be looked at again.

Key indicators: British economy

Unemployment
Up again, though not by much. And a few more jobs on offer.

Industrial production
February figures badly affected by miners' strike and power cuts.

Consumers' expenditure
Volume of spending in first quarter ½% down on previous quarter, also affected by power cuts.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	February	111.9	−10.2	−10.6	−9.6
employment*	January	89.8	−0.1	−1.1	−4.7
productivity*	January	138.5	+0.5	+0.9	+2.9
Export trade*‡	March	143	−4½	−9	−8½
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	February	112.1	−0.9	−0.7	+6.2
Unemployment*	April	177.2	+0.5	+2.1	+27.0
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	February	154.2	+0.5	+1.6	+8.1
Export prices	February	148	nil	+1½	+7½
Import prices	February	134	− ½	+ ½	+5

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *International*

Sorry, it's only 2½ per cent for steel

Although the legal niceties have still to be tidied up, the outline of the deal between the steelmakers of the Six, plus Britain, and the United States has now emerged. The Americans have got their way in virtually every respect. Under the last three-year agreement, which expired in December, the European (but not the British) steelmakers voluntarily undertook to limit the growth of their steel exports to America to 5 per cent a year. When President Nixon's import surcharge was imposed, the Europeans demanded exemption for steel, on the ground that exports to America were restricted anyway. This was refused, so the voluntary restraint was abandoned with only a few months left to run.

The surcharge came off in December, to be replaced by an effective 12 per cent devaluation of the dollar in terms of European currencies. The Europeans' negotiator, M. Jacques Ferry, president of the French Chamber of Steel, complained in January that European producers had no more than 6 per cent of the American market, and that their competition in 1971 had not prevented American producers from raising their prices—already higher than the Europeans'—by 10 per cent. Nevertheless, these arguments have not prevented the Nixon Administration from imposing a "voluntary" limit on the growth of European steel exports to the United States of only 2½ per cent for each of the three years 1972-74.

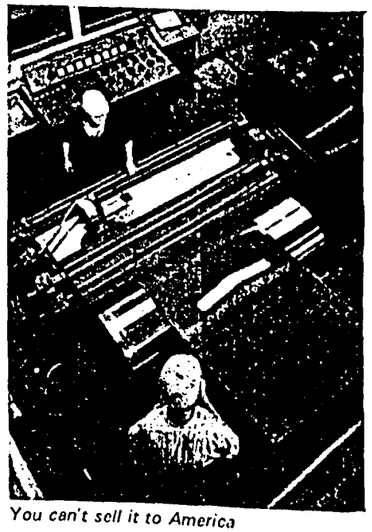
All the Europeans have extracted in return is an understanding that this quota will be open to renegotiation if there is a fundamental change in the balance of the world steel market, and even this, everybody privately insists, is a let-out the Europeans would be reluctant to invoke. It might be applied if, for instance, the American boom goes better than expected; or if the Japanese should flood the European market with steel.

The Japanese have agreed to limit their steel exports to Europe (this was a precondition of the Europeans' undertaking to the Americans). But they gave little away: their exports to Britain and the Six will come down by only one-fifth from the inflated total for 1971; no restrictions will apply to their shipments to the rest of Europe, and figures for 1973 and 1974 have still to be agreed.

The European steelmakers were divided on whether the Nixon Administration really would have pressed ahead and imposed quotas if its demands had not been met. What united them, however, was a dislike of any disruption in world markets for a product as capital-intensive as steel. They see the present American policy as sheer protectionism, but they retain a yearning for an orderly world, with flexible agreements between gentlemen.

It is precisely this aspect that has alarmed the European commission in Brussels. Of course the Treaty of Paris does not require the European steel industry to compete in overseas markets, and is altogether laxer in its anti-cartelisation rules than the later Treaty of Rome. But if "voluntary" restraints are acceptable for steel, how long will it be before the American steel industry, or indeed the motor industry, starts to complain that the European steel quota is being bypassed by shipping steel to America in the form of cars? "Voluntary" restraints may spread from one industry to another, reducing next year's long-term world trade talks to a farce.

Anyway, the Six are planning for net exports of steel of 20m tons by 1975 (against about 10m tons in 1969-70, and less in 1971). Even then it is likely that Europe's existing plant will be working only at around 85 per cent of capacity by 1975, with the second stage of the Fos expansion, the Spanish Sagunto project and the Italians' expansion at Taranto to come.



You can't sell it to America

EEC regions

Mind my language

Brussels

The EEC commission is expected to announce shortly that Belgium's loi d'expansion economique which provides the legal basis for the country's system of regional aids will have to be modified to bring it into line with article 92 of the Treaty of Rome. A meeting between Mr Albert Borschette, the commissioner responsible for competition, and a delegation of Belgian ministers failed to agree, so the commission will now probably decide to invoke the formal machinery of the treaty.

The whole of Belgium falls within the so-called central region of the EEC, where special government investment incentives have been limited by agree-

Royal Insurance

Net profit exceeds £30 million

Sir Paul Chambers reviews all-round growth in 1971

The Annual General Meeting of the Royal Insurance Company Limited will be held on Wednesday, 10th May, in Liverpool.

The following are extracts from the statement by the Chairman, Sir Paul Chambers, which has been circulated to stockholders with the 126th Annual Report and Accounts.

Results and Dividend

1971 was an encouraging year; pre-tax profit was £10·7m. higher at £41·0m. and net profit increased from £22·3m. to £30·1m.

Premium income from general insurance business increased by 11·0% to £449·9m. and underwriting profits were earned in each of the major territorial divisions totalling £6·3m. compared with a loss of £1·4m. in 1970. Investment income increased by £3·1m. to £33·5m.

Following a valuation of the life fund for the triennium 1969/71 the Stockholders' Long-term Insurance profits have been maintained at £1·3m. per annum representing one year's allocation of the Stockholders' proportion of the distributed surplus grossed up by the underlying tax borne by the fund during the period. The amount of profit to be distributed following the three-year valuation is virtually the same as that for the previous five-year period.

The Directors recommend a final dividend of 9·5p per 25p stock unit which makes a total dividend of 15p (1970 13p) leaving £12·4m. for transfer to the General Reserve.

U.S.A.

Premiums in the U.S.A. rose by 9·8% to £234·0m. The underwriting profit of £0·6m. compared with a loss of £4·6m. in 1970. After taking into account investment income, the total operational profit before tax was a record £17·4m. against £10·6m. in 1970.

This improved result should be seen against a background of a generally healthy industry. Certain welcome developments have been taking place, particularly with regard to more flexible rating laws, although inflation is a continuing difficulty especially in the liability classes.

The success of President Nixon's prices and incomes policy could be of considerable importance to our industry and on balance, if successful, should be beneficial. The concept of 'No-fault' is likely to spread throughout the United States to the benefit of society and our industry, but it is desirable that this should be on a uniform basis.

United Kingdom and Republic of Ireland

Premium income increased by 11·1% to £81·5m. and the underwriting profit rose to £4·0m. (1970 £2·3m.).

Fire and consequential loss insurance was satisfactory although insurance covering bodily injury liabilities became more difficult. Premium rates for motor insurance have been too low to meet rapidly rising claims costs which increased by 20%. In addition, an amount of £1½m. has been provided as a result of the failure of the 'Vehicle & General' mainly to meet obligations under the Motor Insurers Bureau agreement.

There has been a deterioration in claims experience both in Northern Ireland and the Republic of Ireland.

Elsewhere Overseas

In Canada the underwriting result was a profit of £0·8m. as compared with £0·5m. in 1970. There was further steady growth of business in Australia and, despite the severe impact of cyclone 'Althea' in December, the long record of profitability was maintained.

In parts of Europe the results were still marred by major losses but there was a slight improvement over 1970. In February this year an agreement was entered into with one of the leading German insurance companies, 'Aachener und Münchener' for broadly based co-operation. Under the agreement 'Royal' will acquire a 10% share in the capital of the German company in exchange for the issue of 'Royal' stock. A reciprocal agreement has also been signed with an Italian company 'Societe Assicuratrice Industriale'.

In other parts of the world there was overall a satisfactory contribution to the Group profit.

Marine and Aviation

World-wide premium income increased by 12% to £27·8m. and the underwriting profit was £2·5m. (1970 £1·6m.). All the major territories produced a profit and most of them a higher one than in the previous year.

Investments

Investment income again increased satisfactorily in 1971. The benefits of the policy of investing a high proportion of our accruing funds in ordinary shares throughout the world are evident both by the increasing income from this source and by increasing the surplus of market values over balance sheet values. There has also been a benefit of the rise of prices of fixed-interest securities.

Life

Record new business was completed and further steps have been taken to expand our Life business.

Following the valuation of the long-term funds at the end of the year, bonuses have been declared for three years 1969/71. The rate for 'Royal' United Kingdom with profits assurance policies is £4·50% per annum compound and the rates for other classes have also been increased to record levels.

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

CU Assurance

CAN. $20,000,000

Commercial Union Assurance Company Limited

(A COMPANY INCORPORATED IN ENGLAND)

8¾% Sinking Fund Debentures, Series A (unsecured)

Maturing April 15th, 1992

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Pitfield, Mackay, Ross & Company Limited	McLeod, Young, Weir & Company Limited	Merrill Lynch, Royal Securities Limited
Richardson Securities of Canada	Greenshields Incorporated	Harris & Partners Limited
Burns Bros. and Denton Limited	Midland-Osler Securities Limited	Gairdner & Company Limited
Cochran Murray Limited	Fry Mills Spence Limited	Lévesque, Beaubien Inc.
Bankers Securities of Canada Limited	Bell, Gouinlock & Company Limited	René T. Leclerc Incorporée
Walwyn, Stodgell & Co. Limited	Houston, Willoughby and Company Limited	Tasse & Associes, Ltée

18th April, 1972

ment among the Six and the commission to a maximum of 20 per cent of the cost of any project. The problem is not the size of the boosts to investment but the limits of the areas to benefit. The commission is insisting that these must be justified in terms of rates of unemployment or below-average incomes before giving its approval.

In practice, the commission is prepared to authorise virtually all the proposed development areas in the French-speaking south of the country with the exception of Tournai, but is determined to eliminate a number that exist now in the Flemish-speaking north. But while the commission is trying to establish objective criteria for regional help, the Belgian government is preoccupied with the need for a political balance between its two fractious communities. In a country where the budget of virtually every ministry is distributed in fixed proportions between Flanders, Wallonia and Brussels, it is clearly very hard for the government to accept that development areas should be concentrated almost exclusively in the French-speaking parts, however justified this might be economically. Hence the desperate attempt by the Belgian authorities to get a reprieve for some of the more sensitive development areas in the north.

Economically, the commission is almost certainly right. With its central position, a major international port in Antwerp, excellent communications and a well-educated but co-operative labour force, Flanders is one of the most attractive areas for new industrial investment in the common market—as the figures show—with or without investment aids. Wallonia, on the other hand, suffers from the same disadvantages as some of Britain's development areas: an ageing population, declining industries and a reputation for industrial strife. As Britain has also found, investment incentives alone will do little to improve a situation like that.

Chile's debts

Now it's ITT, too

The fact that President Salvador Allende announced that the Chilean assets of International Telephone and Telegraph are to be expropriated did not prevent Chile from striking a bargain, in the early hours of Thursday morning, with its principal creditors, known collectively as the Paris club, over debts that now stand at as much



We'll pay when we feel like it

as $3.7 billion.

Debt payments were suspended on November 9th, and the 12 creditors (America, Canada, Japan and nine European countries, including Spain) then asked to put $988m of this debt on to International Development Association terms retrospectively (ie, with a very low interest rate and prolonged repayment periods). This was refused. The Paris club then accepted an alternative proposal: that payments on these debts should remain in suspense until December, 1973. But disagreement continued on the rate and the terms on which repayments should be made after that, and even the latest deal applies only to repayments due this year.

There was also disagreement on two other points: one concerned the future management of the Chilean economy, it being no secret that, apart from the falling price of copper, much of Chile's trouble began with the wage increases and mismanagement that followed the nationalisation of the copper mines. But President Allende has refused to accept supervision by the International Monetary Fund under the stand-by procedures, saying that Chile will not jeopardise its sovereignty. However, much the same result seems to have been achieved indirectly, with the IMF acting only as technical adviser. The third disagreement centred on compensation for the copper companies, which the Americans wanted to be a precondition of any agreement. The Chileans argued that it was a matter to be settled by Chilean law and local courts. A conveniently ambiguous formula has now been adopted, that "just" compensation should be paid according to Chilean "and international" law, and this will presumably cover ITT too.

President Allende's problem is to avoid appearing to sacrifice his socialism to foreign bankers. The western countries' doubts are subtler. Argentina is waiting in the wings, also preparing to renegotiate debts, although payments are still being kept up. Ghana is in the process of repudiating some debts incurred to refinance those run up by Dr Nkrumah. Yet none of these three countries is poor, by developing country standards; Argentina is among the top three or four members of Unctad's Group of 77.

Other countries, like Mexico, have considerable debts but no problems about refinancing them regularly on normal terms. It is an over-simplification to assume that all developing countries are inexorably heading for mounting debt problems. But if countries like Chile suspect that it pays to run into payments problems, because hard debts can then easily be refinanced on soft terms—by loans that, on a change of regime, may have to be refinanced again on even softer terms—then the sufferers will be those countries that really need soft aid: India, Indonesia and Bangladesh.

French shops

Hypertax

Paris

France's social security system has many gaps. Numerous separate schemes exist for different categories of worker, varying in the size and range of benefits they give, but the self-employed on the whole fall outside the system altogether. Now something is to be done for the numerous, vocal and politically powerful shopkeepers. But because, in principle, social security in France is paid for almost wholly by charges on employers, and because small-scale retailing is supposedly so finely balanced on the borderline of profitability that it could not stand a levy on sales or profits to pay for pensions, the government has adopted a very



Liable to be pensioned off

French solution.

The pensions will be financed by a levy on large shops ; those of 400 sq metres or more will have to pay an annual tax of F15 (£1.14) per sq metre. Needless to say, the supermarket groups are appalled. Some hypermarkets exceed 2,500 sq metres, not including parking space, which may or may not be counted. Although supermarkets still account for less than 30 per cent of retail sales, their steady growth (with many of them on the outskirts of towns) reflects a definite change in French shopping habits.

But not all hypermarket and supermarket firms are as well-established or as profitable as Carrefour, which doubled its earnings last year, and there are protests that some of the newer companies may be forced out of business. The department stores, which have been going through a lean time, will mainly escape, as the levy will fall only on shops built within the past ten years. The public has become aware—or has been told—that it will pay in the end through higher food prices in supermarkets and a fine head of resentment is building up, ahead of the debate in the national assembly in a few weeks' time.

Spanish repairs

AA, RAC please note

Barcelona

The Spanish government has published a new decree controlling repairs in garages. Not before time. Growing agitation and frequent letters to the press about repair charges and bad work have been evident in the two years since complaints were first raised in the Cortes. There has also been pressure from the official trade unions. The main complaint has been about the practice of giving a blanket price for repairs, with no details, supposedly to save time and paperwork. Motorists are not convinced ; there has been a good deal of over-charging among the 15,000 repair garages.

Control will be a nightmare, but the new regulations are drastic. A list of the prices of spares and the average cost of labour must be given to the customer. No job may be accepted before the customer has signed an estimate, unless he agrees, in writing, to waive one. New problems that crop up during the work may not be dealt with without his written consent and a further estimate. When the job is finished a detailed bill must be presented. A complaints book must be available in official form. All spares must be new and have the manufacturer's imprint, unless the dealer is authorised to use secondhand ones, and so on. Blue plaques on the fronts of garages will show what types of work may be carried out : a wrench for mechanical repairs, a torch for electrical and a hammer for bodywork ones, together with numbers 1, 2 or 3 to indicate the garage's grading for each.

Repair shops may be closed down or fined for infringements, the fines ranging up to a ceiling of 5m pesetas (£30,000). Foreign motorists may still find it hard to judge the charges made, but they will at least be able to get a breakdown of the costs of the work, and have their old parts back if they want them.

Motor repairs are a source of irritation everywhere. But in Spain the car population has grown so rapidly that the garages have simply not been able to keep pace. Even so, it is going to take a mighty long time filling out all those forms, and writing those letters.

Singapore

Vietnam business

Kuala Lumpur

Singapore's trade as an entrepot has been declining, with one important exception. It has evolved into the major centre for the distribution of war surplus scrap from Vietnam, a business that has been transformed by the arrival of Usapori (the United States Army Procurement Office) from the Ryukyu Islands, a few months ago. Usapori's job is to sell off the leftovers of war, but in the process it has cut into a trade that has made many Singapore fortunes in the past.

Three or four years ago around 20 Singapore firms were buying "scrap" from Vietnam at about $30 a ton, much of it consisting of only partly-used equipment that could be resold at many times the purchase price. The trade was legal. And in due course the Singapore government moved into it through two shadowy firms : Norton (Private), Ltd, and the United Metals and Plant Company. In its heyday, Norton, employing 80 people at its major centre at the Vietnam coastal town Qui Nhon, would ship goods back to United Metal's huge scrapyard at Bedok, on Singapore's south-east shore.

But today, according to a local Chinese insider, "the Americans are getting smart." Usapori itself now runs two auctions, one for scrap and one for reusable equipment. When the first auctions were held in February, the revenue from equipment totalled over $150,000, with buyers coming from as far as France and California. Dump trucks fetched $10,000, or about half the price when new ; but they were exceptional. On average, prices worked out at about one-eighth of new. This continuing flow of quality secondhand goods is attributable to the curious budgeting of the American army, under which procurement allocations are fixed annually and allow for a high rate of loss. Frequently this means that much existing stock becomes surplus and has to be off-loaded. Repairs are hard to carry out in Vietnam, and it is often simpler to sell off the stuff and leave Singapore to repair it.

Now that the American and Singapore governments dominate the trade, only 10 private outlets in Singapore remain to run scrap out of Vietnam themselves, apart from the considerable illegal trade that continues to flourish via Hongkong. This consists largely of shellcases converted into palletised brass and copper, and sold off at less than half world market prices, probably at $120 a ton, with the buyer taking delivery at some offbeat rendezvous in Vietnam and bribing his own way out, which is no easy business.

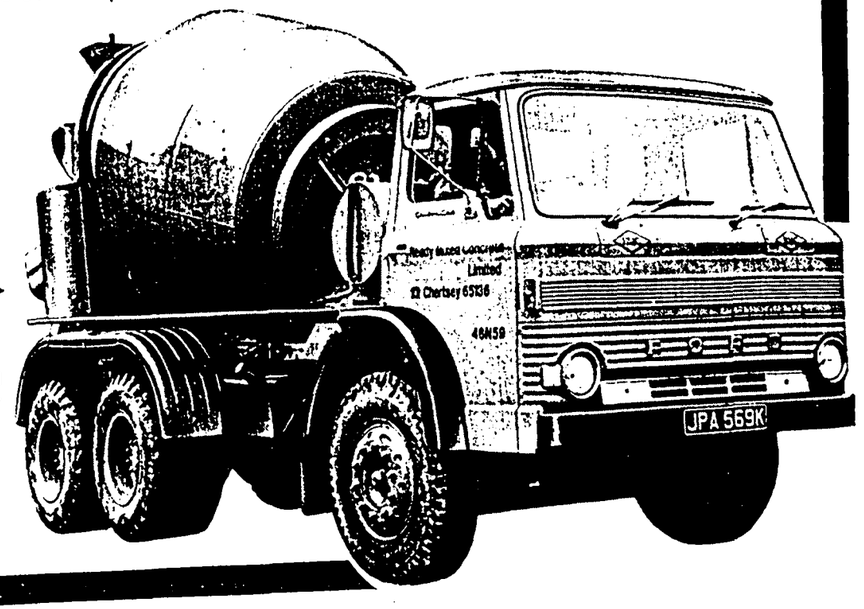
Officially, the American government has sold no more than 1,000 tons of shellcases, yet, says one regular Vietnam hand, "Every guy has a few thousand tons for sale." The most lucrative trade of all is people. Sons of rich Vietnamese evading the draft will pay $5,000 or more for passage to Hongkong plus passport. For those operating within the law, the Bedok yard, now used by Usapori, is filling

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- **Earnings per share 9.2p — up 64%**
- **Continued expansion in U.K. of ready mixed concrete, sand and gravel extraction and builders merchanting activities.**
- **Re-development of worked-out mineral land for housing schemes and leisure areas continues apace.**
- **European investments continue to grow and generally to prosper.**

"The year 1971 produced a good increase in turnover and profit. Your Board believes that the continuing development of our operations at home and overseas, together with the increased activity in the United Kingdom to be expected from the latest Budget proposals, promise further satisfactory advances in the earnings of the Company in the current year." W. R. Northcott — Chairman.



RMC

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up ready for the May auction. Soon the auctions will be held monthly. Some bargains are still to be had in earthmoving equipment and the like. But nowadays the "scrap" is genuine.

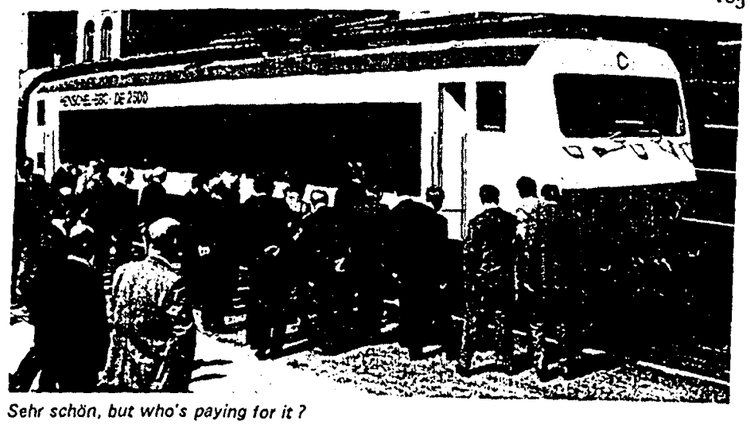
German trains

Nein, danke

When the man picked for the hot spot as chairman of the German railway system decided at the last moment that he did not want it, the government was left with precious little time to find a replacement: in fact, the German transport minister, Herr Georg Leber, reckons that he has until next Tuesday to do it. The retiring president, Herr Heinz Oeftering, leaves in three weeks, and Herr Paul Hahnemann, the ex-sales chief of BMW and reputed to be a management whiz-kid, was appointed last month to take over from him. Herr Hahnemann has now had second thoughts; on closer examination, he may have decided that the task of getting the railways out of the red was just too daunting. Whatever his reasons, he backed out.

Herr Leber is said still to be debating whether to look for another outsider from industry, or to make the best of a bad job and appoint the next chairman from within the railways. Whoever takes the job will find the going tough. The railways have been in the red for years, but recently losses have been going up alarmingly, to £260m last year and probably £360m this year. The accumulated deficit now stands at £1.5 billion, interest payments alone exceed £180m.

There is no secret about the reasons why. The railways employ 400,000 people and wages make up 70 per cent of costs; the wage inflation of the past two years has therefore hit the system particularly hard. But the government would not allow fares to go up. Reluctantly, it has now conceded that the railways can raise



Sehr schön, but who's paying for it?

charges by up to 20 per cent without clearing it each time with Bonn, but the political pressure against any sizeable increase remains strong. Commuter fares did go up by 10 per cent in March, but this comes nowhere near to offsetting the higher costs.

Commuter services are particularly unprofitable because the cream of the business no longer goes by rail but drives itself to work in its own car. Yet the railways are obliged to keep services going for the benefit of the dwindling number of non-car owners. Then there are a number of branch lines, particularly near the east German border, that ought to be shut but are kept open because it would look politically bad to close them. The government pays a subsidy of sorts for operations that it considers socially necessary, but this year's subsidy of £300m is nowhere near the sum needed, and, as Herr Willy Brandt is heading for a massive budget deficit, he is unlikely to provide any more.

The government commissioned a study on the relative roles of rail and air within Germany this decade and was told as a result last month that another £1.2 billion should be invested in the railways. The railways' own investment programme, which includes a superfast train system running on a special track, comes to £3.5 billion to 1985, merely in fixed assets, and without making any allowance for the cost of new rolling stock. There is no hope of raising this kind of money unless the government provides most of it. Any new chairman will want to know how much it is prepared to put up.

Electric motors

Silenced

Utrecht

Prince Bernhard of the Netherlands opened SKF's new $15m European group laboratory at Jutphaas, near Utrecht, on Wednesday. Under the wraps there are various projects by which SKF is evolving more advanced applications for its basic bearings. The most notable—and touchy—of these is a new design of electric motor which cuts noise dramatically by mounting the bearings in the motor in a different way. Electric motors are one of the growth sectors of the market; so SKF is on to a good thing anyway. But the socially-conscious trade unions in Sweden have also been pressing hard for a reduction in factory noise (there are new British rules too). In SKF's own plants the new motors will be put to work in its massive grinding shops, where the standard motors now produce a noise of 100 decibels, which is enough to start permanent damage in human hearing within one day. The new design ought to cut this to 70 decibels, literally to a whisper.

The touchy question is that the motors would be ideal for submarines, for which the actual—and desired—levels of electric motor noise are secret, and understandably so. But Sweden is a neutral country.

Key indicators: world commodity prices

Hides off peak

A better kill in Britain this week left hide prices at the London auction 20% below their peak of a month ago. Even so, with Argentina's ban on exports still in force, prices look like remaining at their highest levels since the Korean war for some time yet.

	Index 1963=100 Apr 12	Apr 19	Percentage change on one month	one year
All items	128.7	129.1*	− 1.0	+ 3.9
Food	139.1	141.0*	− 2.4	+ 5.9
Fibres	100.9	100.6*	+ 1.9	+26.4
Metals	187.7	184.8	− 2.3	−15.3
Misc	113.5	113.4*	+ 3.7	+ 4.9

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BUSINESS *Investment*

Striking it rich with the Tories

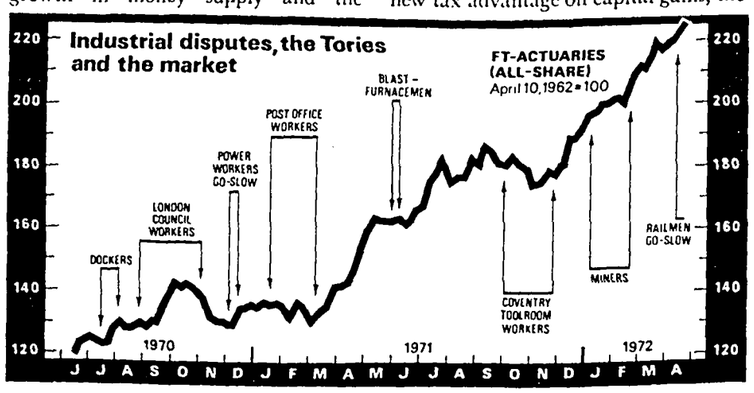
On the day that the Government derailed the railway unions, the London stock market hit record highs. On Wednesday the Financial Times index of industrial ordinary shares closed 4 points up, after having been 6½ points up at one stage. The buying fever abated somewhat on Thursday, but at the close the index was down only 0.5 points at 524.3. This was still in the new high ground, above the peak of 521.9 in September, 1968, and the more comprehensive indices have also reached new peaks this week.

No one can pin the day-to-day changes in market sentiment down to one thing or another. Taking the longer span, it would seem that the stock market has benefited greatly under Mr Heath's nearly 23 months in power. But the market is curiously apolitical, and chooses its bull periods without reference to the government of the day. Over shorter periods, it is pretty clear from the chart that the market is oblivious to even the most damaging of strikes. In most it has gone up—but it would be hard to make out an argument for cause and effect. What really matters to the market is the growth in money supply and the growth of corporate profits.

Most things have been going the way of the bulls lately. The telex from New York tells of record profits, trading levels and prices, and real growth in gross domestic product (even if not quite as fast as the Nixon Administration is hoping for). The economic news in Britain is clouded in the uncertainties of strikes and go-slows, but the bullish enthusiasm sweeps aside considerations of the inflationary impact of even the 12½% rejected by the railwaymen.

What counted this week was the pick-up of unit trust sales (and the decline in redemptions) and a string of good company results. Each of these seems to have touched off a rush, not just for the reporting company but also for the other shares in the sector. Engineering was boosted by **Guest, Keen and Nettlefolds**; food by **Associated Biscuit Manufacturers**; and building by **Associated Portland Cement.** Then on Thursday bid interest got a fillip when **Ocean Steam** went into the lead in the **Cory** stakes with results which pushed up its share price by 10p to 156p.

Perhaps surprisingly, in view of the new tax advantage on capital gains, the investment trust group was one sector not breaking new ground this week; but then its prices had been pushed to a peak on March 29th in post-budget enthusiasm. The recent sharp drop in the investment dollar premium, too, may have made some trusts look a little vulnerable; the drop however, was slightly reversed, this week, with the premium on Wednesday at 21%.



Engineering

Time to buy again

Engineering shares have been going up and down like yo-yos since the stock market boom got past its initial stage in the middle of last year. Recently some have dropped from their January highs, and this perhaps represents a good buying opportunity now that the Government is set on growth, come hell or high wages. One reason for the recent falls has been that the earlier buyers have got bored of waiting, wanting short-term rather than medium-term profit. Another is that we are in the middle of the results season for companies with calendar years. Attention is being drawn to the past, rather than to prospects.

Vickers' results on Thursday pleased the market. The earnings of 6.6p, up 70%, put the price up to 118p, where the p/e is 17.8; earnings could well reach 9p this year. But **Guest, Keen and Nettlefolds'** 1971 results were at the top end of the market's expectations. The second half-year more than made up for the first half drop caused by the Ford strike, and the full year's pre-tax profit was £45m, or £47½m allowing for extra depreciation and Rolls-Royce. Full consolidation of some foreign subsidiaries, in which a greater stake was taken, makes £43.3m the comparative figure with 1970's £43.1m. The second half growth was moderated because the motor industry met demand out of its stock, and commercial vehicle demand remained weak. Any improvement here will be offset in the first half of 1972 by the miner's strike, but the

Continued on page 119

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From that distance, can you really get a feeling about us?

We hope so.

For both our sakes, it's important that you do.

Because to deal confidently with any company, you have to know that they're big and stable enough to be effective.

Especially when they're 12,000 miles away.

For that reason, we've prepared some information that you will find reassuring and possibly surprising.

It will certainly let you sleep well at night when you deal with Australian industry.



Last year, BHP paid out £Stg. 117 million in wages.

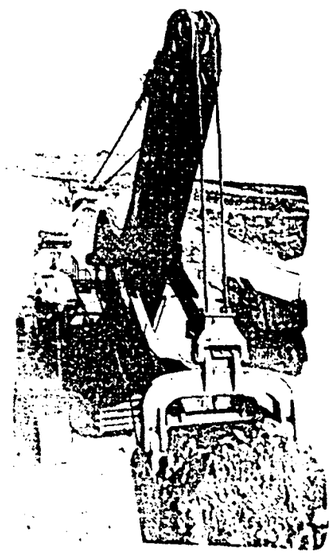
That isn't a boast.

It is simply an indication of the magnitude of our operation.

At this moment, BHP employs 56,000 people.

And thousands more work in industries allied with ours.

So much for our size. This is what we do with it.



Mining.

This is where the company really started in 1885.

Last year, we produced 27 million tons of ironstone, coal, limestone, manganese and dolomite.

And a constant programme of geological exploration is increasing already vast proven reserves.

All this, you will no doubt agree, is very healthy indeed. In fact, it makes BHP one of the world's great mining companies.

Steelmaking.

Naturally, with the access we have to enormous supplies of high grade ore, our steelmaking activities are equally well developed.

Since 1915, BHP has been Australia's steelmaker.

Today, BHP operates four iron and steel works.

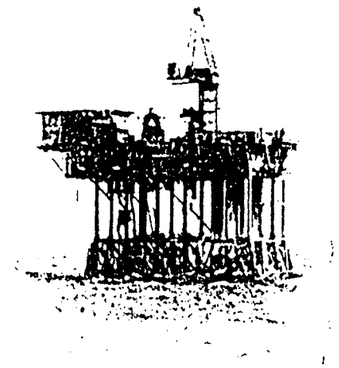
If you visited them you would be pleased to note how we utilize highly advanced technology and equipment.

Last year, in our four iron and steelworks, we produced just under 7 million tons of raw steel, which ranks BHP 13th among free world producers.

And in mid-1972, a £Stg.163 million expansion will come onstream at Port Kembla, Australia's largest steelworks, boosting total capacity to 9 million tons.

This output satisfies Australia's total steel needs with enough capacity to fulfil hefty export orders.

And each year, that capacity grows.



Oil and gas.

Until 1969, Australia imported 90% of its petroleum requirements.

Over the last 3 years, a dramatic change has taken place.

60% of this country's total petroleum requirements now comes from Australian fields.

BHP and Esso found oil and gas under the turbulent waters of Bass Strait.

1,600 million barrels of oil and 9.5 trillion cubic feet of natural gas.

It cost the partnership £Stg. 180 million to explore and develop, but the calculated risk paid off.

And the search continues..

Shipbuilding.

BHP's shipbuilding activities date back to only 1941.

Yet since that time, BHP has built 52 vessels — 12 for the company's own fleet, now totalling 18 ships.

This year we'll launch 53, 54 and 55, including a 78,000 dwt. ore carrier.

All built, naturally enough, with BHP steel.

Each year, the fleet transports some 12 million tons of raw materials to our works.

Our fleet may not worry Mr. Onassis.

But then, we make more steel than he does.

Research and exploration.

A company like BHP leans heavily on it.

Some 600 people, including 150 scientific staff, are engaged in research and development at our two major research laboratories and at the Works laboratories in each of the steelmaking plants.

BHP's mineral exploration team numbers over 70.

It is, in fact, one of Australia's largest group of geologists and geophysicists.

Investment.

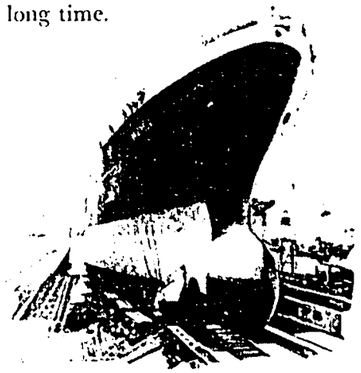
Over the past ten years, BHP has ploughed back over £Stg.604 million in new plant and equipment.

Over that same period, the company has paid out £Stg.109 million to its 183,000 shareholders.

And perhaps most important of all, is our investment in brainpower.

At this moment, we have just under 6,000 of our people receiving specialised training and higher education.

We intend to be here for a long time.



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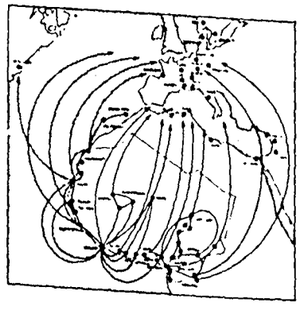
Our passengers are a step ahead of the rest. They're taking the lead in the development of a rich, expanding, wide-open continent: Africa.

To Africa, from Africa and within Africa, they fly Air Afrique. The only airline with the size and speed they want.

Like 84 flights a week. To 34 African cities. And every flight has one thing in common. Efficient, courteous, unobtrusive service.

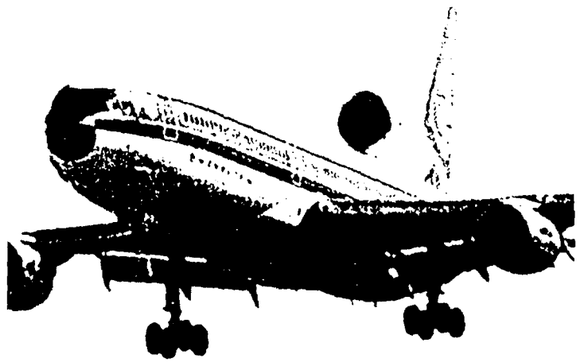
Which we mean to expand still further. For instance, we're just about to introduce the first three giant DC10's the continent has ever seen.

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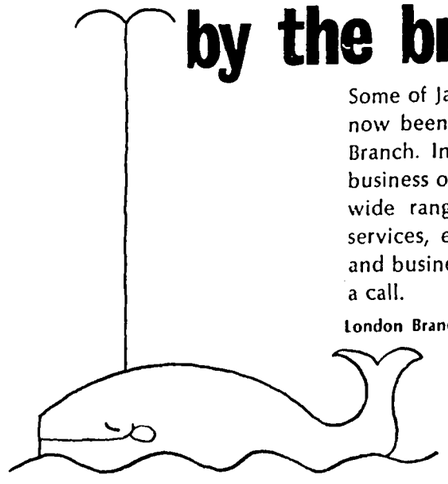
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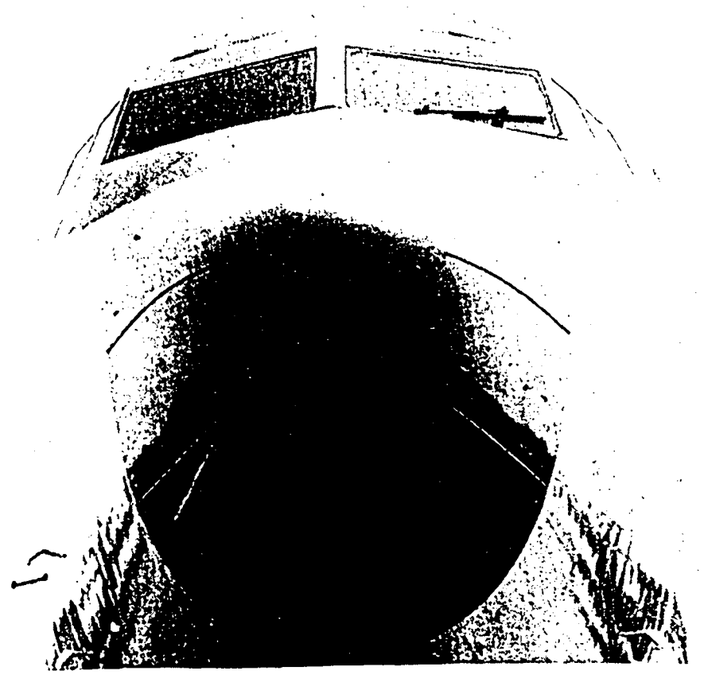
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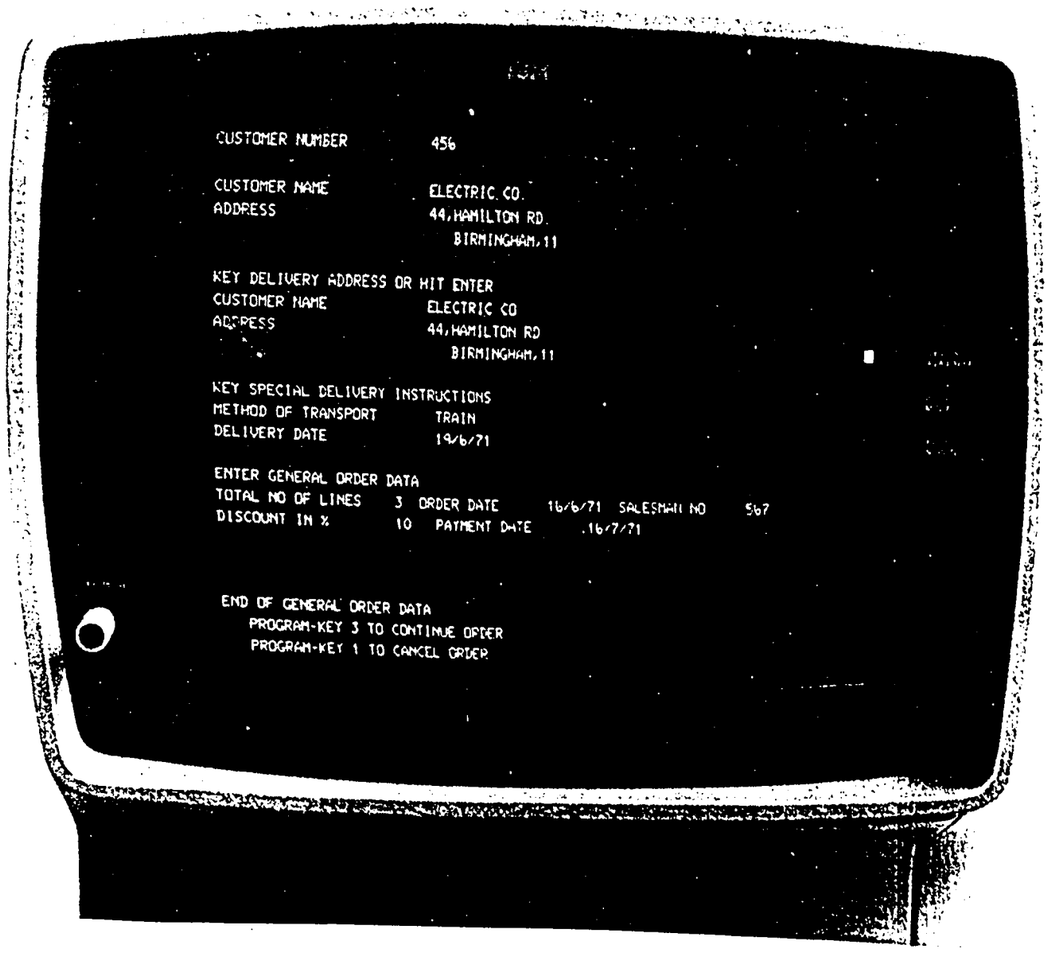
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That, of course, is no ordinary screen.

It's the read-off screen on what is formally called the IBM 3270 Information Display System.

But the 3270 is a Scottish programme: IBM's manufacturing plant at Greenock has the responsibility for supplying it to over 100 countries throughout the world. (And if orders and interest are anything to go by that means a lot of exports!)

But the 3270 is just one programme keeping Greenock busy.

In addition to display units they also manufacture data entry equipment, terminals, computers and optical character readers. Giving employment to around 2000 people.

And, together with Havant (IBM's other major UK manufacturing plant) their delivered exports approached £50m. in 1971.

But all this activity means more than statistics. Projects like the IBM 3270 are putting British computer manufacturing personnel among the most advanced in the world.

And that's a long-term benefit that just can't be measured.

IBM

IBM United Kingdom Limited, 389 Chiswick High Road, London, W.4.

second half should be good for a 10% increase over 1971. Pre-tax profit for the year could therefore give earnings of 25p and a cheapish prospective p/e of 16 at 402p.

Tube Investments looks less of a buy at 437p on a historic p/e of 17. The engineering is heavier than GKN's as nearly half the turnover is in tubes and aluminium, and there is the machine tools division as well, so that the cyclical recovery will largely be in 1973. The chairman has forecast a drop in the first half profit of about 20%. As for **Plessey**, although the January to March results, showing a rise of £150,000 to £5½m despite the strike, are reasonable, the market should be waiting for more evidence to justify a prospective p/e of about 24 at 155p. But the benign sentiment of a bull market might start lifting the share price out of its recent downward drift.

Stores

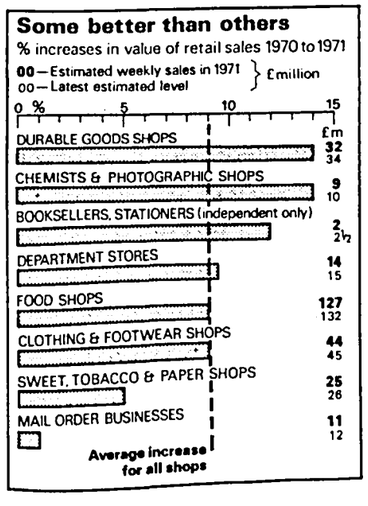
Mixed luck

The stores sector, on an average p/e of 26 in anticipation of Mr Barber's spending boom, is vulnerable to disappointment as results which reflect last year's difficult and patchy retail climate come through. Retailers managed an average rise in their turnover of 9% over the year; but while durables went up 14%, clothing and food were left behind, and, what with power cuts and unseasonal weather, the early months of this year have not been much better for them. Even **Marks and Spencer** did not escape, although, as usual, it managed to outpace the average: this time with a 10% rise in clothing sales and a 15% rise on the food side. Even so, sales growth was down on last year's 15½%, and lower margins, though better than at the half-way mark, meant that Marks's 7.3% rise in pre-tax profits was half that expected. The shares, however, rose 15p to 300p, and are on a p/e of 28.

Clothing shops should have a fair amount of pent-up demand to come their way. This is a cheerful idea for **Debenhams**, which, while fighting for its independence, has had to report on an especially dreary year for its speciality, women's fashions (around 35% of its sales). Its creditable 25% growth in pre-tax profits in the second half was less than the optimists were expecting, while its 8% growth in sales for the year was an embarrassing few points below the average for department stores and much less than its bidder, **United Drapery Stores**, managed.

Men have been buying clothes a lot more enthusiastically than women, which was a help for UDS with its John Collier chain—and UDS also benefited, compared with Debenhams, from a larger stake in the flourishing hire purchase sales of durables. Well placed on both these scores, **House of Fraser** might produce a 30% profit rise to £10m or so in the figures due shortly, giving a prospective p/e of 26.

But even credit-boosted durables did not outpace chemists' and photographic goods. **Boots** can scarcely miss its £33m pre-tax forecast, and cheerful things can also be expected from **Dixons Photographic**, which has already turned in an 84% profit rise on a 73% inrease in sales for the first half to mid-November, justifying its p/e of 22, at 239p.



Wall Street

Sending the message

New York

Worries in Wall Street about the new Vietnam flare-up had not depressed the market much by mid-week. The Dow Jones average closed on Wednesday at 964.8, down 2 points in five trading days. But a dozen or so American brokers whose shares trade publicly are finding it difficult to put in a good word for themselves with investors. Brokerage shares have been lagging behind the market.

One reason has been the recent weakening of the bond markets, which has cut into profitability. Claiming this as the explanation, **Merrill Lynch, Pierce, Fenner and Smith** announced a dip in its first quarter net profits to $23.3m or 72 cents a share, from $26.3m or 90 cents a share the year before. Merrill Lynch stock dropped on the news by nearly $3 to $41.5 in trading on the New York Stock Exchange and is now on a p/e of 16. **Donaldson, Lufkin and Jenrette**, another prominent house listed on the Big Board, similarly lost a little to close at $11, on a p/e of 15, as the result of a generally soft earnings picture.

Actually, the past year has seen the return of better times to a number of houses that survived the industry's shake-out in 1970. **Bache and Company**, second largest after Merrill Lynch, has reported record earnings of $12.3m, or $2.31 a share, in the year ended January 31st, a sharp turnround from last year's loss of $2.4m, and is selling on a p/e of 7.

Some of the still unquoted share merchants are planning ambitious advertising programmes, though with expenditures well below the record outlays in 1969, in the wake of the 1968 bull market. Shearson, Hammill, a nationwide firm, is planning to spend some $700,000 this year, principally on a new television spot announcement in New York, Chicago and Los Angeles, as well as on large-space metropolitan newspaper advertisements. This will be up from the total advertising outlay of $200,000 in 1971, but well under the firm's peak $1.5m publicity budget in 1969. Walston and Co, another major retail-oriented house, expects to spend 25% more on advertisements this year than in 1971. Paine, Webber, Jackson and Curtis is budgeting outlays of $1.25m, compared with last year's total of under $1m.

The Shearson commercial was filmed on a recent Saturday on the otherwise vacant NYSE trading floor. In the spot, the camera focuses first on the firm's youthful president, Mr Alger B. Chapman, Jr, and then scans a crowd of over 500 employees arrayed directly behind him. To lure its workers back to the exchange in deserted lower Manhattan for the Saturday filming, Shearson awarded door prizes featuring a weekend trip for two to Bermuda, a television set and several clock radios. Mr Chapman's message: "When you invest, you need all the help you can get." If you are selling, it pays to sell hard. British brokers, their heads firmly in the sand on the advertising issue, should take heed.

Gold

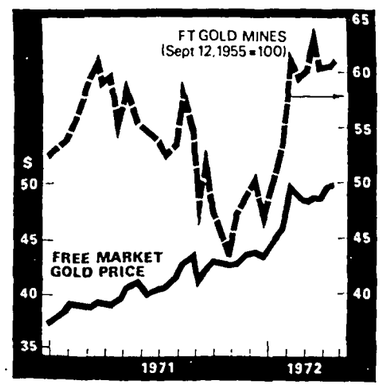
Will the glitter go?

The free market price for gold is edging up to $50 an ounce, to the delight of the Goldfingers of the world and the annoyance of the sceptics (like *The Economist*) who reckon that the gradual demonetisation of the metal should unleash the 1.2 billion ounces that international institutions and central banks hold on to the free market ; or that the fear of this should hold in check any dramatic price rises. But free gold is now 30% up on the official price of $38 an ounce ; and has risen by 12% since the beginning of this year. Can it go up much further —and how should that affect the rating of gold mining shares?

The long-term argument for the bulls is that the supply of gold from South Africa—and that is nearly all of it—is falling and will continue to fall to the point where gold really is a scarce commodity. At present South Africa produces around 31m ounces a year ; unless new discoveries are made, the output of the mines at present in production will have faded to about a third of current levels by 1990. Commercial demand, which, it is claimed, is only just being met out of current production, will continue to rise, and so there is only one way for the price to respond.

The trouble is that no one is certain what the normal level of demand is. Only a small portion is used in industry : the rest goes into jewellery, watches, medals, coins and ingots, where the hoarding instinct certainly plays its part. The industry has, it is true, done an appalling job of marketing gold, and more money and ideas might stimulate commercial demand.

The acknowlegement of the sheer demand and supply statistics of gold





It's all the same to us

as a commodity have definitely been a significant factor behind the recent increase—perhaps the main one—though demand from trouble spots, like the Middle East and Cambodia, has apparently been strong. And the old currency fears have probably been as important a factor as ever. Having achieved a good rise, success might breed success, as the hoarders who had been tempted out of gold into income-producing assets return to their first love. And at such high prices certain central banks might be tempted to sell some of their reserves quietly on the free market. This might put a ceiling on the price at the $50 an ounce mark. But the price could come tumbling down. Large though it is (say $2 billion), the gold market is small in relation to the Eurodollars switched in and out of it.

But if the price marches on to, say, $55, then the index of gold shares will march in step. The Financial Times gold mines index is already up by 30% since the beginning of the year—more than any other sector except banks—but it is unlikely to outperform the rest of the market unless either the gold price goes up or the mines record better than expected profits. The quarterly results that came out last week were treated as something of a disappointment, but the index has not fallen much, implying that the gold price influence is in the ascendant.

For those who have faith in gold, the way to back it is to construct a portfolio of individual mine shares, rather than to buy the giant mining finance houses. But mines have to be carefully studied, and the private buyer should realise that the share-dealing mining finance houses, like **Consolidated Gold Fields, Charter Consolidated** and the others, are much better informed than he is. Moreover, on the other side of the coin and the Atlantic, there is a lot of unsophisticated buying of gold stocks which could upset the price of the rationally chosen share. Among those to be considered are **President Steyn** among the mature producers and **Elsburg** among the new mines, with **Buffelsfontein** as a speculation.

Australian market

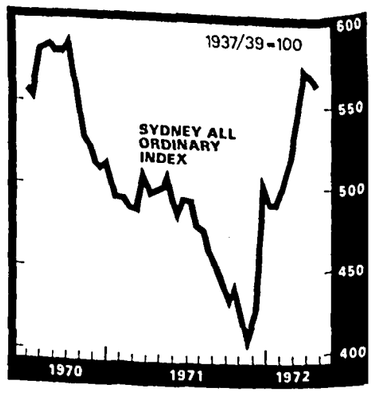
On the rebound

Sydney

Australia's leading share price indicators obstinately refuse to break new ground. Most, in fact, are several percentage points from all-time peaks reached in January, 1970. But they include mining stocks which were booming just over two years ago and certainly are not now : it is industrials which are currently making the running. The Sydney index of all shares other than metals has become the one to watch. What it is showing is a rather undecided market in which special situations predominate.

But equity prices have found something of a plateau at levels some 40% above those of last November and within striking distance of a peak which has stood since May, 1968. Prices have moved in a narrow range for the past three weeks, although trading volume is consistently higher than for many moons, last week averaging more than 10m shares a day for the Melbourne and Sydney markets compared with 5m or 6m over much of the past year.

Yet this is not the typical Australian bull market in which individual investors (or punters) are a significant factor. Indeed, it has so far largely passed the general public by, being the creation of the institutions and professionals and, more particularly, so it has appeared, of London buyers after the removal of the voluntary restraint on British investment in overseas sterling



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are businessmen

80%
of them
are european

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and also subject to service charge and local taxes

INTER-CONTINENTAL HOTELS



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profitable
returns

To make the most of your trading opportunities with Australia and New Zealand, you need the services that ANZ Bank offers.

We can give you the vital information you need in the planning stage. Because we've over 1500 offices covering the entire area, keeping us in day-to-day touch with economic conditions and growth, population trends, wages, prices, trade cycles and the rest.

This means we know a lot of people, too. If you need contacts, suppliers or agents, we can find them and put you in touch.

And we even have a special service—ANZ Travel—to make all your travelling arrangements when the time's right for you to go out and see for yourself.

Any of these services is yours for the asking. Write, (on your company letterhead, please) and find out what we can do for your returns.

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AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED
Incorporating ANZ Bank and ES & A Bank
71 Cornhill, London EC3V 3PR. Phone: 01-623 7111

A BANK OF Commerce, Industry and Shipping

	1970 Mill. kr.	1971 Mill. kr.
PRINCIPAL ASSETS		
Cash, Deposits with Bank of Norway etc.	177	266
Balances with Norwegian Banks	112	158
Balances with Foreign Banks	475	306
Securities	1.213	1.573
Bills, Overdrafts, Mortgages and other Loans	3.398	3.749
Sundry Assets	367	365
	5.742	6.417
PRINCIPAL LIABILITIES		
Deposits	4.719	5.220
Funds from Foreign Banks in Foreign Currencies	257	302
Sundry Liabilities	429	491
Capital and Reserves	337	404
	5.742	6.417
PROFIT AND LOSS ACCOUNT		
Operating income	218	276
Net profit	42	51
Total Turnover (1000 million kr.)	508	635

DnC

Den norske Creditbank

Oslo - Norway

BARCLAYS BANK LIMITED

Annual General Meeting

The Annual General Meeting for 1972 of Barclays Bank Limited was held on Wednesday 12th April 1972 at the Head Office of the Bank, 54 Lombard Street, London E.C.3.

Sir John Thomson K.B.E. (the Chairman) presided.

The Secretary read the Notice convening the Meeting and the Report of the Auditors.

The Report of the Directors and the Accounts for the year 1971 were approved. The Chairman explained that the Board had paid on 30th March 1972 second interim dividends of 10½ per cent on the Ordinary stock and of 10 per cent on the Staff stock in lieu of final dividends in order that Stockholders would receive their dividends without undue delay notwithstanding the postponement of the Annual General Meeting caused by the miners' strike and consequent difficulties in the printing industry.

Ordinary Resolutions as set out in the Notice of Meeting were passed to increase the Capital of the Company to £230,000,000 by the creation of 120,000,000 new Ordinary Shares of £1 each, and to capitalise £96,498,865 of the reserves to be applied in paying up in full at par 96,498,865 Ordinary Shares of £1 each for distribution amongst the holders of Ordinary stock on the Register of Members at the close of business on 16th March 1972, in the proportion of one share for each £1 of Ordinary stock.

A Special Resolution was passed to alter the Articles of Association of the Company to take account of the increase in the Capital of the Company.

The retiring Directors were re-elected, with the exception of Sir David Martyn Evans Bevan Bt., who did not seek re-election.

A Vote of Thanks to the Staff, proposed by Mr. C. Fitzherbert and seconded by Mr. M. Conacher O.B.E., was carried. Mr. A. W. F. Paskins M.C., General Manager (Staff), responded.

The Right Hon. the Lord Remnant expressed the Stockholders' thanks to the Chairman for presiding at the Meeting.

Renounceable stock certificates in respect of the capitalization issue will be posted on 14th April 1972.

area countries. Australia's investment industry is being influenced more by the example of foreign markets than by genuine confidence in rising equity values and the whole paraphernalia of comparative yields and multiples which make Australian shares look cheap.

The question is, how cheap? At a technical level, differences in weighting procedures give the Australian market a too-modest average p/e of under 13. Inter-company comparisons do show lower Australian earnings multiples but, in general, the differential would seem insufficient to stir up wild excitement.

Australia could be set for good short-term growth in both the economy and corporate earnings. In the face of stubborn unemployment and an unpromising election ahead, the government is sparing no effort to increase the tempo of business. The latest move was an unscheduled mini-budget last week in which the federal treasurer gave some A$180m back to the taxpayers (over a full year). It followed a lowering of interest rates and conditions of abundant liquidity. But it is not clear how much of the benefits will flow to shareholders. Whatever happens, however, the chief carrot dangled before Australian investors will probably continue to be the buying interest of foreigners. And on that score Japan, and not Britain, is expected to be the most spectacular source of orders.

New companies

Catch 'em young

There was a time when newly quoted companies tended to fade quietly into obscurity after the little flurry around their launch. Not any more. Small companies and second-line stocks have featured prominently in the current bull market, and the professionals have started looking eagerly at the talents of the newcomers.

Two years of the best (and worst) new issues

Company	Issuing House/ Broker	Date of issue	Performance* %
Freshbake Foods	Schweder Miller	May, 1971	+296
Commodore Securities	Schweder Miller	June, 1971	+235
Orme Developments	Sandelson	Nov, 1971	+198
NSS Newsagents	S G Warburg	July, 1971	+122
Kwik Save Discount	Singer & Friedlander	Nov, 1970	+121
Abrasives International	Gresham Trust	July, 1970	− 40
Enalon Plastics	Bates Mounthall	June, 1970	− 40
Fairfax Jersey	Burston & Texas	July, 1970	− 46
Cray Electronics	Rowe Rudd	Sept, 1970	− 49
United Engineering	Hodgson Baker	April, 1970	− 54
ADM Business Systems	Rowe Rudd	Dec, 1970	− 54

**Relative to FT-Actuaries all-share index*

Some of the best and the worst achievements in new company shares relative to the market are shown in the table, and even the worst have not done too terribly in absolute terms. An index based on all companies launched in 1970 and 1971 rose 99.5% over the 27 months to the end of March, compared with 59.8% on the Financial Times-Actuaries all-share index.

The figures are produced by Singer and Friedlander in a discreet and useful advertisement to advance its new issue business—and some of its recent proteges feature creditably in the lists. As well as the sky-rocketing **Kwik Save Discount**, it also launched **Textured Jersey** (+ 45% against the index) and **Allied Carpet Stores** (+44%). Its latest effort on new issues, the **Young Companies Investment Trust**, launched during the week, will specialise in new boys—those companies which have been around on the market for five years—so it is a pity the figures do not extend farther back than two years. They might then tell a less buoyant tale, although the bank reckons that a more extended exercise would still prove the point.

The new trust is pretty well bang on cue. The idea of stringing along with Singer and Friedlander in backing a few bright sparks has its attraction; the trust could reasonably be expected, within the normal confines of the inherent conflict of interest, to get a spin-off from the bank's knowledge on the issuing side, first offers on placings and so on. The slight fear remains that the trust will end up as a holiday home for the bank's duds, but the regular publication of the detailed portfolio would help to quell that.

American accounting

Fed up with chaff

American accountants took up the notion of firm, codified accounting principles well before British accountants did. But many of the Americans' principles were poorly thought out, emerged after æons of agonised discussion, were open to the criticism that undue influence had been exerted by accountants' clients to make them less harsh, and were frequently overturned by government departments.

After growing criticism, which centred on the way conglomerates fabricated accounting profits, the profession brought in a task force headed by an ex-Securities and Exchange commissioner, Mr Francis Wheat, to examine what should be done about its accounting principles board. He recommended an independent rule-making body, whose full-time (and highly paid) staff would be appointed by nine trustees, four of them from outside the accounting firms, and which would have the benefit of a broadly-based advisory committee. With unexpected speed, the executive of the American Institute of Certified Public Accountants is recommending its members to act quickly on the proposal. The SEC has recently appointed a vociferous critic of the accountancy profession, Mr John Burton, to its staff, and will be watching developments carefully.

Key indicators: world bourses

London scores new all-time peak. Wall Street only moderately shaken by Vietnam news. Tokyo for once sees profit-taking in the ascendant.

	Stock price indices Apr 19	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London	524.8	524.8	470.4	+ 1.4	+ 1.5	+49.9	−
New York	964.8	968.9	889.2	− 0.2	+ 3.3	+ 2.5	− 3.1
Canada	205.9	210.4	187.5	+ 1.7	+ 0.9	+ 9.1	− 2.1
Australia	564.0	584.9	490.1	− 1.4	− 1.2	+13.2	−15.0
Japan	244.5	250.1	199.9	− 1.4	+ 6.6	+33.9	− 2.2
H'kong	380.8	382.9	324.0	+ 2.0	+10.3	+72.8	− 6.3
Belgium	109.9	110.7	96.9	−	+ 2.1	+10.6	− 0.7
France	80.8	80.8	67.6	+ 2.0	+ 8.9	+ 5.6	− 6.2
Germany	114.0	116.5	97.1	− 0.8	+ 2.3	+ 7.0	−18.7
Holland	129.6	131.7	105.4	− 0.6	+ 1.7	+ 2.3	− 3.1
Italy	47.5	49.7	43.9	− 2.9	+ 7.2	−13.5	−59.3
Sweden	343.7	346.6	308.7	− 0.3	+ 2.1	+29.9	− 8.5

Stock prices and yields are on pages 133 and 134



Sure there isn't a pony at the other end, Simpkins?

A car, Sir, awaits us at the airport, Sir. It's only an hour from Newcastle, Sir. We could have flown to Edinburgh, Sir, and then by car—or train to Berwick, Sir.

Mmm—always thought it took days to get *there, myself. It's a damn long way south* for delivery to our customers, Simpkins. Beastly costly, what?

Actually Sir, our home market is very much London, Midlands and North. Without having to contend with every-day city congestion, we ought to be able to speed up deliveries and make marginal reductions on cost-per-ton-mile.

Ah! But what about getting raw materials, Simpkins?

Our suppliers do have other customers in the north, Sir. And with a new, factory and a more efficient production process and fast delivery service, we should be more profitable, Sir.

Yes, yes. But what about—oh drink your coffee Simpkins and get me another gin and tonic, there's a good chap. Ask that pretty blonde thing.

Yes Sir.

(YOU SEE—IT'S EASY TO GET TO US IF YOU CAN'T WAIT UNTIL 6th MAY)

SCOTTISH BORDERS

If you want immediate details contact:
J. ALASTAIR BILTON,
Development Officer for
PEEBLES ROXBURGH AND SELKIRK,
Selkirk County Offices,
Melrose Road,
Galashiels, Selkirkshire.
TELEPHONE: GALASHIELS 3177.



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At the Bank of Nova Scotia, we have a lot of things to give you as well. There's knowledge, expertise, and time.

Take knowledge first. Since 1832 we've grown into an organisation with over 900 branches spread right across the world.

This means that, when you're doing business abroad, we can help you with a full range of international banking services. Upon request on your company letterheading we can supply one of our latest 'Business Guides' by return of post. Our most recent guides which are available for Canada, Bermuda, the Bahamas and Jamaica, will help you on local taxes, legislation and other trading conditions. Guides on other countries are being prepared and these should be available shortly.

Then there's expertise. Over the years we have acquired a lot of insight in various specialised financial areas. For example shipping financing. But we also know about Trust Companies. Through our subsidiaries we can offer world wide Trust Company facilities. Why not approach our United Kingdom Trust Company Manager for further details by calling London at (01) 629 7071.

Last, but by no means least, we offer time, without charge. And that includes time to assess your business propositions and requests for loan facilities.

Now that credit restrictions have been eased in the UK you will also find that we can lend money at very competitive rates.

We think our job is to do more than lend you money. It's also to offer you help and assistance when you ask for it.

Contact our local branch manager or our business development officer at our European regional office, 19/23 Knightsbridge, London, SW1.

The telephone number is (01) 235 1105. And we are in the telephone directory not only in the City, but also in Edinburgh, Glasgow, Belfast and Dublin.

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Incorporated in Canada with Limited Liability

Regional Office 19/23 Knightsbridge, London SW1. **Executive Offices** 44 King St. West Toronto, Canada. Over 900 offices in: Canada, the Caribbean, the Bahamas, London, (5 branches) Glasgow, Edinburgh, Dublin, Belfast, Rotterdam, Brussels, Frankfurt, Munich, Athens, Piraeus, Beirut, Tokyo, New York, Chicago, Los Angeles, San Francisco, Houston, Mexico City, British Honduras, Guyana, Buenos Aires. **Affiliated and Subsidiary Banking Companies** The Bank of Nova Scotia Jamaica Ltd (44 branches), The West India Company of Merchant Bankers Ltd, Kingston Jamaica, Bermuda National Bank Ltd, United International Bank Ltd, London, UK, Maduro & Curiel's Bank NV, Netherlands, Antilles.

CHAIRMEN'S STATEMENTS

SWAN HUNTER GROUP LIMITED



Sir John Hunter

1971
GROUP PROFIT
£2.9 million

GROUP RESULTS FOR THE YEAR ENDED 31st DECEMBER, 1971

	1971 £'000	1970 £'000
Turnover	112,361	103,423
Group trading profit (1970—loss) arising from:		
Shipbuilding	546	(6,226)
Shiprepairing	1,042	1,656
Civil Engineering and Building	219	108
Marine and General Engineering	138	14
Shipowning	—	35
	1,945	(4,413)
Share of trading profits less losses of associated companies	139	39
Investment income and interest received less interest payable	799	1,230
Group Profit (1970—loss) before taxation	2,883	(3,144)
Taxation	382	400
Group Profit (1970—loss) after taxation	2,501	(3,544)
Profit (1970—loss) attributable to minority interests in subsidiaries	153	1,550
Profit (1970—loss) attributable to *Parent Company* shareholders	2,348	(1,994)
Dividends on Ordinary Shares:		
Interim of 2% (1970—Nil)	230	—
Proposed final of 8% (1970—Nil)	920	—
Profits Retained	1,198	(1,994)

ANNUAL GENERAL MEETING—Wallsend Shipyard, Wallsend, Northumberland, 31st May, 1972, at 3 p.m.

EXTRACTS FROM THE STATEMENT TO THE SHAREHOLDERS BY THE CHAIRMAN, SIR JOHN HUNTER

1) Profit has been taken only on shipbuilding contracts completed during the year. Where losses were incurred these did not exceed in the aggregate the provisions made in previous years in respect of these contracts.

2) The directors believe that from the experience in 1971 the provisions in respect of fixed price contracts for vessels yet to be completed will prove adequate.

3) The principle shiprepairing establishments in the U.K. were not able to equal their exceptional 1970 results but have achieved above average profits in the past year.

4) The directors look forward with confidence to the trading results for 1972, which on present indications should show an improvement on 1971, irrespective of the effect of any government aid.

5) The Government's recent announcement of grants to the shipbuilding industry is welcomed and should be of considerable benefit to the company. The effect of these grants cannot be assessed until details become available of the legislation to implement the Government's proposals.

6) The company has agreed, subject to contract, to purchase from Vickers Limited the shiprepair yard at Hebburn on Tyne in exchange for its holding in Brown Brothers Ltd. (at present owned jointly with Vickers), and the sum of £1,250,000 in cash. Plans for the development of the yard are well advanced, and this acquisition will provide a significant addition to the company's shiprepairing services in the U.K.

Anglo-Ecuadorian Oilfields Ltd

Summary of Chairman's Statement for 1971

In the last quarter of 1971 the Ecuadorian sucre, which is pegged to the U.S. dollar, weakened by approximately 15% in terms of sterling, due first to the reintroduction of a free market in Ecuador and secondly to the realignment of major international trading currencies.

In order to present a more realistic statement of the Company's affairs within the general climate of international exchange fluctuations, the basis of translation of foreign currencies at year end rates has been extended to fixed assets and the Ecuadorian pensions provision. This adjustment, amounting to approximately £900,000, has been charged against reserves.

The Results for the year ended 31st December 1971 benefit from the sale of half of the Company's one third interest in the Ecuadorian Oriente Concessions, amounting to a net surplus of £381,481. While therefore the Consolidated Profit and Loss Account showed a loss for the year of £18,315 (1970 profit £293,497 after crediting £332,964 from Exchange Equalisation Reserve), the Group result, after charging this loss and a prior year's adjustment of £71,704, was a surplus of £291,462 (1970 surplus £533,231).

Group sales are higher by 13% in terms of sucres, but profit margins have been and are still being eroded by increasing costs of operation. Strong representations have been made to the Government of Ecuador concerning the adverse effect on the Company's finances of the artificially low level of controlled selling prices effectively unchanged since 1959. In the circumstances, and in view of the need to conserve funds for the continuing evaluation of the Oriente Concessions, the Directors are unable to recommend payment of a dividend.

APPOINTMENTS

Massey University
PALMERSTON NORTH, NEW ZEALAND

Economics Department

The Economics Department, one of the fastest growing departments in this fast growing university, plans to initiate a full graduate teaching programme in 1973, as well as expand its undergraduate teaching.

Applications are accordingly invited from suitably qualified persons in one or more of the following fields :

microeconomics
managerial economics
transport economics
regional and/or urban economics
economic history
money and finance
econometrics

Applications from especially well qualified persons in other fields will also be considered.

The department is in a position to appoint at any of the following levels, depending upon experience and qualifications :

Junior Lecturer	$NZ3699—$NZ4940
Lecturer	$NZ5589—$NZ7149
Senior Lecturer	$NZ7278—$NZ8579—$NZ9358
Reader in the range	$NZ9098—$NZ10,658

Academic salary scales are subect to periodic cost of living adjustments, one of which is expected shortly.

Further details of the positions, together with conditions of appointment may be obtained from the Secretary-General, Association of Commonwealth Universities (Apots), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572), or from the Registrar of the University.

Applications close on *31 May 1972.*

APPOINTMENTS

Economists
to help in planning social policies

Central Planning Unit
The economist who joins this recently formed unit will help to define objectives and develop analytical techniques needed for the longer term planning and organisation of the health and personal social services and the social security system.

Studies of living standards
The Chief Economic Adviser, Mr. J. L. Nicholson, requires an Economist to help in examining the effects of taxes and social service benefits and possible changes in health and social security policies on living standards particularly of low income groups.

The work involves research on current problems of vital importance with access to a wide range of unpublished material. The problems, embracing several disciplines, require fundamental analysis. There are good opportunities to publish your findings and you are encouraged to keep in contact with universities.

QUALIFICATIONS. You will normally need to be at least 27 with a first or second class honours or higher degree in economics or a closely related subject. Substantial relevant experience is essential. Appointment can be on a permanent or contract basis.

SALARY. (Inner London). Starting salary can be above the minimum of the scale £3,653-£4,883 and promotion can lead to salaries of £6,475 and above.

There are also vacancies in the Department of Trade and Industry, Civil Service College, Foreign and Commonwealth Office, Ministry of Defence and the Ministry of Posts and Telecommunications.

Send for full details of all these appointments and for an application form (to be returned by 5th May 1972). A visit to the department of your choice can be arranged if you are short-listed. Write to the Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone Basingstoke 29222 ext. 500 or London 01-839 1696 (24 hour 'Ansafone' service), quoting reference A/622/13.

Department of Health & Social Security

A medium large firm of consulting engineers, operating internationally, invite applications for the post of

Company Secretary

Professionally qualified Accountants, Secretaries, Solicitors, Economists, Engineers and others are invited to send brief curriculum vitæ and request a copy of the Job Description for the post, which involves advising on the formulation of policy, liaison with outside advisers and directing and controlling accountancy systems for the several offices of the organisation.

The appointment which is based in Bristol carries an initial salary of up to £5,000 p.a. with other benefits and prospects.

Please reply in confidence to:
Keith Parsons,

Parsons Brown
consulting engineers
York House St James Bond Street
Bristol BS1 3LW

MILTON KEYNES DEVELOPMENT CORPORATION

MONITORING AND EVALUATION OFFICER
(PROGRAMME BUDGETING UNIT)
Grade VIII (£2,880-£3,402)

The new city of Milton Keynes to be built by the year 2000 is planned for a population of a quarter of a million, and implementation has started following the Secretary of State's acceptance of the Plan.

A Programme Budgeting Unit has been established in the General Manager's department to co-ordinate and review policy decisions established by the Corporation. This senior post in the Unit is concerned with application of monitoring and evaluation techniques to all the Corporation's activities.

Suitable applicants for this post would need to be appropriately qualified in the field of planning or in a numerate social science. Previous experience of corporate planning and a knowledge of basic quantitative skills (including computer applications) would be desirable.

A choice of contributory pension schemes is available, free life insurance, and generous resettlement expenses will be paid to include costs of house removal, settling-in allowance, legal costs and surveyor's fees for the sale and purchase of housing and a generous separation allowance for married persons for up to four months.

Applications quoting reference No. EC/17, should be addressed to the General Manager (Appointments), Milton Keynes Development Corporation, Wavendon Tower, Wavendon, Near Bletchley, Bucks., by not later than 5th May, 1972.

APPOINTMENTS

University of Khartoum
SUDAN

Applications are invited for the following posts in the DEPARTMENT OF ECONOMICS :

(a) LECTURER OR SENIOR LECTURER IN INTERNATIONAL TRADE
(b) LECTURER OR SENIOR LECTURER OR PROFESSOR OF MONEY & BANKING
(c) LECTURER OR SENIOR LECTURER IN ECONOMICS OF TRANSPORT
(d) LECTURER OR SENIOR LECTURER IN INSURANCE AND SOCIAL SECURITY
(e) LECTURER OR SENIOR LECTURER IN PLANNING
(f) LECTURER OR SENIOR LECTURER IN AGRICULTURAL ECONOMICS
(g) LECTURER OR SENIOR LECTURER IN MATHEMATICS AND ECONOMETRICS

Salary scales : Professor : £S3,600 p.a. ; Senior Lecturer : £S2,400-£S2,800 p.a. ; Lecturer : £S1,500-£S2,300 p.a. (£S1=£1.20 sterling). The British Government may supplement salaries and these supplements are currently under review. By the next academic session they would probably be in the range of £600-£850 p.a. (single) ; £1,200-£1,600 p.a. (sterling). There will also be provision for children's education allowances and holiday visit passages. Family passages, various allowances ; superannuation scheme ; annual overseas leave. Detailed applications (6 copies) naming 3 referees by 23 May 1972 to Inter-University Council, 90/91 Tottenham Court Road, London W1P 0DT, from whom particulars are available.

GREATER LONDON COUNCIL

Director-General and Clerk to the Council

Applications are invited for appointment as Director-General and Clerk to the Greater London Council to succeed the present Director-General, who has been appointed to be Permanent Under-Secretary of State at the Home Office. The Director-General and Clerk to the Council is the head of the Council's service and its Chief Executive: as leader of the team of Chief Officers he is the principal adviser on matters of general policy, and responsible for ensuring that the Council's business is carried on efficiently.

Candidates should have had wide experience in positions of responsibility. The salary of the post is £16,050; the successful candidate will be appointed as Director-General Designate from October 1972, and will take up his full duties at a date to be arranged.

Application forms (returnable by 15 May 1972) and further particulars of the duties of the post are obtainable from Mr A W Peterson, CB, MVO, Director-General and Clerk to the Council, Greater London Council, The County Hall, London SE1 7PB.

GLC GREATER LONDON COUNCIL

Wye College
(UNIVERSITY OF LONDON)

Lecturer in Rural Planning

Applications are invited for this post in the Countryside Planning Unit to work with Professor Gerald Wibberley. The appointment will be made according to qualifications and experience in the Lecturer grade for which the current salary is within the range £1,641 to £3,705 with superannuation under the F.S.S.U. Further particulars may be obtained from the Secretary, Wye College (E/22), near Ashford, Kent, to whom applications should be submitted by 15th May, 1972.

The University of Manchester

APPLICATIONS ARE INVITED FROM GRADUATES FOR

Research Studentships

in the Faculties of ARTS and ECONOMIC SOCIAL STUDIES. Values as for state studentships, renewable after first year. Particulars and application forms from the Registrar, The University, Manchester, M13 9PL. Quote ref : 54/2/E and name of Faculty in which award is to be held. Closing date June 1st, but later applications may be considered from those who have had to await degree results.

University of Birmingham

Faculty of Commerce and Social Science

DEPARTMENT OF ECONOMIC AND SOCIAL HISTORY

Applications are invited from suitably qualified candidates, including those due to graduate, for the post of RESEARCH ASSISTANT, from 1st August 1972 for one year in the first instance. Knowledge of French desirable but not essential.

Salary : £840 x £60—£1200

Applications (three copies) naming three referees by 12th May 19/2 to Assistant Registrar (C), University of Birmingham, Box 363, Birmingham B15 2TT, from whom further particulars and application forms should be obtained.

Please quote reference C/050/G.

University of Sussex

SCIENCE POLICY RESEARCH UNIT

Senior Research Fellowship on Forecasting in the Engineering Industry

Applications are invited for a 3-year Fellowship sponsored by the Engineering Industry Training Board for work on technological forecasting in the engineering industry. The successful applicant will join a team already working on a programme of social and technological forecasting research concerned with forecasting techniques and general problems of technology policy as well as with problems of specific industries and technologies.

The successful candidate will probably be an experienced technologist, economist or mathematician, preferably with both industrial and research experience and with intimate knowledge of the engineering industry. The Fellowship will commence in October, 1972, and the starting salary will be in the range £3852-£4734 p.a. plus F.S.S.U.

Application forms and further particulars from the Establishment Officer, Sussex House, University of Sussex, Brighton BN1 9RH, quoting ref 741/1 to whom 3 completed copies should be returned by 8th May, 1972.

APPOINTMENTS

University of Malaya

FACULTY OF ECONOMICS AND ADMINISTRATION

Chair in Analytical Economics

Applications are invited for the above-mentioned Chair.

There are no Departments in the Faculty and the programme of teaching is organised on an integrated basis among seven divisions: Accounting Division, Analytical Economics Division, Applied Economics Division, Business Administration Division, Public Administration Division, Rural Development Division and Statistics Division.

The Professor of Analytical Economics will be expected to organise courses in the field of Micro Economics at intermediate and advanced levels. Candidates should have high academic qualifications and wide experience in teaching and research. Candidates would be expected to have a grounding in mathematical bases of theoretical economics and be competent to do research in this field. Candidates would be expected to have at least ten years of teaching experience. Qualifications in mathematics would be an added advantage. Subject to academic suitability and experience, preference will be given to candidates competent in Bahasa Malaysia (Malay).

Emoluments : (approximate sterling equivalents at current exchange rates are :

(a) *Salary* : There is a range of basic salaries, to a point on which a Professor is appointed, depending on his qualifications and experience. These are: £2919, £3032, £3146, £3259, £3373, £3486, £3600, £3713 p.a.

(b) In addition a *Variable Allowance* is payable at present at the following rates : Minimum £243, maximum £649 p.a. calculated at 35% of basic salary.

(c) *Supplementary Housing Allowance* of £503 p.a.

Appointment may be made on a short-term contract at a salary higher than those indicated above.

Medical Benefits are provided under the Medical Services Scheme for the University.

Further particulars, details of superannuation and application forms are obtainable from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

The closing date for the receipt of applications in Kuala Lumpur and London is *20 May 1972*.

ECONOMIST

A well-established foreign bank requires for the Economics Department of its London Head Office a graduate economist, preferably with experience of working in a financial institution.

The work of the Department covers the current and future development of the U.K. and other economies, the analysis and forecasting of currency and interest rate movements, and the study of specialised areas of international trade. The successful applicant would be given specific responsibility for certain areas of work in which he or she would be encouraged to develop an expert practical and theoretical knowledge. Regular contribution to the Bank's Review would be expected and for this purpose proven clarity of written expression is essential.

The salary paid will depend on qualifications and experience, but will be fully competitive with comparable posts. The bank offers generous holiday entitlement and provides cheap mortgages for established staff. No rigid age limits are stipulated but the ideal candidate would probably be under 30.

Applications, giving brief curriculum vitae should be sent, quoting reference CL 2525 on the envelope to :

Foster Turner & Benson Limited,
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Up to £3,300

A large international group with a multi-million turnover wishes to recruit a Business Economist for its central planning department located in the South East. As section head he will plan and also conduct research into the economic and commercial factors affecting the group's activities. He will analyse and investigate a variety of investment projects – working closely with the top management of the group on these exercises. Candidates, aged up to 30, will have worked for a minimum of two years as economists in industry, preferably in a planning or forecasting function. As graduates, probably in economics, they will have some statistical experience. Salary is negotiable up to £3,300.

(Ref: MV38/4458/EC)

The identity of candidates will not be revealed to our client without prior permission given during a confidential discussion. Please send brief career details, quoting reference number to the address below, or write for an application form, and advise us if you have recently made any other applications.

PA Management
Consultants Limited.
Personnel Services Division,
Hyde Park House, Knightsbridge,
London SW1X 7LE

DUNDEE COLLEGE OF TECHNOLOGY

Department of Management and Social Studies

Applications are invited for the following posts from candidates with appropriate academic, industrial/business or research experience :

(TWO) LECTURESHIPS IN ECONOMICS (GRADE I or II)

Applicants for one post should have a strong interest in Quantitative Aspects of the subject, and for the second post a specialism in Macro-Economics and Economic Policy is required. The persons appointed will be expected to teach to degree level in courses offered by the department and to contribute to courses conducted by other departments.

Salary scales (currently under review) :
Lecturer, Grade I £1,482-£3,309
Lecturer, Grade II £1,260-£2,952
with initial placing dependent upon approved prior experience.

Further particulars and application forms obtainable from the Principal, Dundee College of Technology, Bell Street, Dundee, DD1 1HG, to whom completed application forms should be returned not later than 5 May, 1972.

APPOINTMENTS

economist

English Calico Ltd is a major textile manufacturing and marketing group working on a world-wide basis. Other interests include departmental store trading, multiple retailing, printing, packaging and paper making.

The Group is now seeking the services of an economist to join a small Head Office team working on group forward strategy, with particular reference to marketing and commercial implications.

The duties are stimulating and largely non-repetitive requiring a high standard of analytical and interpretative skill and needing a large measure of initiative.

The successful candidate will probably have had several years' experience in this type of activity with minimal supervision. A degree in Economics or a related discipline is necessary for this appointment which will lead to wider opportunities within the Group.

Salary and related benefits will be commensurate with the importance of the post.

Applications with career history should be posted to :

Group Appointments Manager,
English Calico Ltd.,
56 Oxford Street,
Manchester M60 1HJ.

Statistician

The Commission on Industrial Relations, which became a statutory body on 1 November 1971 under the Industrial Relations Act 1971 after nearly three years as a Royal Commission, invites applications for the newly created post of Statistician. The Statistician will be expected to advise teams of industrial relations specialists on the design and conduct of surveys into various aspects of industrial relations which are necessary to the conduct of their work. Such surveys vary from simple enquiries by structured interview at single small establishments to major postal surveys covering whole industries.

Data from these surveys is processed by a small team of systems analysts/programmers who have access to computers on a customer-usage basis.

Applicants should hold a degree in mathematics or statistics and have had at least five years experience as a statistician, preferably in the field of social science. A knowledge of industrial relations is not essential; but a willingness to take a wider interest in the work of the Commission than that called for by the basic statistical content of the job will be expected.

The appointment in the first instance will be for two years in the salary range £3478 pa to £4708 pa plus £175 pa London Weighting. Starting salary will depend upon age, qualifications and experience. Posts at present are not pensionable but negotiations on this point are currently being pursued.

Further details of the post and application forms, which should be returned completed by 1 May 1972, may be obtained from the Establishments and Finance Officer, Commission on Industrial Relations, 140 Gower Street, London WC1E 6HT quoting reference "Statistician".

The Polytechnic of North London

DEPARTMENT OF SOCIOLOGY AND LAW

Leaturer (Grade II) in Politics

Whilst there will be some teaching of Government on an existing degree course the main requirement for the person appointed will be to contribute to the planning of a challenging CNAA degree course in CONTEMPORARY EUROPEAN STUDIES and appropriate interests and qualifications will be expected. The appointment is to take effect as soon as possible.

Lecturer (Grade II) in Law

The successful candidate will be required to teach one or more subjects on a full-time LL.B. degree course (University of London External) and to participate in the development of a CNAA degree in Law. Candidates should hold a Law degree awarded by a British university and should preferably have been called to the Bar or admitted as a solicitor, although those expected to proceed to a degree this year will be considered. They will be encouraged to engage in research.

Salary scale : Lecturer (Grade II) : £2195-£2975, plus London Allowance of £118.

Further details and application forms may be obtained from the Deputy Secretary The Polytechnic of North London Prince of Wales Road, London, N.W.5. Applications should be returned within 14 days of the appearance of this advertisement.

Assistant General Secretary

work may include union negotiation, research, tuition, editing and administration. Scale maximum exceeds £4,500 : starting pay negotiable. Non contrib. pension, 6 weeks' holiday. Applications in confidence to **General Secretary, APOE, 345 Upper Richmond Road West, London SW14 8QN** marked 'AGS', by 1 May 1972.

University College Cork

Department of Social Theory and Institutions

The Governing Body invites applications for a full-time post as Assistant Lecturer/Assistant in the Department of Social Theory Institutions. The appointment will be made at one of the levels mentioned according to the qualifications and experience of the successful candidate.

The salary scales are : Assistant Lecturer : £2,220 x £105—£2,745 p.a. Assistant : £1,860 x £105—£2,070 p.a.

Before submitting applications candidates should obtain from the undersigned particulars as to the requirements for the filling of the post.

Latest date for receipt of applications is 3 p.m. on Friday, 12 May, 1972.

JOHN P. TEEGAN
Acting Secretary.

ASCO

ECONOMIST/PLANNER

ZAMBIA

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Interested candidates should write, giving full details of qualifications, age, experience, nationality and marital status, to :

ASCO ZAMBIA, P.O. BOX 1340, LUSAKA, ZAMBIA, OR C.C. (ITALASCO VIALE REGINA MARGHERITA 279 00198 ROMA).

APPOINTMENT

The University of Manchester

Department of Economics

Inflation : Its Causes, Consequences and Cures. An S.S.R.C. Research Programme.

Applications invited for the post of COMPUTER PROGRAMMER to work with a team of economists and econometricians studying the causes and cures of inflation. Applicants should have experience of scientific computing using FORTRAN and ALGOL and should have a degree or diploma with a substantial mathematical or statistical component. A knowledge of, or interest in, economics would be very useful. Salary range p.a. : £1374-£1860.

Further particulars and application forms, returnable by May 10th, from the Registrar, The University, Manchester, M13 9PL. Quote ref : 64/72/E.

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EDUCATION

For further announcements see pages 5, 125 to 131

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COURSES

UNIVERSITY OF LONDON : A lecture entitled "The Federal Bureau of Investigation : The Control of Political Police " will be delivered by Professor H. H. Wilson (Princeton) on 26th April at 5 p.m. at the London School of Economics and Political Science, Houghton Street, Aldwych, WC2A 2AE. ADMISSION FREE, WITHOUT TICKET.

Academic Registrar.

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(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

pcl

The Polytechnic of Central London

EEC COURSES

The May Conference

Labour Relations, Management and The Multinationals in the EEC

8-13 MAY, 1972

Theme

The measurement of the advantages and disadvantages of **Multinational Companies**—their contribution to **Technical Innovation**, their effect on **Internal and External Policies of Government**—**Capital Movements** and **Financial Problems**—the **Effect** of the **Multinational** on **Labour Relations**. The **Theme of Labour Relations** will be developed into the field of **European** and **International Collective Bargaining, Manpower Policies** and **Workers' Participation** in **Great Britain** and **Europe**.

Speakers include

Professor Dunning, University of Reading ; Professor Lyon-Caen, University of Paris ; Dr M Z Brooke, UMIST, Manchester ; Dr Charles Levinson, Geneva ; Professor Biedenkopf, Managing Director, Henkel, GmbH ; Mr Len Neal, Commission on Industrial Relations ; Professor Ben Roberts, London School of Economics and Political Science ; Mr W A J Manser, Baring Bros, Bankers ; Dr John Stopford, London Graduate Business School ; Dr Leo Crijns, EEC Commission, Brussels.

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For details contact The Administrative Assistant, EEC Courses, The Polytechnic of Central London, Management Studies, 35 Marylebone Road, London NW1 5LS. Tel 01-486 5811 Ext 252 or 251.

COMPANY ANNOUNCEMENT

We are pleased to announce that

DAVID M. BLAIKLOCK

has joined the Firm's

CORPORATE FINANCE DIVISION

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He will act as liaison

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and

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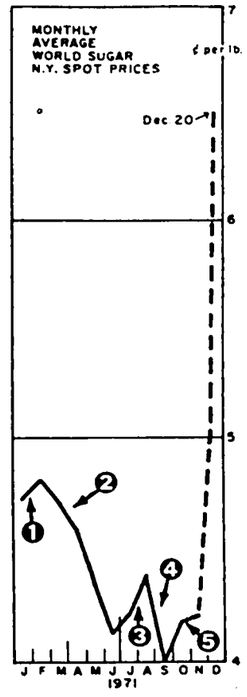
BALANCE SHEET AT 31st DECEMBER, 1971

LIABILITIES

	(Million Lire)
Profit and reserves	141,977
Deposits, correspondents, etc.	2,931,585
Mortgage bonds	2,368,145
Other liabilities	238,864
Contra accounts	3,204,176
	8,884,747

ASSETS

	(Million Lire)
Cash on hand and public securities ...	1,372,251
Securities, commercial and agricultural bills	262,064
Loans	963,758
Mortgage loans	2,332,549
Other investments	749,949
Contra accounts	3,204,176
	8,884,747



SUGAR

Recommendations of:

1. **January 1971** — Sell on near term advance. Weakness will follow.
2. **March-April 1971** — Broad downward trend. Buying opportunity around mid-year.
3. **July 1971** — Expect selling on approach to 4.5¢ spot.
4. **August-September 1971** — Only moderate further weakness followed by recovery to new highs. Add to purchases on weakness. Long term trend up. Maintain long positions.
5. **October-November 1971** — Long term trend up. Maintain long position.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

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NEW ISSUE

April 13, 1972

$20,000,000

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STOCK PRICES AND YIELDS

Prices, 1972 ₹ High	Low	British funds		Price, Apr. 12 1972	Price, Apr. 19 1972	Net red. yield, Apr. 19 1972§ £p	Gross red. yield, Apr. 19 1972 £p
98⅝	98	British Electric 3%	1968–73	98⅛	98⅛	2·700	4·495 I
89⅛	84⅞	British Electric 3½%	1976–79	84⅝	84½	4·520	6·045 I
109	105¼	Treasury 8½%	1980–82	107⅛	108⅛	4·065	7·480 I
108⅜	104	Treasury 8½%	1984–86	106⅜	106⅞	4·515	7·915 I
96⅛	88¼	Funding 6½%	1985–87	89⅞	90	4·835	7·610 I
66⅜	61⅞	British Transport 3%	1978–88	62⅛	63	5·275	6·930 I
86⅜	78	Funding 6%	1993	79⅛	80	5·185	8·025
111¼	103⅛	Treasury 9%	1994	103⅛	103⅝	5·100	8·570
58	52¼	British Gas 3%	1990–95	52⅛	52⅝	5·395	7·220 I
89⅞	81¼	Treasury 6¾%	1995–98	82⅞	83¼	5·225	8·315 I
73⅜	66¼	Treasury 5½%	2008–12	67⅜	68⅛	5·275	8·300 I
43⅛	40⅝	War Loan 3½%	after 1952	41⅛	41⅛	5·150	8·720 f
30⅛	28⅛	Consols 2½%		28¾	28⅛	5·205	8·690 f

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	104–5	103⅜–4⅜	8·24
Barclays 8¼%	1986	101–2	101⅛–2⅛	7·79
Borg Warner 8%	1979	101⅛–2⅛	100⅛–1⅛	7·54
Commercial Union 8½%	1986	101–2	101–2	8·09
Esso 8%	1986	101–2	100⅝–1⅛	7·65
Ford 8%	1981	101–2	100⅛–1⅛	7·62
General Motors 8¼%	1986	104–5	103⅜–4⅜	8·01
General Telephone & Electric 8¼%	1986	101–2	100⅝–1⅛	7·88
Shell 8%	1986	100⅛–1⅛	100⅛–1⅛	7·70
Hill Samuel 8¼%	1986	100⅛–1⅛	100⅛–1⅛	8·15
Rank 8¼%	1986	101⅛–2⅛	101⅛–2⅛	8·24
Transocean Gulf 8%	1986	101–2	100⅛–1⅛	7·70
Firestone (DM) 7¾%	1986	105⅛–6	104⅛–5⅛	7·14
Prov. of Nova Scotia (DM) 7¾%	1986	104⅝–5⅛	102⅛–3⅛	7·35
ICI (£/DM) 8%	1986	105⅛–6⅛	105–6	7·31

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 19, 1972	Change on week	Yield Apr. 19
		Banks, other financial			
347	268	Algemene Bank	Fl 322	−4	5·3
78	57·8	Amsterdam-Rot	Fl 73·4	+1·9	4·6
360	257	Aust & NZ Bank	332p	+2	3·0
44¼	37⅞	Bank of America	$44	+3	2·5
455	370	B of Ireland	415p	−5	3·4
1131¼	886	B of Montreal	988p	+10⅛	3·2
116⅜	85	B Nac de Mexico	P 89⅜	−⅛	8·3
455	308	B of NS Wales	420p	−35	2·2
740	525	B of Scotland	630p	−50	3·9
2625	2310	B Bruxelles	Fr B 2610	+10	4·6
266⅛	221	B de Paris Pays Bas	Fr 263⅛	+4⅛	5·1
64⅜	54⅛	Bankers Trust	$61⅛	−1⅞	4·6
480	298	Barclays	472p‖	+29	2·0
15⅛	11¹⁵⁄₁₆	Can Imp Com	£13⅛*	+⅜	2·0
111	78	Charterhouse Group	104½p	+3	3·9
60¼	52	Chase Manhattan	$58⅛	+⅛	3·4
59⅛	51¾	Chemical Bank NY	$57⅞	−⅜	5·0
257	235	Commerzbank	DM 238⅛	−10	3·6
174	148⅛	Credit Commercial	Fr 173·8	−0·2	4·3
435	570	Credit Foncier	Fr 430	+6	4·9
4225	3695	Credit Suisse	Fr S 3945	+225	2·0
350	313⅛	Deutsche Bank	DM 330⅛	−11·8	2·7
288	269⅛	Dresdner Bank	DM 271·9	−8·1	3·3
57⅜	43⅞	First Nat City	$56⅜	+⅝	2·3
475	355	Fuji	Y 475	+10	1·3
440	335	Hambros	440p	+16	1·7
208	142	Hill, Samuel	208p	+18	1·8
1⅛	1⅛	IOS Mgnt	$1⅛	...	...
16⅛	13⅜	Hongkong & Sh	£16⅜	+⅛	2·1
204	130	Kleinwort Benson	204p	+16	1·8
6980	5830	Kredietbank	Fr B 6980	+90	2·6
395	330	Kundenkredit	DM 370	−10	2·7
2180	1840	Lambert L'Ind	Fr B 2155	−15	3·7
457	320	LBI	445p	−10	2·3
850	601	Lloyds	830p	+28	1·9
36⅛	30	Manuf's Hanover T'st	$36⅛	+⅞	4·3
81000	62670	Mediobanca	L 77350	+2650	1·5
278	216	Mercantile Credit	266p	+1	2·8
248	176	Mercury Secs	248p	+36	1·2
794	522	Midland	790p	+28	2·2
327	202	Mitsui	Y 325	−32	1·7
294	205	Montagu Trust	294p	+2	1·2
88⅛	71⅛	Morgan J P	$88⅛	+⅜	3·2
520	355	Nat & Grindlays	520p	+15	3·2
4·15	2·80	Nat Australasia	$A4·06	+0·07	3·0
242	176	Nat Com Grp	232p	+4	2·0
462	300⅛	Nat West	460p‖	+28	2·0
144	120	Norsk Creditbk	9(121	−1	7·4
17	13⅜	Royal Canada	£15⅜	+⅛	2·3
870	608	Schroders	865p	+25	1·2
398	324	Slater Walker Secs	393p	+3	2·1
3135	2945	Soc Gen de Banque	Fr B3095	−40	4·5
2800	2640	Soc Gen de Belgique	Fr B2680	+35	5·2
445	328	Standard & Chart	445p	...	2·7
384	280	Suez	Fr 381	+5⅛	4·9
486	365	Sumitomo	Y 480	−6	1·3
4170	3710	Swiss Bank Corp	Fr S 4150	+150	1·9
4290	3885	Union Bank Switz	Fr S 4245	+85	2·4
600	490	Union Discount	600p	+35	4·0
285	237	United Dom Tst	280p	+5	2·2
		Insurance			
69⅜	58	Aetna Life & Cas	$69⅜	+1	2·3
475	388	Allianz Versich	DM 465	−4	1·3
516	446	Comm Union	504p	+4	3·3
582	496	Eagle Star	582p	+8	2·1
214⅜	164	Gen Accident	202p*	−7	3·2
56990	48350	Generali	L 54750	−100	0·8
312	252	Gdn Royal Exch	285p	−18	3·2
420	326	Legal & General	402p*	−4	2·6
90	65·8	Nat Nedrlandn	Fl 80·2	−7·6	2·5
396	308	Pearl	372p	+8	3·0
310	252	Phoenix	298p	+4	3·2
224	171	Prudential	206p	+9	2·9
452	394	Royal	440p	+14	3·4
620	502	Sun Alliance	620p	+80	3·0
362	285	Taisho Mar & F	Y 315	−13	1·7
545	476	Tokio Marine	Y 510	−25	1·1
5800	4775	Zurich Ins	Fr S 5550	−100	3·2

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 19, 1972	Change on week	Yield Apr. 19
		Breweries, etc.			
116	61⅛	Allied Breweries	115½p	−⅛	3·0
69	55	Anheuser-Busch	$ 65⅛	−⅛	0·9
178	148	Bass, Charrington	178p	+1	2·9
155	132·8	Bols NV	Fl 144·2	−3·6	2·5
179	117	Courage	177p	+1	2·1
197	153	Distillers	197p	+9	3·3
37⅜	33⅜	Distill Seagrams	$37½	+⅛	1·8
470	420	Dortmund Union	DM 469½	+½	2·1
231	184	Guinness	231p	+9	3·2
282	238½	Heineken	Fl 276½	−2	1·3
285	234	Kirin Brewery	Y 271	−14	2·8
18⅛	15⅛	Nat Distillers	$17⅛	+⅜	5·3
114	88½	Scottish & Newc	111p	−1	2·5
97	70	Sth African Br	92p	−2	3·3
264	163	Watney, Mann	241p	−3	2·2
110⅛	84⅛	Whitbread 'A'	105p	+1	3·0
		Building, building materials			
511	419	Assoc Portland	511p	+25	2·8
226	178	BPB Industries	224p	−2	2·9
20⅜	16	Bolse Cascade	$18¼	+⅛	1·4
337	252	Bovis Holdings	337p*	+20	1·8
247	195	Ciments Lafarge	Fr 242·1	−4·9	5·8
2650	2100	Cimenteries Briq	Fr B 2650	+40	4·2
370	233	Costain	370p	+38	3·0
143	105	Eng China Clays	142p	+10	1·9
23000	19050	Italcementi	L 21900	−700	2·3
224	179	Laing 'A'	224p	+6	1·0
175	115	London Brick	175p*	+21	2·9
216	158	Marley	216p	+12	2·5
375	325	Pilkington Bros	371p	−2	2·7
169	124	Redland	169p	+6	1·8
177	149	Rugby Portland	172p	+9	2·2
174	151	Steetley	151p	−2	3·5
292	250	Tarmac	291p	+3	3·0
360	308	Taylor Woodrow	328p*	−8	1·7
275	212	Wimpey	254p	+1	1·0
		Catering, hotels, entertainment			
163	43	ATV 'A'	162p	−1	4·4
57⅛	45⅛	CBS	$53	−4⅛	2·6
255	202⅛	Granada 'A'	268p	+13	2·2
275	200	Grand Metropolitan	244p	+1	1·1
55⅜	43⅜	Holiday Inns	$52	−⅜	0·5
705	600	Lyons 'A'	700p	+2	1·9
241	167	Trust Houses-Forte	226p	−1	4·4
		Chemicals			
77·1	63·6	AKZO	Fl 64	−3·4	5·6
815	713	ANIC	L 718	−37	...
40⅛	33⅛	Amer Cyanamid	$36⅛	−1⅞	3·4
168	137	BASF	DM 167⅛	+0·8	...
152	129·2	Bayer	DM 149⅛	−2⅛	...
2940	2580	CIBA-GEIGY	Fr S 2870	+50	0·8
91⅜	78	Dow	$91⅜	+1¼	2·0
175⅛	144⅛	Dupont	$171⅛	−1	2·9
395	327	Fisons	395p	+2	2·9
30⅜	25⅜	W R Grace	$26⅛	−⅛	5·6
176·9	146	Hoechst	DM 168	−2⅛	...
305	242	ICI	242p	−8	5·7
101	83	Laporte	90p	+6	2·2
55	46	Monsanto	$55	+1¼	3·3
753	664⅛	Montecatini-Edison	L678	−37½	...
1030	875	Norsk Hydro	Kr 965	−65	1·1
199	156	Rhone Poulenc	Fr 89	−5	6·3
2710	2370	Solvay 'A'	Fr B 2710	+110	5·7
184	136	St Gobain	Fr 182·8	+0·8	5·1
219	198	Takeda Chemical	Y 208	−11	4·1
49	41⅞	Union Carbide	$49	+1	4·1
		Coal & steel			
4645	3875	Arbed	Fr B 4540	−95	5·5
34⅛	28⅛	Bethlehem	$32⅛	−1⅛	3·7
12·80	11·65	Broken Hill Pty	$A 12·35	−0·30	...
171·9	136·6	Denain Longwy	Fr 171·9	+1·9	7·8
321	286	Finsider	L 2999	−171	12·5
145	134	Fried Krupp	DM 142½	−0·1	7·0
159	151	Granges A B	Kr 155	−1	7·7

Prices, 1971–72 High	Low	Ordinary stocks	Price, Apr. 19, 1972	Change on week	Yield Apr. 19
71·8	58·7	Hoesch	DM 69·7	−1·6	4·3
73	60·9	Hoogoven	Fl 67·4	−2·1	5·9
191·3	145⅛	Mannesmann	DM 191·3	+6 1	6·3
60	52	Nippon Steel	Y 54	...	9·3
91·2	65·2	Rheinstahl	DM 89·9	+0·7	5·6
85·8	68	Thyssen Huette	DM 84	−1·4	4·2
187·2	140	Ugine Kuhlman	Fr 187·2	+0 8	7·2
34⅛	30⅜	US Steel	$32⅞	−1	4·9
114·9	85·9	Usinor	Fr 114·9	+1·9	1·9
51⅞	40	Wendel-Sidelor	Fr 51⅞	+⅛	9·6
		Electrical, electronics			
185⅛	132½	AEG Telefunken	DM 175	−6	2·9
295	266	ASEA	Kr 266	...	3·7
206	169	BICC	171p	−5	4·5
478	402	CGE	Fr 478	+8	4·2
189	162	Chloride Electric	178p	−3	2·5
75⅛	56⅜	Comsat	$62⅛	−3⅛	0·8
397	260	Decca	396p	+3	2·3
232	195	EMI	218p	−4	2·8
262	181	Electrolux 'B'	Kr 261	+4	3·8
295	263	LM Ericsson 'B'	Kr 273	−14	2·0
68¼	46⅜	General Electric	$68¼	...	2·0
193	170	GEC	187p	+3	2·0
33	28⅛	Gen Tel & Elec	$29⅛	+⅜	5·2
124	106	Hitachi	Y 113	−5	5·3
160	127⅜	Honeywell	$149	−2½	0·9
79⅛	32	Hoover	$77¾	−⅛	1·5
397½	331¼	IBM	$391	−6½	1·3
155	135	Int Computers	149p	+2	7·5
91	77	Machines Bull	Fr 81·2	+3·6	...
769	509	Matsushita	Y 699	−70	1·4
705	537	Philips	685p	−20	2·8
162	133	Plessey	150p	+10	3·3
45	36⅛	RCA	$38¼	−2	2·6
127	104	Rediffusion	120p	−4	3·4
122	94	Reyrolle Parsons	102p	+5	(n)
269	204·3	Siemens	DM 269	+8	2·6
4880	3240	Sony	Y 4500	−380	0·3
38⅛	29¼	Sperry Rand	$34⅛	−⅛	2·0
145	117¼	Texas Instruments	$143½	+3	0 6
137	95	Thomson-Houston	Fr 137	+5	4·4
552	458	Thorn Electrical	540p	−12	1·1
77	68	Toshiba	Y 68	−1	7·4
60	41⅞	Western Union	$60	+3	2·3
54	43	Westinghouse	$53	+⅛	1·7
		Engineering, shipbuilding			
237	200	Acrow 'A'	215p	+1	2·2
239	214	Atlas Copco	Kr 233	−6	2·1
45	30½	BSA	39p	+3	...
414	297	Babcock & Wilcox	404p*	−4	2·6
187	154	John Brown	157p	+1	7·3
1460	1150	Brown Boveri 'A'	Fr S 1280	−15	3·9
100⅛	79	Cohen 600	90p	−6	5·0
71	49⅛	Davy Ashmore	64½p	−3	1·9
221	167	Demag	DM 221	+4⅛	3·6
60	36	B Elliott	50p	...	1·2
166⅛	109	Firth Clevelaad	142p	+2	4·9
415	349	GKN	402p	+18	3 2
185	148⅛	Gutehoffnungs	DM 179⅛	−5⅛	3·9
60	21⅛	Harland & Wolff	60p	+24½	...
82	65	Head Wrightson	75p	+⅛	4·0
71	40	Alfred Herbert	52p	...	...
93	77	IHI	Y 77	−1	7·8
25⅛	17⅛	Inter Combstn	22½p	+1	...
152	139	Inter Comp Air	140p	−2	2·5
80	42½	Laird Group	80p*	+6½	...
206	169	MAN	DM 201	−5	4·5
104	76⅛	Mather & Platt	101p	...	3·1
415	376	Metal Box	398p	+6	3·1
87	75	Mitsubishi Heavy	Y 75	−1	8·0
135	107	Morgan Crucible	135p	+11	3·9
413	369	SKF 'B'	Kr 403	+1	2·9
77	66	Serck	75p	+1	2·7
136	114	Simon Enging	114p	−9	6·6
85	71⅛	Stone-Platt	82p	−1⅛	4·0
155	49	Swan Hunter	151p	+50	6·9
3675	3200	Sulzer	Fr S 3675	+185	3·8

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‖ Ex capitalisation. ¶ Ex rights. † Ex all. (f) Flat yield. (I) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 19, 1972	Change on week	Yield Apr. 19
500	418	Tube Investments	433p	−35	4·4
28⅜	23⅜	US Industries	$24⅜	...	2·5
121	82	Vickers	115p	...	...
141	93	Weir Group	135½p	−2	4·1
123	103½	Thos W Ward	110p	+4	3·9
		Food, pharmaceuticals			
85½	69½	Assoc British Foods	85½p	+5½	2·1
83	68	Assoc Fisheries	74p	+4	5·1
126	94	Avon Products	$118	−5½	1·1
321	281	Beecham Group	207p	−10	2·2
192	139·1	Beghin	Fr 192	+5	5·1
89½	73	Brooke Bond 'B'	86½p*	+12	3·1
120½	87½	Cadbury Schweppes	119½p	+3½	3·4
293	187	Cavenham	278p	+28	1·3
69¼	57½	Colgate-Palmolive	$64¼	−⅜	2·3
5·56	4·80	Col Sugar Ref	$A5·22	+0·02	...
162	115½	Fitch Lovell	155p	+6	1·9
36¼	28¼	General Foods	$27½	−¼	5·1
51⅝	38⅝	General Mills	$50	−1½	1·9
545	437	Glaxo	532p	+5	1·9
47½	40⅝	Heinz	$45¼	+⅝	2·2
194500	176500	Hoffman La Roche	Fr S 191750	+1250	0·5
47⅝	42⅛	Kraftco	$45½	−¼	3·7
2135	1605	L'Oreal	Fr 2132	+2	1·1
3095	2595	Motta	L 3000	+25	...
3655	3000	Nestlé	Fr S 3655	+145	1·8
47⅝	36⅝	Pfizer	$40½	−⅝	1·5
91¼	76¼	Procter Gamble	$90½	−⅝	1·7
243	155	Ranks-Hovis	240p	+7	3·3
373	270	Reckitt & Colman	356p*	−2	2·6
5150	4180	Sandoz	Fr S 4930	+5	1·3
81	60½	Spillers	90p	−1	3·0
38⅝	32	Swift	$32½	−⅛	2·1
209	179	Tate & Lyle	198p	−4	5·0
185	138¼	Unigate	179p	−5	2·3
394	319	Unilever	378p*	+8	3·0
143·6	79·4	Unilever NV	Fl 143·1	+5·6	4·3
360	244	United Biscuits	360p	+42	2·2
		Motors, aerospace			
56	40½	BLMC	40½p	−1¾	4·9
26½	19	Boeing	$22⅛	−2	1·7
55⅛	46¾	Caterpillar Tract	$55⅛	+⅝	2·5
36	28	Chrysler	$35¾	+¼	1·7
96	79·1	Citroen	Fr 95	...	...
406	323	Daimler-Benz	DM 406	+4	2·1
199	167	Dunlop	193p	+2	4·2
2440	2068	Fiat	L 2363	−77	4·9
27	24⅝	Firestone Tire	$26⅛	+⅛	3·0
76⅛	68½	Ford	$76⅛	+⅝	3·4
32	22⅛	General Dynamics	$32	+¾	...
84⅝	76¾	General Motors	$81¼	−2¼	4·2
33⅛	29½	Goodyear	$32¼	−⅛	2·6
400	317	Hawker Siddeley	395p	+19	0·6
379	254	Honda	Y 321	−19	2·8
203	155	Komatsu	Y 203	...	4·2
15¾	10	Lockheed	$12⅛	−⅛	...
438½	383½	Lucas	392p	−6	2·6
15⅛	11⅞	Massey Ferguson	$C 14⅞	+1⅛	...
45⅜	34¼	McDonnell Douglas	$44⅜	−1½	0·9
1520	1229	Michelin 'B'	Fr 1520	+120	1·3
500	246	Nissan Motor	Y 480	−18	1·7
36⅝	30¾	N Am Rockwell	$34⅞	+⅝	4·0
379	242	Peugeot	Fr 379	+39·1	2·8
1839	1540	Pirelli-Spa	L 1753	−86	6·3
231	200	Smiths Indust	224p	−3	2·8
207	186	Steyr-Daimler-Puch	𝔛206	+1	4·4
630	405	Toyota Motor	Y 605	−25	1·3
39⅝	28⅝	United Aircraft	$39¼	+⅝	4·5
163·8	133¼	Volkswagen	DM 157½	−3½	2·9
273	226	Volvo	Kr 250	−18	1·5
73½	57	Westland	63½p	−3½	4·7
120	92	Wilmot-Breeden	118p*	+2	3·0
		Office equipment, photographic			
228	180	Canon	Y 207	+13	3·6
121	93¼	Eastman Kodak	$117⅜	−1⅞	1·1
427	380	Fuji Photo	Y358	−39	2·1
1750	1600	Gevaert Agfa	Fr B 1620	+20	3·7
178	150	Gestetner 'A'	164p	+9	1·7
381	349	Nippon Optical	Y 361	−2	2·1
1968	1439	Olivetti	L 1899	−69	3·7
262	228	Ozalid	262p	+10	2·4
133	86⅝	Polaroid	$128⅛	−4¼	0·2
1100	825	Rank 'A'	1100p	+50	1·0
145⅝	120½	Xerox	$138⅛	−7	0·6
		Paper, publishing			
110	99	Borregaard	Kr 108	+2	...
197	151	Bowater Paper	154p	−1	3·2
124	110	Bunzl Pulp	123p	+12	3·6
34½	27⅝	Crown Zellerbach	$33½	+2½	3·6
174	149	DRG	174p	+18	4·1
28	24	MacMillan Bloedel	$C 24	−⅛	...
20⅞	15⅛	McGraw Hill	$18⅜	−⅛	3·2
307	207	News International	307p	+7	3·1
215	174	Pearson Longman	212p	+12	2·6
325	274	Reed Int	324p	+3	3·8
134	78	Thomson Org	132p	+7	5·3
		Property			
134	96	Capital & Counties	134p	+8	1·9
595	530	Hammersons 'A'	595p	+15	1·1
229	181	Land Securities	219p	+1½	2·0
147	107½	LMS	140p	...	1·6
268	225	MEPC	268p	+16	1·9
234	180	St Martins	234p	+29	1·2
314	293	SG Immobiliare	L302	−12	3·3
398	259	Star (Gt Britain)	398p	+23	2·2
845	735	Stock Conversion	845p	+35	0·7
203½	150½	Trafalgar House	202p	+6½	2·0

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 19 1972	Change on week	Yield Apr. 19
		Transportation			
49½	39⅝	American Airlines	$48⅜	−⅝	...
272	229	Brit & Comm	272p	17	2·9
15⅞	14⅝	Canadian Pacific	$C14⅝	−⅛	...
382	318	Furness Withy	337p	+13	4·5
23½	18⅜	Greyhound	$19	−⅜	5·3
2200	1580	Japan Air Lines	Y 1980	−50	2·0
131½	115	KLM	Fl 128	+3	...
78·8	63·7	Lufthansa	DM 76½	+⅛	3·3
174	138½	Ocean Steam Ship	146½p	−1½	4·8
17⅜	13⅛	Pan American	$16	−⅜	...
257	186	P & O Defd	257p	+28	4·7
730	575	Swissair (Bearer)	Fr S 712	...	4·2
56⅝	39⅝	TWA	$54	−1¼	...
54	39⅝	UAL	$53⅛	+⅜	...
		Stores			
283	216	Boots	278p	−3	2·0
320	260	Brit Home	320p	+22	2·0
305	225	Burton Group	286p	4	2·1
350	234	Debenhams	350p*	−23	3·2
185½	119·8	Galeries Lafayette	Fr 183	−2½	...
390	341	Galerias Preedos	⅝341	−4	3·4
334	255	Grattan Ware	318p*	+12	2·3
22	18	Great Atlantic	$19¼	−⅛	6·8
331	259	GUS 'A'	329p	+13	2·1
296	223	House of Fraser	296p	+15	2·7
2100	1460	Innovation	Fr B 2000	−10	4·5
109·9	82·3	KBB	Fl 108	10·7	3·3
409	330	Karstadt	DM 396	−9	2·5
295	243	Kaufhof	DM 293	+1	3·4
622	484	La Redoute	Fr 601	−21	2·0
272	227	La Rinascente	L 256	10⅝	3·1
31⅜	27⅛	Marcor	$30½	+¼	2·6
308	277	Marks & Spencer	293p	...	2·7
471	410	Mitsukoshi	Y 461	7	2·0
2·30	1·70	Myer Emporium	$A2·27	0·03	...
136	107	Neckermann	DM 133	−1	2·3
172	114	Nouvelles Gals	Fr 172	+14·2	2·2
80⅛	67⅛	JC Penney	$80	+¼	1·3
167·1	130·7	Printemps	Fr 167·1	+7·6	...
394	281	Provid Clothing	386p	+14	2·2
222	162	Sears 'A'	222p	+3	2·3
116¼	97⅜	Sears Roebuck	$115	−⅜	1·3
830	643	WH Smith 'A'	820p*	−5	1·8
87	75½	Tesco Stores	83½p	−3½	1·7
166½	138½	United Drapery	166½p	+5½	3·4
47¼	39⅝	Woolworth	$40¾	−2⅛	2·9
		Textiles			
38⅛	33⅜	Burlington	$38¼	...	3·6
168	132	Carpets International	167p	+2	4·0
80	68	Coats Patons	75p	+4	4·7
150	120	Courtaulds	135p	+3	5·1
102	80	Dollfus-Mieg	Fr 101½	−½	5·2
58½	48½	English Calico	56½p	−½	4·4
1813	1245	Snia Viscosa	L 1335	125	...
31¼	25⅞	Stevens, JP	$29¼	...	5·2
77	71	Teijin	Y 77	...	7·8
115	95	Toray Ind	Y 115	+3	7·4
57½	43	Woolcombers	47½p	+1½	...
		Tobacco			
348	286	Brit Amer Tobacco	313p	+15	4·0
203	172	Gallaher	201p	...	5·2
116	94½	Imperial Tobacco	114p	+1	4·6
76⅞	58¼	RJ Reynolds	$76⅞	+⅜	3·1
		Utilities			
47½	42⅜	AT & T	$43	−⅛	6·0
855	790	Chubu	Y 834	−1	6·0
840	780	Chugoku	Y 840	+5	6·0
27½	25⅛	Cons Edison	$25¼	...	7·0
2875	2600	EBES	Fr B 2830	−10	5·5
2300	1995	Intercom	Fr B 2275	−45	5·3
836	780	Kansai Electric	Y 835	+5	6·0
191	178½	RWE	DM 180	−5	4·4
845	795	Tokyo Electric	Y 844	+4	6·0
105	89	Tokyo Gas	Y 96	+3	6·3
		Investment trusts			
279	234	Alliance Trust	267p	+3	2·2
180	146½	Atlas Electric	178p	−2	2·2
168½	137	BET Deferred	159p	...	3·5
98½	86	British Assets	94p	+2½	1·6
180	151	Cable Trust	178p	−2	2·3
192	157	Foreign & Col	182p	+1	1·6
182	154	Globe Investment	182p	...	2·2
166½	133	Industrial & Gen	164p	−1	2·6
71	58¼	Mercantile Inv	70½p	...	3·0
253	225½	Robeco	Fl 253	+2½	4·6
192	167	Rolinco	Fl 194·3	+1·3	1·5
117	100½	Witan Investment	117p	+1	1·5
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 410	−3·8	3·3
1393	1009	BSN	Fr 1325	−35	2·2
203	142	Bookers	201p*	−1	3·3
230	171	British Match	192p	+9	5·0
75½	66	British Oxygen	71p	...	4·2
132	111	British Ropes	114p*	−5	4·0
77	53⅜	Cope Allman	60½p	+⅛	4·7
271	194	Dalgety	244p*	−4	4·1
239	188	De La Rue	233p	+4	4·8
27⅜	21⅛	Engelhard Minerals	$26	−⅜	1·5
44¼	28	Gulf & Western	$42	−1	1·4
95⅛	67¼	Halliburton	$94⅞	+⅝	1·1
482	388	Hays Wharf	452p	−3	1·6
1062½	840	Hudson's Bay	843p	+3	2·6
64½	53⅜	IT & T	$53⅜	−2⅛	2·1
540	404	Inchcape	504p	−8	2·4
416	345	C Itoh	Y 383	−12	1·6
14⅜	10⅝	Ling-Temco-Vought	$11⅝	−⅛	...
26⅛	16⅛	Litton Industries	$16⅛	−1⅛	...
148⅝	129¼	Minnesota Mining	$146⅞	−1	1·3

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 19 1972	Change on week	Yield Apr. 19
266	202	Mitsubishi Shoji	Y 242	−21	2·9
305	219	Mitsui	Y 276	−29	2·5
284	240	S Pearson & Son	281p	...	2·0
36⅛	30	TRW	$34¼	−⅜	3·1
27	23⅛	Tenneco	$25⅛	...	5·3
36⅜	30¼	Textron	$34	...	2·6
174	137	Thomas Tilling	162½p	−3½	2·6
245	204	Turner & Newall	242p	−1	4·5
		Oil			
614	545	Aquitaine	Fr 575	−6	3·2
610	498	BP	512p	−4	4·1
434	363	Burmah Oil	390p	+2	4·2
229½	205	Cie Petroles	Fr 220	+4	5·4
93½	83·6	Gelsenberg AG	DM 89½	−1½	...
30	25¼	Gulf Oil	$25¼	−⅜	5·9
56⅝	50¼	Mobil Oil	$50⅝	+⅛	5·2
4690	3650	Petrofina	Fr B 4540	−150	2·5
30⅝	25¼	Phillips Petroleum	$29¼	...	4·4
125	111½	Royal Dutch	Fl 118	+0·2	6·1
359	298	Shell Transport	303p	+1	4·8
60⅝	54½	Standard Oil (Calif.)	$56¼	+⅝	5·0
70½	63	Standard Oil (Indiana)	$64⅛	+⅝	3·6
77⅛	69½	Standard Oil (NJ)	$70½	−⅜	5·5
87¼	80	Standard Oil (Ohio)	$86¼	−⅛	3·1
36	29½	Texaco	$31	...	5·2
		Gold mines - finance			
325	255	Anglo-American	319p	+14	2·7
295	220	Charter Cons	263p	+4	2·7
235	206	Cons Gold Fields	222p	+3	3·3
1012½	790	General Mining	1012½p	+62½	4·3
1375	1100	J'burg Cons	1350p	+50	3·2
710	535	OFSIT	705p	...	5·9
635	505	Rand Selection	620p	...	3·5
234	150	Union Corp	223p	−1	3·0
		Mines, metals			
22½	17⅜	Alcan	$C21⅞	−⅜	...
70	37⅜	Alcoa	$55¼	+1⅛	3·3
2260	1875	Alusuisse	Fr S 2130	−70	2·8
32⅜	27⅜	Amer Met Clim	$29⅝	−⅛	4·7
20¼	15⅜	Anaconda	$19¼	+⅛	...
205	152	CAST	173p	+15	2·5
283	223	De Beers Defd	274p	+7	2·8
150	120	Delta Metal	148p	+1½	3·4
99½	80¼	Falconbridge	$C98	+¼	...
35¼	29⅜	Inter Nickel	$33¼	−⅜	3·0
375	288	Johnson Matthey	362p	+12	3·5
29⅜	23½	Kennecott	$25¼	−1⅛	6·9
109	70	Lonrho	81p	...	3·4
3·90	2·35	MIM Holdings	$A 3·28	−0·24	2·8
353	275	Metallgesellschaft	DM 330	+0·1	...
169·6	135	Pechiney	Fr 168⅛	−1·1	7·1
75	52½	Penarroya	Fr 70	...	4·3
118	79	Potgietersrust Plat	113p	+7	(n)
22½	17¼	Reynolds Metals	$21½	−1	2·8
248	196	RTZ	217p*	−10	2·8
234	175	Roan Cons	226p	+2	(n)
620	540	Selection Trust	605p	+35	2·6
1600	1426	Union Miniere	Fr B 1580	+30	4·7
5·24	2·10	Western Mining	$A3·16	−0·04	0·5
220	182	Zamanglo	200p	−4	(n)
		Plantations, etc			
340	210	Consolidated Tea	215p	...	...
296	267	Guthrie	292p	+15	5·5
46½	40	Highlands & Low	46½p	+1½	6·4
70	43	Jokai	70p	+12	3·6
164	118	Longbourne	148p	+18	(n)
35½	30	Plantation Hldgs	35½p	+¼	5·6

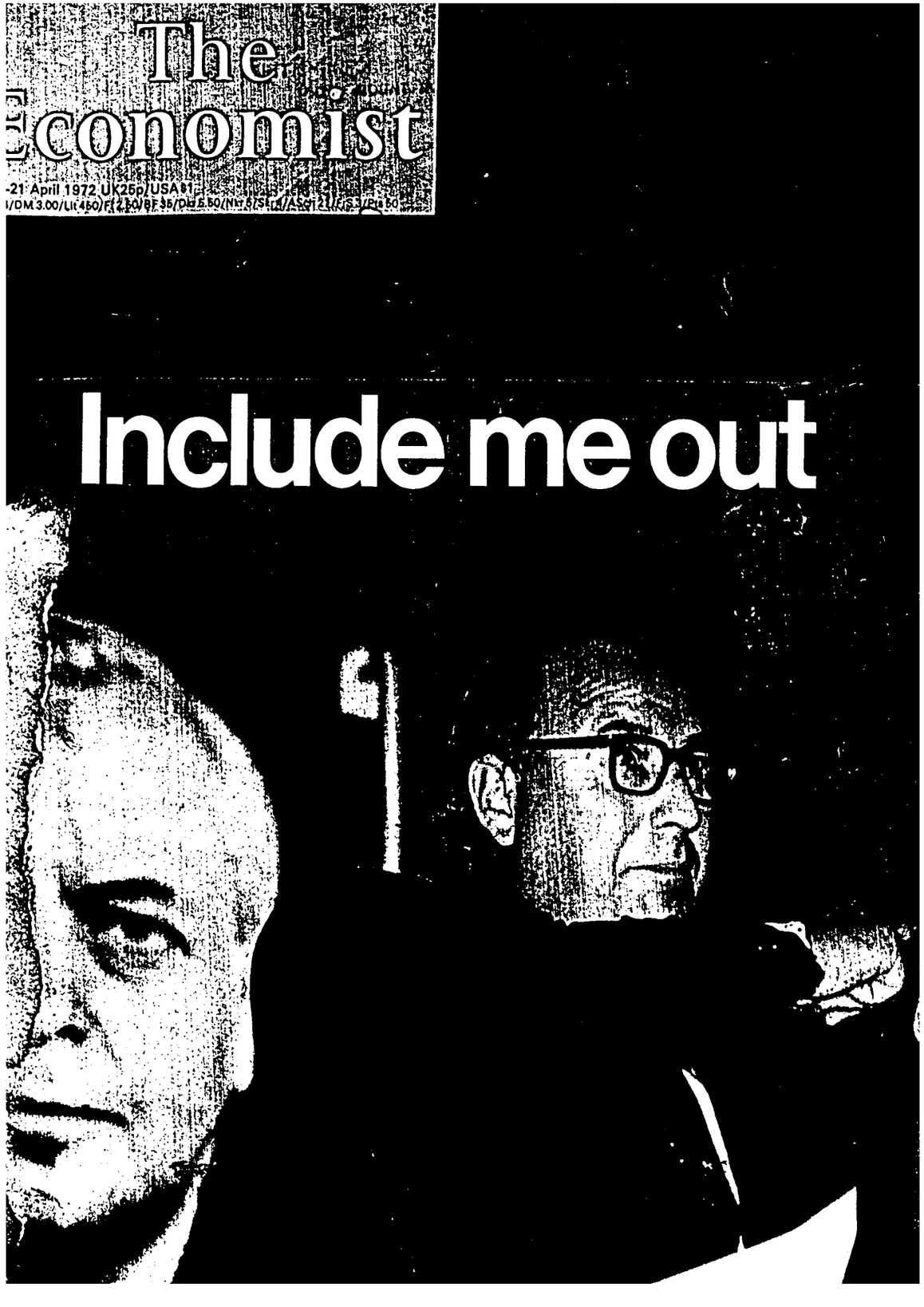
Money Market Indicators

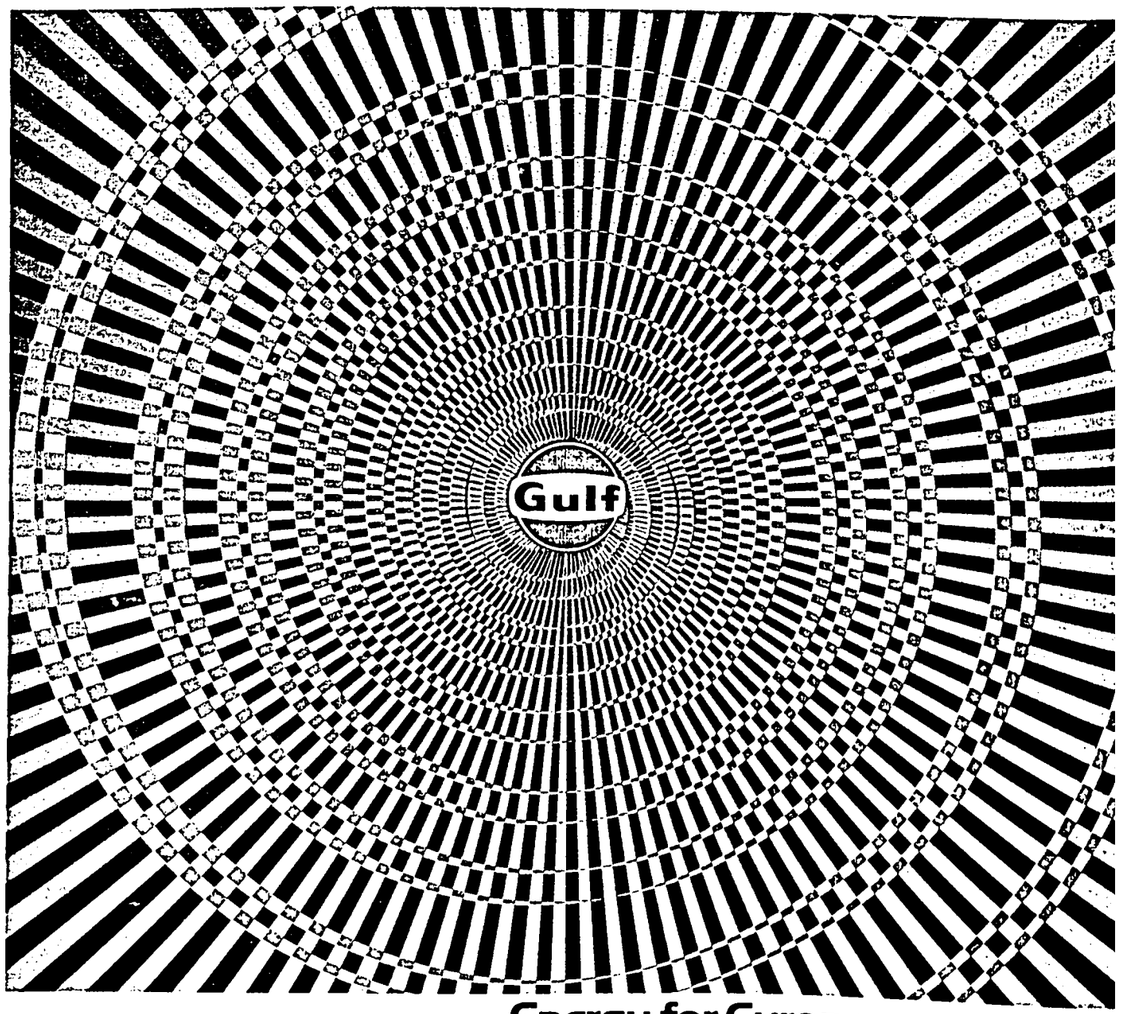
Conditions were generally quiet in the markets this week. Eurodollar rates were unchanged from last week but the United States Treasury bill rate moved up a little.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4½%

Deposit rates		**Eurosterling deposits** (*in Paris*)	
7 days' notice:		2 days' notice	4⅝
Clearing banks	2½	3 months'	5⅛
Local authorities	4½	**New York**	
3 months' fixed:		Treasury bills	3·85
Local authorities	4⅝	Certs. of deposit	4·65
Finance houses	4⅝	**Sterling:** Spot rate $2·6070	
Interbank rate		Forward discount (*3 months'*)	0·05 cents
7 days'	4 7/16	**Forward cover** (*3 months'*):	
Treasury bills		Annual int. cost	0·08%
3 months'	4·30	**Investment currency:**	
Eurodollar deposits		Investment $	21% prem
7 days' notice	4		
3 months'	5⅛		

Covered arbitrage margins (*3 months'*)	In favour of Last week %	This week %
Treasury bills	London 11/16	London 17/32
Eurodollar/UK local authority loans	N. York ⅛	N. York 17/32
Eurodollar/Eurosterling	London 11/32	London 11/32
Uncovered arbitrage margins (*7 days'*)		
Eurodollar/UK local authority loans	London 5/16	London
Eurodollar/Interbank	London ⅛	London





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April 15 1972



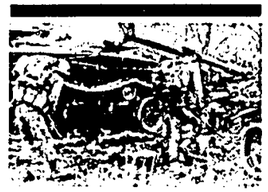
Include him out

The Labour party split horrendously as Mr Jenkins and his closest colleagues decided they had had enough of Mr Wilson's flirtation with government by referendum and, indeed, with Mr Wilson's style of opposition. The Jenkins break helped to save the European cause, the system of parliamentary politics—and gave Labour the chance to think through its leadership problem properly, page 11. When, only yesterday, Mr Wilson was against referendums, page 12. The fight to follow Jenkins, page 22. Mr Heath did a bit of reshuffling, too, page 21.



In the front line

Mr Maurice Macmillan, the new boy in the cabinet, has to face the real opposition to Tory rule, the big left-wing union leaders. He should remember that they are not exactly friends of parliamentary democracy or the rule of law, page 14. The immediate test, though, is with the more cautious railwaymen, whose pay claim is over the odds: he should be firm, page 67. All the problems on the Macmillan plate, page 74.



In the balance

The North Vietnamese forces' southward drives were slowed down this week, but they showed they mean business this time, page 15. Their big Russian tanks and guns gave American bombers some targets, page 30. Washington faces the test, page 44.



Bhutto must move first

Pakistan cannot make peace with India until it has recognised Bangladesh, page 16. President Bhutto's gambits and limitations, page 33.



Counting down

Apollo 16 still looks set to go for the moon on Sunday evening. Where the astronauts are going, and why scientists are not over-excited about it, page 85.

The incomplete miracle

The problems, and hopes, that Italy is wrestling with today, after page 54.

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Letters

Violence

SIR—You are right to draw attention to the dangers of intimidation (April 8th), but wrong, I feel, in your assessment of both the causes and the remedies. There is some force in the linking of CND marches and lunchcounter sit-ins with the murder of hostages and the hijacking of airliners, but this underlines the need to discriminate between them. I suggest that some of the causes are :

(1) The existence of an occasional issue of such overriding and urgent concern that the usual process of debate and discussion meets neither the transcendental importance nor the urgent need for a remedy. The arrival on the scene of the ultimate nuclear weapons was such an issue.

(2) The existence of violence so evil as to justify extreme violence against it. There are governments that exist solely to enrich a small group of people, and that maintain themselves in power by terrorising, murdering and torturing any of their citizens who object.

(3) A human need to dramatise issues. This may be done by relating the form of protest directly to the issue, as in a sit-in by blacks at a lunchcounter which refuses to serve blacks, or simply by showing the mass support for a cause. Such an event can be emotionally moving for the spectators, which is what is intended.

(4) The vastness and complexity of our society, which make it difficult for the ordinary member to feel that he can affect it or have any say in its administration.

(5) The fact that in the western democracies at this time, unlike in most times past, oppressed or ill-treated groups of people are likely to be a minority rather than the majority, and separate minorities at that: racial sub-groups, pensioners, pockets of victims of social change. The only action such people can take in direct defence of their interest is an appeal to the emotions, or else violence.

The law needs to have a certain amount of "give" in response to emotional and social pressures (it would not have been a good idea to try to arrest 10,000 illegal pickets during the recent coal strike), and a good deal of pragmatism of approach is needed. Appeasement is indeed being practised in Northern Ireland, as you say, but it is not appeasement of the IRA but of the Catholic community, to the evident anxiety of the IRA command.

And we must distinguish sharply between the occasions for demonstrations, whether violent or non-violent. Quebec is not Guatemala, and Mrs Thatcher's scheme for student union funds is not the nuclear peril. It is not only outsiders who need to make such distinctions but, more important, the potential demonstrators themselves. To react with the same vehemence and the same readiness to step beyond the normal channels of discussion to any event that offends is to blur distinctions between moral magnitudes and degrees of urgency, and to invite the kind of blanket appraisal contained in your article.—Yours faithfully,

London, W1 NORMAN MOSS

SIR—It is nice to note from the article "A term to violence" (April 8th) the admission that liberal opinion has "gone wrong" in not opposing violence and intimidation in demonstrations even when this is in a cause approved by such opinion. It is a relief to find support in your columns for a point of view of which up to now the Monday Club has been the only consistent enunciator, even though it took the murder of three innocent men in Turkey to produce this support.

But one of your remarks made me rub my eyes in disbelief. You say: "By the middle 1960s the non-communist and now ex-colonialist world had almost (though not quite—eg, South Africa, Londonderry) reached universal rule of all cohesive groups by the ballot box." Good heavens ! Ghana ? Pakistan ? Indonesia ? the Congo ? Zanzibar ? . . . one could go on. Londonderry, where a minority is trapped by the wielding of the ballot-box by an unsympathetic majority, and South Africa, undemocratically dominated by a white African tribe which does, however, at least use the ballot-box for its internal disagreements; your "exceptions," if anything, work the other way.

Even this basically sensible article shows by this one sentence that "liberal opinion," buttressed by the overwhelming and repetitive self-assurance of the entire polite press of the West, lives in a world of almost Byzantine fantasy.—Yours faithfully,

JONATHAN GUINNESS

London, EC2

Ireland

SIR—The letters on Ulster in your issue of April 1st surely ignore a number of vital points in their analysis of the situation after direct rule.

(1) With no Stormont, the people of Ulster are governed by representatives chosen almost exactly as in the rest of the United Kingdom, with an elective local government structure plus MPs elected to Westminster. There are a few significant differences, especially the gerrymandering in favour of Unionists and the cessation of all attempts to draw fair wards (eg, Londonderry, where the wards are farcical but the commission is being wound up). Talk of rule by decree is simply pedagogue's rhetoric. Ulster remains every bit as much an integral part of the United Kingdom as ever; how acknowledging this with direct rule can be termed "an attempt to appease those whose expressed intention is to drive the British out of Ireland" escapes me entirely. One suspects that the loyalists' primary allegiance is to the Orange order and the Stormont system.

(2) Ulster was formed in 1912 when a small but viable minority wished to secede from the majority state to the south. The views of Carson and his followers were quite properly respected, although accompanied by threats of treasonable armed rebellion. In the present precisely analagous situation there is no reason why the Catholic majority areas adjacent to Eire, which form a minority of Ulster as a whole, should not join the republic if they truly desire to do so.

(3) Security. Since the troops are drawn from the whole United Kingdom, it is right that control over them is exercised by the Government of the whole country. The forces' task has been quite appallingly difficult and their behaviour correspondingly imperfect—but the horrific actions of the terrorists do not give the forces carte blanche. As with all public order agencies, they deserve great praise whenever their conduct has attained the rigorous standards expected in this country, while we also seek to identify their errors and omissions so as to minimise the chance of the same mistakes recurring. That is surely more helpful than taking sides as to whether the troops are angels or the devil incarnate.

I hope the Government will no more give in to the threat of violence by Vanguard than to the fact of it by the IRA, and we may all forget the hysterics and see if direct rule is a solution to Ulster's plight and, if not, then what is.

In the forlorn hope that one (Jewish) Londoner's thoughts may be of some slight use.—Yours faithfully,

London, N3 STEWART MILLMAN

SIR—Mr D. W. Mountain suggests (April 8th) that Ulster should be partitioned again, with "the overwhelmingly Catholic counties of Fermanagh and Tyrone being ceded to the republic." But the Catholic majorities in these two large but sparsely inhabited counties, in the 1961 census, were only 53 per cent and 55 per cent respectively, which is scarcely "overwhelming"; and the voting majorities will have been a little less, since a rather higher proportion of the Catholic population comprises non-voting children.

There is indeed a clear Catholic majority of about 60 per cent in the city of Londonderry, which could easily be partitioned along the present "Free Derry" barricades, with the western districts, conveniently close to the border, being transferred to the republic to leave a substantial majority of Protestants in the central and eastern parts of the city. And the largely Catholic border towns

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Department of Trade and Industry

of Newry and Strabane could be ceded with little loss to the Protestants, if that would bring peace.

But would it? It certainly wouldn't satisfy the Catholics left behind where they really are in a minority. Belfast, for example, had only 27 per cent of Catholics in 1961, which is little more than the proportion of Protestants in Dublin at the turn of the century, but they show few signs of being prepared to accept their minority position for the sake of peace, whether fully integrated with the rest of the United Kingdom, or otherwise.—Yours faithfully,

Cambridge C. B. GOODHART

Property developers

SIR—We would like to say how much we enjoyed your property survey (March 18th) and also the very excellent editorial content. However, we were somewhat surprised at the statements in one particular article, "Dealers and developers." This sought to make a comparison of firms and estate agents who are either entirely independent or are linked with property companies.

First, I am confident in stating that nearly all, if not all, the larger firms quoted (Edward Erdman, Jones Lang Wootton and Richard Ellis, etc) are directly concerned with property companies in one way or another: that is to say that some of their partners are directors of property companies or the like.

Secondly, it seemed strange to us that Knight Frank & Rutley were omitted altogether. We are, in fact, probably the only firm that is completely independent and no partner, under the partnership deed, is permitted to become a director of any property company.—Yours faithfully,

MICHAEL BARTON

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Ecology

SIR—Mr F. N. Forman sets out (Letters, April 8th) the classic environmentalist case. He wants a "stable society," by which he appears to mean nil or at least minimal growth in population and economic activity. That is quite a fashionable call nowadays, even from those as eminent as Dr Sicco Mansholt of the EEC.

Now the leaders of various developing countries have made it abundantly clear that for them any such suggestion is a form of neo-colonialism which they vehemently reject. And there is little evidence that the industrial world—witness the trade unions—is unanimous in its readiness to forgo any further increase in living standards.

So the ecologists must tell us: are they suggesting that governments should impose "stable state" policies—with or without the consent of the governed? And should the countries which have—in their view—seen the light then attempt to impose their will on the recalcitrant in other lands?

If the answer to either of these questions is in the affirmative, we are starting down a very dangerous road. If, as one suspects, the answers are evasive or in the negative, the "ecological" movement stands exposed as only the latest in a long line of attempts on the morale of people in the western democracies. How many of its adherents realise this?—Yours faithfully, NEVILLE BEALE

London, SW3

American medicine

SIR—I have read with interest the reviews of two volumes concerning national health (March 4th) and the subsequent exchange of letters (March 18th and 25th).

The point at issue is whether there is a "health crisis" in America and whether or not America's health would be better provided for by a national health system.

While space limitations prevent my responding in detail, as I did before my colleagues on the House Ways and Means Committee, to the loose use of statistics in comparing American and world infant and adult mortality rates and other areas, let us look first at the alleged doctor shortage. This simply is not the case. In the United States today there are 318,000 medical doctors. With a national population of 205 million, that is an average of one doctor for every 640 persons. No other major nation in the world enjoys anything close to this ratio.

A second question relates to efficiency. Is medicine in Europe, under socialised medicine, more efficient in serving the needs of the patient? In Germany, for example, tonsilitis caused the average patient to be laid up for 21 days in 1927—and 1967. In those 40 years, therapy developed from aspirin to sulphonamides to penicillin and other antibiotics. Every medical progress shortened the process of tonsilitis, but cut not one day off the time the average patient was out of work. Discussing this point in the American medical journal, Private Practice, Dr Klaus Rentzsch, a German physician, notes that: "This may show what happens when all the risk of a sickness, including the income loss, is completely covered. The will of the patient to take up his work as soon as possible is paralysed." American patients stay in the hospital six to eight days on the average, while in Germany the average hospital stay is 24 days.

A third question relates to cost. During the period from 1956 to 1968 physician fees increased an average of 3.7 per cent, while average wages increased an average of 4.2 per cent. The differential increase of physician fees was minus .5 per cent. The current national health insurance proposals endorsed by Senator Edward Kennedy, according to its own supporters, would have disbursed the $9 billion now being spent by the federal government for all personal health programmes and would have required an additional $6 billion from general tax revenues. The fact is that under national health insurance, with the huge bureaucracy it would entail, health costs would increase and not decrease. The system in France, it should be remembered, ran a deficit of $165m in 1970 and, according to the Government Planning Commission, it will rise to $1.8 billion in 1975 if left unchecked.

In my opinion, the American system of private practice has served the public with better health care, at lower cost, than have the socialised systems of Europe. We no more have a "crisis" of health care than we have "crises" in the other areas for which they are claimed. It may be good politics for some to predict the world's end if their programmes are not enacted, but those politics often have little relationship to the facts.—Yours faithfully,

PHILIP M. CRANE

House of Representatives, Washington, DC

SIR—Since Dr Wyndham Davies impugns the integrity of your books section in saying that I could not have read his book (Letters, April 8th), may I assure your readers that I certainly did read it and much of it more than once.—Yours faithfully, YOUR REVIEWER

Brazil

SIR—In your otherwise excellent article (April 1st) on the Brazilian motor industry, it was erroneously stated that the gnp of Brazil was half that of Mexico, Chile and Jugoslavia.

As a matter of fact, the Brazilian gnp at circa $40 billion is, by far, larger than any of the above-mentioned countries and has expanded at an average of over 9 per cent per annum since 1968, reaching a rate of growth of 11.3 per cent in 1971, which was the highest in the world for that year.—Yours faithfully, J. A. MEDICIS

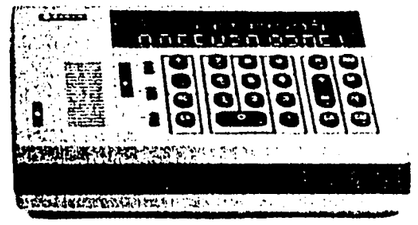
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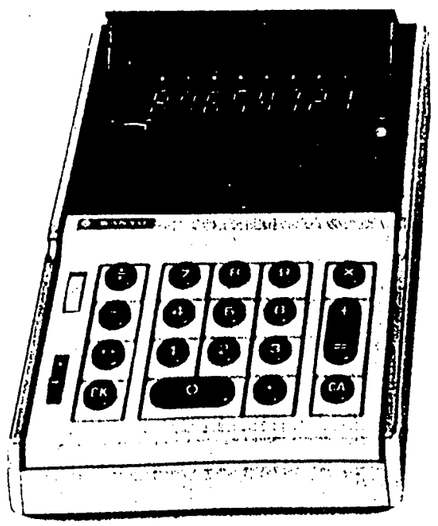


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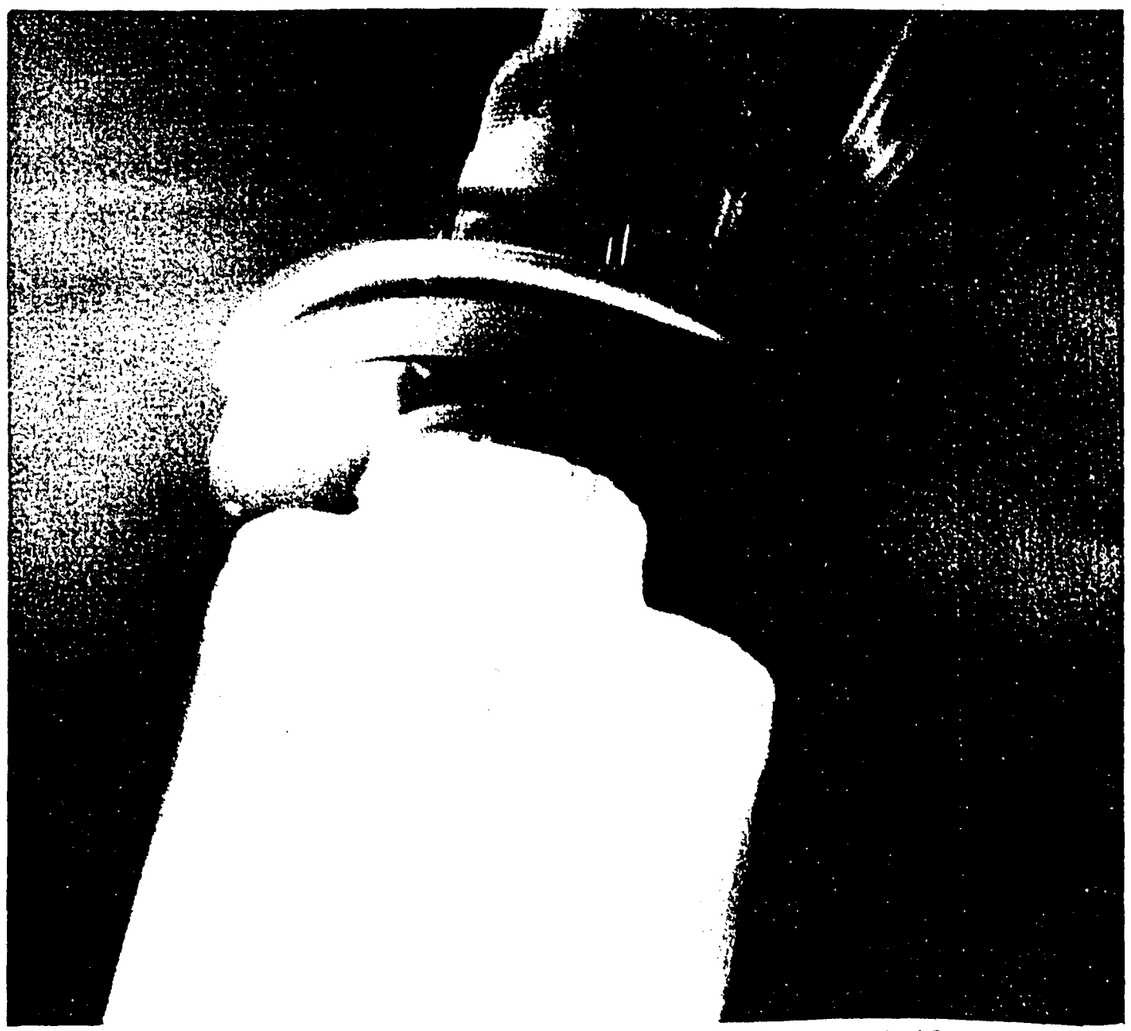
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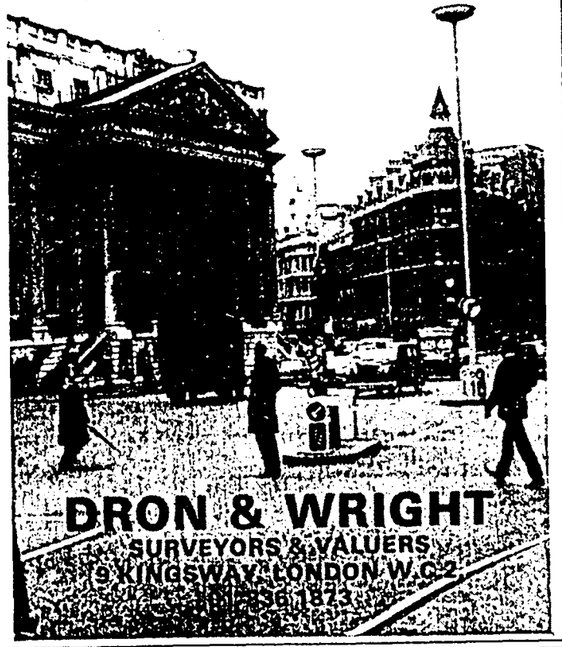
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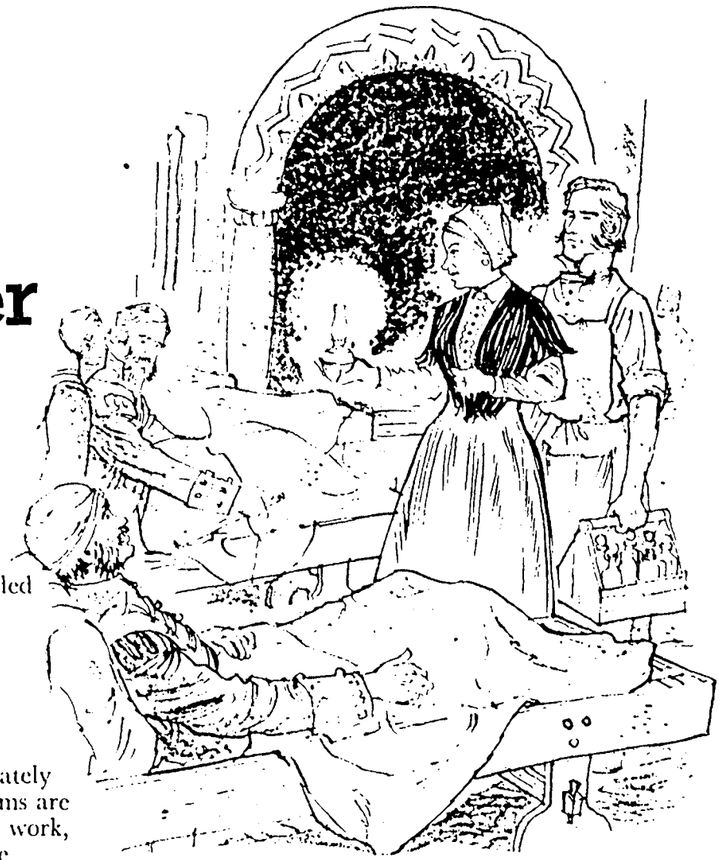
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The Economist

April 15, 1972



Include me out

The face of British politics was changed this week. That much is already clear from Mr Jenkins's resignation from the deputy leadership of the Labour party: whether it will be a change for the better or the worse is much less certain. Indeed, Mr Jenkins is too much of an historian to expect anyone to decide yet whether his resignation will mark an important turning point in Labour history or whether it will turn out to be just another departure of a decent man from high politics. He will be aware, too, that if his resignation proves meaningless he will provide the convenient scapegoat for whatever goes wrong with his party from now on, however little he could have prevented it had he stayed. But that is not how many outside or aloof from the party battle have seen this week's events. To them Mr Jenkins has given Labour a chance to check its drift towards unprincipled opportunism, and where his resignation has changed the face of politics is that for many of them he has given the Labour party its last chance.

That chance should not be written off too quickly. On Tuesday, in the immediate aftermath of his resignation, Mr Jenkins seemed to have made a disastrous mistake. The editorials were flattering but the friends were few. Only two shadow cabinet colleagues, Mr George Thomson and Mr Harold Lever, left with him, and in the first 24 hours only another two relatively junior frontbench spokesmen in the Commons had followed ; a few more without posts or offices to resign gave him unequivocal support. Most of the Jenkinsites remained in their jobs, or even accepted advancement, and it seemed that Mr Wilson's emergency patching and shoring-up operation on the Labour party's façade had been a brilliant success : the Jenkinsites had been reduced from last week's political force to this week's tiny band, and Mr Jenkins himself had been shunted off on to a path leading nowhere.

The central issue of principle over which Mr Jenkins and his colleagues resigned was the shadow cabinet's reversal of its previous policy and its decision to support the Tory anti-marketeers' amendment to the European Communities Bill calling for a referendum before Britain joins the market. Mr Wilson was, and probably still is, as opposed in principle to government by referendum as Mr Jenkins is, but because—as Mr Peter Shore spelled out to the parliamentary Labour party meeting on Wednesday—it seemed possible that the Government might be defeated, Mr Wilson could not resist the temptation of trying to gain some short-term political advantage by backing the amendment. Mr Jenkins, too, shared the belief—although with him it was the fear—that the amendment might be passed, and it was probably this factor which finally weighed most heavily in his decision to go.

A principle is at stake

This would be a more encouraging period in politics if Mr Heath and his real cabinet had shown equal concern and determination to fight their own colleagues who are shaky on the referendum issue. Of course, it is sensible for the Government not to give the Labour marketeers any public thanks for their help in getting the European issue through Parliament. That is the last thing the Labour marketeers want. But if the Labour party's problems are to be mentioned by ministers at all they deserve something worthier than the rather bitchy little remarks with which Mr Barber was persuaded to open his party political broadcast on television on Wednesday evening.

The charge of saving the Government is a constant and nagging worry for Labour's marketeers. But what concerned some of Mr Jenkins's friends most of all was that the referendum would not be seen by the country or, perhaps more important, their constituency parties, as a clear issue of principle. After all, they argued, it would only be "consultative" (as if that would make any difference to the way the result would be interpreted), and a majority of the country seemed to want one, even if most did not know what it meant. To be opposed to a referendum would mark them as elitist—the trendy dirty word among the Labour left. But Mr Jenkins was right to make the issue one of principle, for practically all pro-

gressive legislation is the result of elitist pressure. Granted a referendum on one major policy decision, the country could not be denied the instrument on others of similar interest, and any such basic change in the British system of government cannot possibly be brought about simply because it might give one party a short-term political advantage over its opponents.

Why Labour would lose

And as Mr Jenkins argued in his letter to Mr Wilson, and later more fully to Labour MPs, quite apart from the long-term damage that adoption of the principle of referendums might inflict on future progressive legislation, it would not even bring the Labour party any short-term advantage. If Mr Heath were defeated on the amendment to the European Communities Bill the Government would not resign, it would accept it ; the referendum would not need to be held before the bill became law—say, in the autumn—and the whole of the Government and Tory party machine would be geared up for the fight. Mr Jenkins had no doubt what the result for Labour would be. While the Tory party remained basically united, Labour MPs would be opposing one another and many Labour constituency parties would be split down the middle.

By resigning, Mr Jenkins and his companions have ensured the preservation of parliamentary democracy in this country and have saved the Labour party from that wounding battle. When the amendment comes before the Commons next Tuesday it will be defeated ; that now seems certain, for, chiefly as a result of Mr Jenkins's stand, the shadow cabinet's decision to support a referendum was opposed by 96 MPs at the parliamentary party's meeting on Wednesday. There were 129 votes in Mr Wilson's corner and over 50 abstentions. Prospective rebels against the party line find great comfort in such numbers, and on a two-line whip many will abstain. Had Mr Jenkins not given a lead, many of those opposing the referendum might not have bothered either.

Mr Jenkins can therefore feel that he has carried with him far more Labour MPs than were prepared to support him openly by resignation from party posts at the beginning of the week. Indeed, if people like Mrs Shirley Williams, who remained in the shadow cabinet, and Mr Roy Hattersley, who accepted promotion to defence spokesman, have shattered the concept of the Jenkinsites as

That referendum business

The Labour shadow cabinet changed its attitude towards a referendum on the common market issue not so much because President Pompidou decided to hold one in France (where it is enshrined in the constitution of the Fifth Republic) but because on March 24th Mr Heath included in his package on direct rule in Ulster a promise that a plebiscite would be held in Ulster on the border issue. That promise, according to Mr Wilson, changed the situation dramatically, and many politicians profess to see no distinction between a plebiscite and a referendum. On Monday, even Mr Jenkins fell back on the argument that he was not convinced that a plebiscite in Ulster was a good idea.

But there is a distinction between a plebiscite and a referendum. Dr Geoffrey Roberts, in his recent book, "A Dictionary of Political Analysis" (published by Longman), defines plebiscite as :

> A vote by an electorate on a proposed change of regime, or to ratify such a change if it has already occurred.

Referendum, on the other hand, is :

> A vote by an electorate of a state or other political unit on a specific policy proposal, or on the ratification or amendment of a constitution, as provided for in the constitution of the political organisation concerned.

A plebiscite on the border in Ulster would certainly be a vote on a proposed change of regime ; a referendum in Britain on the common market would be on a specific policy proposal.

The amendment to the European Communities Bill calling for a "consultative referendum" has been tabled by a group of Tory anti-marketeers. That is in keeping with Tory history in the first half of the century : five out of the last nine Tory prime ministers advocated, or voted for, one at various times. The best (and only) modern account of referendums is that by a Tory MP, Mr Philip Goodhart, "Referendum" (Stacey), published last year. The idea has invariably been a reactionary demand. Its heyday was in 1909-11, when it was a Tory manoeuvre to try to stop the Commons gaining supremacy over the Lords.

Dicey advocated it (he was its greatest supporter among the constitutionalists) because he was so horrified at the idea of a mere parliamentary majority granting home rule to Ireland.

Balfour was keen on a referendum on home rule, rather than have the Lords submit to the Commons. When counter-attacked by a Liberal argument that as a quid pro quo there should then be one on tariff reform, too, he was delighted : it would have been a convenient way of coping with internal party dissension on that issue. At the time, Clifford Sharp (the first editor of the New Statesman) wrote an attack on the referendum for the Fabian Society which was much quoted :

> certain propositions can never hope to be "popular" until after they have become accomplished facts.

Sharp cited, as examples, Catholic emancipation and compulsory education.

More recently, when Churchill suggested one in 1945, Attlee rejected "a device so alien to all our traditions . . . which has only too often been the instrument of nazism and fascism." And on the BBC's Election Forum television programme on May 28, 1970, Mr Wilson was asked why Gibraltar was allowed to hold a referendum but Britain was not. He replied :

> It was necessary to take the referendum in Gibraltar . . . this referendum was necessary to prove to the world that . . . the Gibraltarians wanted to remain with the British connection. As far as the common market's concerned that's a very different thing, we have a Parliament in the sense Gibraltar hasn't, we have MPs who are elected, as some are going to be elected next month, and I think it is right that it is the Parliament which should take that decision with a sense of full responsibility, with a sense that reflects national views and national interests.

Mr Wilson was, of course, prime minister at the time and hoping to lead the next Labour government into Europe.

a coherent, well-trained political force, they may well have done both the Labour party and Mr Jenkins some service, although Mr Jenkins might sadly feel that such an effect was sometimes wholly unintentional. As *The Economist* argued last week, the real showdown necessary in the coming months may not be between the Jenkinsites and the left, but between the majority of the parliamentary Labour party and Mr Wilson over his conduct of the leadership. That showdown will have been brought a little nearer this week if the sensible centre of the Labour party now feels it can express its misgivings about Mr Wilson's style of leadership without appearing to be simply advancing the prospects of the European group.

The coup that never was

For the irony of this week has been that although it was Mr Jenkins who resigned it is Mr Wilson who has been battered. On Tuesday, Mr Wilson seemed to have pulled off a great coup by detaching Mr Hattersley, one of the leading marketeers, away from Mr Jenkins. But he could have been nothing but deeply humiliated by the publication of Mr Hattersley's letter of acceptance ; the letter was couched in terms of such insolence, if not contempt, that it would have been intolerable to a leader with any confidence in his own leadership. Then, on Wednesday, Mr Wilson sat silently through the PLP meeting. The vote at the end is subject to various interpretations, but two facts cannot be disguised : on an issue which had led to the resignation of the deputy leader and two members of the shadow cabinet, Mr Wilson felt unable to speak to his party meeting—although pointedly pressed to do so—and he could not command a majority of his MPs in the vote.

After nine years Mr Wilson's leadership is wearing very thin. Many Labour MPs cannot, as Mr Jenkins put it in his resignation letter, "accept this constant shifting of the ground," and like him they do not believe that it is the way in which "an opposition, recently, and soon again I hope, the government of this country, should be run." Just how many share those strong feelings is impossible for anyone to say, but few Labour MPs would seriously argue that the number is not increasing. But to say simply that Wilson must go and then get rid of him —which would be the speedy response of the Tory party to any similar leadership crisis—is to beg the fundamental question of whether the present Labour party can really be led at all.

It is said of Mr Wilson that his first thought is always how to preserve his position, and the second how to avoid the most trouble. The same could be said of the general run of political leaders, and, indeed, it is true of most Labour MPs. Many of them have a yearning for the sort of transparent integrity in leadership which characterised Hugh Gaitskell's rule ; but so far few are prepared to face the constant conflict with the ambitious, left-wing trade union leaders who now dominate the party conference which such a style of political leadership would entail. In, of all places, this month's issue of Socialist Commentary—the voice of moderate and right-wing Labour opinion—a commentator argues that the Labour party can be held together only by a man "with the courage to be equivocal." If that is true, or even accepted as true, it does not matter what intentions a man starts out with on the hard task of being the leader of the Labour party. If he does not quit he is going to end up, like Mr Wilson, "constantly shifting his ground."

Labour's chance

It is not fashionable to be kind to Mr Wilson, and he has undoubtedly deserved much—but by no means all —of the calumny heaped on him. But until the parliamentary Labour party makes up its mind that it wants to be led again, and not merely held together, Mr Wilson will deserve rather more sympathy than he has received for some years. What Mr Jenkins has, in fact, now done is to give it the chance to make up its mind on that fundamental issue. He has, it is true, let it be widely known, perhaps not very sensibly, that he does not intend to seek an officer's job in the PLP in the autumn ; by doing so he has no doubt effectively discounted in advance any claims by some of his more frenetic supporters that he is prepared to lead a campaign or a putsch against Mr Wilson. But because he will be present on the backbenches, speaking his mind on the main issues of the day, the circumstances of his resignation ensure that Mr Jenkins will be a living rebuke to Mr Wilson every time that hapless man feels obliged to change his position, break his word or renege on what seemed his firmly held principles just to get through the day, or the week, or the conference, with the least possible trouble.

That, unfortunately, has happened too often now not to be widely regarded as being all there is to Mr Wilson's style of leadership. For many he has become simply a man who will say or do anything whenever it seems to be to his immediate personal advantage to do so. That is, of course, an oversimplification of a humane and highly complex man, but it is difficult to see how the damage he has so consistently inflicted on his own reputation since losing office can now be retrieved.

If the Labour party seizes the opportunity it now has to think seriously through the sort of leadership which it needs, and pulls itself out of its present sterile and defeatist mood in the process, Mr Jenkins's resignation will clearly be seen to have been for the good of British politics. If it does not—and no professional gambler would bet on the odds—but continues its present aimless charade, the consequences will be equally clear : the left wing will simply grind the faces of the marketeers further into the muck until even Mrs Williams and Mr Hattersley will cry enough. Mr Jenkins, quite unfairly, will then be blamed by many for not having had the guts to have stayed in the shadow cabinet and tried to keep the left in line. That will be particularly true if, as many marketeers fear, the inertia of the centre and the opportunist ambitions of the left and others, cause the Labour party to come out against the principle of joining Europe. In fact what Mr Jenkins has shown is that he has the guts to put his political future totally at risk not only for the sake of a credible, principled Labour party but for parliamentary politics. It is now up to the sensible, moderate Labour majority to decide whether that is what it, too, wants and has the courage to achieve.



The real opposition

Mr Maurice Macmillan, learning his job, has to face the trade unions, which are now much more important than Mr Wilson and his new shadow cabinet—and are not great believers in parliamentary democracy

The almighty setback to Labour's pretensions to an early return to office has confirmed Britain's left-wing trade unions in their belief that they are, and will remain, the only effective opposition to the Heath Government. For Mr Jack Jones of the transport workers and Mr Hugh Scanlon of the engineers the departure of Mr Jenkins from the lame-duck party leadership that they subsidise gives nearly as much satisfaction as their studied humiliation of Mrs Castle before and after the general election.

What is more, Mr Jenkins's exile followed just a couple of days after the promotion of Mr Carr out of the Department of Employment, the Mr Carr who actually passed the Tory Industrial Relations Act, and his replacement by the amiable and much less expert Mr Maurice Macmillan. It must have happened that some warring German tribe, hearing the Roman commander approach their village bearing gifts, also spotted a rival chieftain slinking voluntarily away from their bit of the forest, but Tacitus does not report it very often. Mr Jones and Mr Scanlon ought to feel at a highly propitious moment in their fortunes.

But they do not, not yet. Mr Jones, on his return from Rumania, faced court orders to stop the blacking of lorries by his Liverpool dock workers, a fine of £5,000 for contempt of court, and three weeks to pay before his union's assets may be seized. While Mr Jones has been running the transport workers' union he has never seemed to enjoy a long stay in the front line of a fight against the authorities ; in fact there was a day when he seemed to be getting ready for the moment when a climbdown on the registration issue might become popular in the TUC general council. But he likes lawyers having a say in industrial bargaining even less. It now seems that he means to go on having nothing to do with lawyers as long as he possibly can, and he may even be relying on a philanthropic TUC to pay his fine for him. What he will do when the bailiffs approach Transport House remains to be seen. What is certain is that Mr Jones, Mr Feather at Congress House, and their political and academic sympathisers will all push out the line that: (1) the Industrial Relations Act is a bad bit of law precisely because it does bring courts, lawyers and penalties into industrial relations ; (2) the union is only carrying out the wishes of its members in Liverpool, who have voted to go on blacking the lorries ; and (3) the Government is rather embarrassed by the business anyway.

Only the third excuse is a true one, and then only partially. First, the reason for having penalties is that there has been no redress, over the years, when unions black lorries, or engage in other bits of national and local bullying, or unilaterally reject agreements and understandings that are no longer convenient for them. The law was changed after lengthy public discussion and with general public approval because the modern history of British trade unionism is too littered with private, coercive action by union members for Mr Feather or anyone else with eyes to see to be proud of it. Union officials who may want to have justice done find themselves powerless. If the blacking or whatever goes on indefinitely firms, and especially small firms, have to sell up and go out of business. Most firms do not want to go to court, and even now the small transport company that hauled Mr Jones before the beak is bending over backwards to try to get a negotiated settlement. But what chance would it have had of that if the law had not been at its elbow ? Second, Mr Jones and his officials may believe they are doing what their members want, but their members are certainly doing what they believe to be what Mr Jones wants. The union official in Liverpool who counselled the men to accept the law of the land tried to excuse them afterwards by saying they did not think they were breaking any law because their union was opposed to the act. That is the charge that lies directly at Mr Jones's door.

It is true that some ministers are unhappy that the law should have its first test in this way and, even more, at this time. They are the optimists who hope that if the budget, with all that has preceded it, does get growth properly under way Mr Jones and others can be expected to be more reasonable about wages. One would have supposed the reverse, but politicians have to be optimistic, especially about their own powers of persuasion: after all, it was Mr Harold Macmillan who once talked about Passchendaele to the railway leaders inside No. 10. His son may, or may not, turn out to be of the soft school.

The railway challenge

The first test of the Government's intentions has come with the right-wing railway unions, who want Mr Macmillan to stump up the extra for their wage claim that British Rail's chairman, Mr Richard Marsh, has not got. But the railwaymen have no special claim at all (see page 67). Mr Macmillan has been under pressure to get the unions to go to arbitration (which they have refused) or to set up an inquiry himself, and since he is new to the job he may like the idea of a conciliatory start. But arbitrators and courts are not concerned with the economics of an industry, and it is a mistake of Mr Macmillan's to turn that way. If the railwaymen do start a work to rule that is designed to disrupt the railway system of the country, then even if Mr Marsh does not lock them out, Mr Macmillan should hesitate only so long as to have demonstrable proof that the unions are set on chaos before invoking the Industrial Relations Act to get a 60-day cooling-off period. This would not only give more time for what seems to be a narrow difference to be settled, it would finally deprive the unions of what has been their strongest card : the vulnerability of the coal stocks at the power stations after the miners' strike.

The railway unions have been cautious so far. This is partly because their leaders are moderate-minded men anyway, who sense that the Government will welcome the maximum public inconvenience from the start, who do not relish the violent picketing the miners used, who suspect their members do not have the miners' and dockers' sense of community, and who can see already that the press which had its emotional splurge over the miners is preparing to demonstrate its return to sense on wages by ordering the railwaymen to settle. But it is also because they know about the new law, and they would much prefer not to tangle with it. Ministers may feel it faintly disagreeable to clobber pleasant men like Sir Sidney Green and Mr Ray Buckton (or Mr Tom Jackson of the postmen last year) while Mr Lawrence Daly, say, is cock of the walk. But the best chance of a proper settlement now is to use all the power at the Government's disposal.

Mr Scanlon has his own problems. His men in Manchester have resorted to factory sit-ins, which the communists, trotskyites and others have made fashionable since the occupation of Upper Clyde Shipbuilders. So far these have not been particularly unpleasant, and have not even had much publicity. But, again, this is not the sort of situation that can be allowed to drift on indefinitely. If Mr Scanlon persists in encouraging this local coercion in Manchester now, and next in Sheffield, it may not bother a large nationalised concern like the British Steel Corporation unduly for a few weeks (just as it did not bother anyone at all with the bankrupt UCS), but smaller firms have a greater need to repossess their property, if only to ensure its maintenance ; after all, they are not going to get government money at the end. That is why the law must be upheld, because it is the law alone that can coerce the great and protect the weak.

How to swallow one's enemies

Mr Scanlon hopes to make his union greater yet by securing the addition of the electricians and plumbers. He has even offered to step down himself to make such a merger more palatable to the right-wing electricians. That would be self-sacrifice of a high order, and Mr Scanlon's friends will be pleased with him for suggesting it. It would also, of course, bring about one of the greatest left-wing coups of recent years. There are those who will never forgive the electricians' present leadership for its exposure of the communist racketeering in the union. If now, after the death of Les Cannon, the electricians were to be swallowed up in a union in which the communist influence and presence are very marked, it would be revenge indeed.

Yet these are the kind of people who are not only the chief paymasters of the Labour party, they control its policies according to their self-interest when Labour is in government and opposition alike, and they have pretensions now to follow Mr Jenkins's departure by having the real say in the choice of Labour's next leader. Mr Jones may be disappointed in Mr Wilson (for Mr Wilson has not forgotten what it was like dealing with Mr Jones in government), but he knows above all that the next Labour government needs a form of words on wages, agreed with the unions, to put in its manifesto. Mr Jones has good reason to believe that he can draw some other national figure his way. Mr Wedgwood Benn probably would not do ; but there are other, more credible, men who will offer.



They're not supermen yet

The communists are still attacking strongly on four fronts in South Vietnam, but they've been slowed down

The North Vietnamese are running what may well be the most efficient fighting machine in Asia and their leaders are just as determined as ever to win the war, but they are not supermen. Ideology, discipline and sheer imperviousness to moral outrage can carry you a long way, but they do not always add up to victory. So the outcome of the offensive that the communists launched in South Vietnam over Easter is not a foregone conclusion.

The South Vietnamese army (ARVN) has not cut and run. The initial spurt that carried the North Vietnamese tanks across the demilitarised zone and straight through a line of ARVN firebases last week seems to have dribbled away. The communists have not taken a single major town so far, and over the past week the South Vietnamese have stood their ground and thrown a few punches back. Some of their crack regiments have performed as well as anyone could have hoped ; the 20th Armoured Squadron, for example, brought the communist advance down Route I towards Dong Ha to a standstill and saved an important provincial town.

The Easter offensive now has four prongs. In the far north, the regular forces that have moved in from Laos and North Vietnam are still trying to break through the chain of firebases to the west of Hué. In the central highlands, the three North Vietnamese divisions threatening Kontum have only three weeks in which to start their advance before their equipment should get bogged down in the mud as the monsoon sets in. It looks as if the first big battles are going to be waged immediately to the north of Saigon, where the communists have moved in from their old Cambodian sanctuaries. There are now reported to be more than 40,000 North Vietnamese troops within 75 miles of the capital. And there is an unexpected threat even farther south, where the North Vietnamese have taken on the rather complacent garrisons of the delta region, which has been regarded for several years

as the most secure area in South Vietnam (see page 30).

The communists have thrown so many men and so much military hardware behind this offensive that there is reason to believe the American claim that this is an "all-out" assault designed to bring President Thieu's government to its knees. Of the 15 regular divisions that make up the North Vietnamese army, elements of at least 10 are reported to be in South Vietnam—a total of well over 100,000 men—and a further three regular divisions are across the borders in Laos and Cambodia. The communists have done well out of their Russian armourers: they are using 130mm quick-fire cannon and heavy tanks, and they are backed up by Sam missiles and sophisticated anti-aircraft batteries. On Thursday the communist gunners started to shell the Americans' biggest air base, at Da Nang.

All that firepower, of course, is in some ways a dubious asset for an army operating far away from its home territory. As General Giap, the pastmaster of the science of logistics, must be well aware, you can't exactly live off the land if you have to fuel T-54 tanks and carry a stock of spare parts. Although the distance from a place like An Loc up by the Cambodian border (which is currently under siege) to Saigon can be covered by car under normal circumstances in less time than it takes to get from London to Tunbridge Wells, the Hanoi strategists are probably worried about overstretching their supply lines. They must also be uneasy about how vulnerable those tanks and guns are proving in the face of American air power—at least whenever the clouds clear.

A risk of overreaction

It is too early to form a reliable assessment of the communist strategy, but there are two immediate dangers for the South Vietnamese forces. The first is that they will spread their resources too thinly in pursuit of an elusive enemy campaigning on several fronts. The North Vietnamese may even be hoping to lure Mr Thieu's generals on to unfavourable ground far from their base areas, as they enticed General Navarre to defeat at Dien Bien Phu at the end of the first Indochina war. One American military adviser was whooping for joy this week as the South Vietnamese moved north to relieve An Loc. But by Thursday North Vietnamese tanks were reported to have broken through the town's outer ring of defences. And Mr Thieu had thrown the paratroops of his own presidential guard, as well as two full divisions, into his counter-thrust. That suggests that he may be running down his reserves too fast, overreacting to the latest blows from an enemy who is set to strike simultaneously at several major targets. The communists may even be hoping to pin down enough of the government's forces to enable them to launch a showcase assault on Saigon. That would be hard to pull off, but it is a possibility that has to be considered, since it would have tremendous propaganda impact even if the attackers only held out in the suburbs for a few hours.

Meanwhile, the Americans continue to wage their war in the air. There are now more B-52 bombers flying missions against the North Vietnamese and more aircraft-carriers assigned to the Gulf of Tonkin than there ever were in President Johnson's day. The Americans have been bombing as far north as Vinh, the big supply depot 150 miles north of the South Vietnamese frontier. President Nixon's war, as his critics often point out, is being waged almost by remote control—which seems to minimise opposition, since what really used to bring demonstrators out into the streets was the American casualty figures. Mr Nixon seems determined not to use the few remaining American combat troops against the North Vietnamese, although he has just sent a diminutive force of 800 men up to Hué, where they promptly mutinied. But he has refused to say whether the withdrawals will continue after May 1st, when there will be only 69,000 American ground troops left.

The next few weeks will show whether the cost-benefit ratio for American bombing is any better than before. American bombing did not stop the Easter offensive or the massive pile-up of men and resources in the communist base areas north of the demilitarised zone, in eastern Cambodia, and in the tri-border enclave where the non-communist parts of Indochina meet. It has slowed the communists down now, but the battles at An Loc and elsewhere will be decided by the infantry. It will be a close-run thing.



It's Bhutto's move

Pakistan must recognise Bangladesh without more delay if a south Asian settlement is to be approached; then the onus will pass to India

The Indian subcontinent could now all too easily become another Middle East. The crises in both areas began in the same way with a limited war that inflicted a decisive defeat but left the winner without the power to impose a settlement. And some of the ingredients of a Middle East-style stalemate are already emerging in south Asia: a defeated belligerent which, rather than swallow its pride and cut its losses, takes the soft option of self-delusion; and a victor who, infected by arrogance and paranoia, hardens his terms rather than compromise. The longer India and Pakistan sidestep round the negotiating table, the more likely they are to slip into these ready-made roles. Only one thing can stop them: Pakistani recognition of Bangladesh.

There has always been a catch in India's claim that its offer of bilateral talks with Pakistan was "unconditional." This catch lay in the definition of the only issue that President Bhutto is in a real hurry to talk about

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MINISTRY OF COMMERCE FOR NORTHERN IRELAND

—the return of India's 93,000 Pakistani prisoners of war—as a matter that requires the participation of Bangladesh. Since Sheikh Mujib will not sit down at a conference table with Mr Bhutto until his new government has been formally recognised, this recognition is a precondition for any meaningful talks. The Indian foreign minister made this more explicit than ever on Monday, when he told a Congress committee in Delhi that Mr Bhutto must face the fact that he will have to deal not only with India but also with Bangladesh.

Mr Swaran Singh's remarks raised some doubts about the viability of an agreement which was reached last week—presumably on the urging of the Russians—for the first formal meeting between Indian and Pakistani officials since the December war. But these doubts were assuaged on Wednesday when Mrs Gandhi received a personal letter from Mr Bhutto accepting her proposals about talks between officials. The meeting, which is expected to take place in Pakistan this month, is meant to prepare an agenda for a summit conference. Any such agenda is bound to be unsatisfactory to Mr Bhutto, since it will omit the prisoners of war. But he is said to have an infinite faith in his own powers of persuasion once he gets face to face with Mrs Gandhi.

Mr Bhutto seems to be counting on convincing Mrs Gandhi that his political problems at home make an immediate recognition of Bangladesh impossible ; and that only the return of the prisoners of war can guarantee his political survival long enough for him to put a signature on a peace treaty. If this is so, he is underestimating the steely determination of the empress of India. Pakistan's recognition of Bangladesh is clearly her primary non-negotiable issue, and Mr Bhutto must gird himself to jump this hurdle if he is to avoid becoming a Sadat.

He's still India's best bet

Once he has done so, it will be India's turn to make concessions. Indian officials speak of their readiness to see Mr Bhutto overthrown rather than submit to political blackmail. But it is unquestionably in India's interest that he should remain in power as the only civilian leader who has any chance of carrying Pakistan with him on a peace agreement. The way India can help him is by sending his soldiers back ; not necessarily all of them at once, but considerably more than the 62 wounded who have already been repatriated, should be put on the first train to Pakistan after Mr Bhutto has announced his recognition of Bangladesh. If India continues to insist on getting an overall settlement first, it is likely to find itself with nobody to settle with.

Once the prisoners are home, Mr Bhutto will be far better equipped to grant India's second major demand —the conversion of the current ceasefire line in Kashmir into an international boundary. The Indians are adamant that a final solution of the Kashmir conflict must be part of the final subcontinental peace settlement. This step will obviously have to be co-ordinated with a general disengagement of forces, and it might be promoted by a prior unilateral withdrawal by the Indians from the territory they now occupy in Mr Bhutto's home province of Sind. But because the Kashmir agreement involves no significant movement of population, it might well be kept for the final stages of the negotiation, allowing time to reinforce Mr Bhutto's ability to bring his own people to accept the painful necessities of their new position.

Time will work quite the other way on the key issues between Pakistan and Bangladesh. The most urgent one from the Bangladesh standpoint is the repatriation from Pakistan of 400,000 Bengalis who include 10,000 of the most experienced Bengali civil servants and 30,000 of the best trained Bengali troops. The Bangladesh foreign minister announced this week that Pakistan has agreed in principle to return the Bengalis through the International Red Cross. But the other major question of population transfer—the removal of the 1¼m-1½m Biharis from Bangladesh—does not even seem to have been raised.

The Biharis might be traded off

India is doing its best to softpedal the Bihari issue in order to avert pressure to shift at least some of these people back to their former homes in India. The official line is that they will have to learn to live with the Bengalis, though Mrs Gandhi's advisers on Bangladesh acknowledge that the Biharis will never be assimilated there. On the face of it there is no deal to be done over the Biharis ; Pakistan wants no part of them, since they would impose on its economy a burden of the same dimensions as last year's Bengali refugees imposed on India's. But a bargain might yet be struck if the Biharis were linked with another controversial question—the plan to hold Nuremberg-style war crime trials in Bangladesh. India has already agreed to extradite Pakistani prisoners for the trials ; Mr Bhutto has declared that any such trials would mark the point of no return.

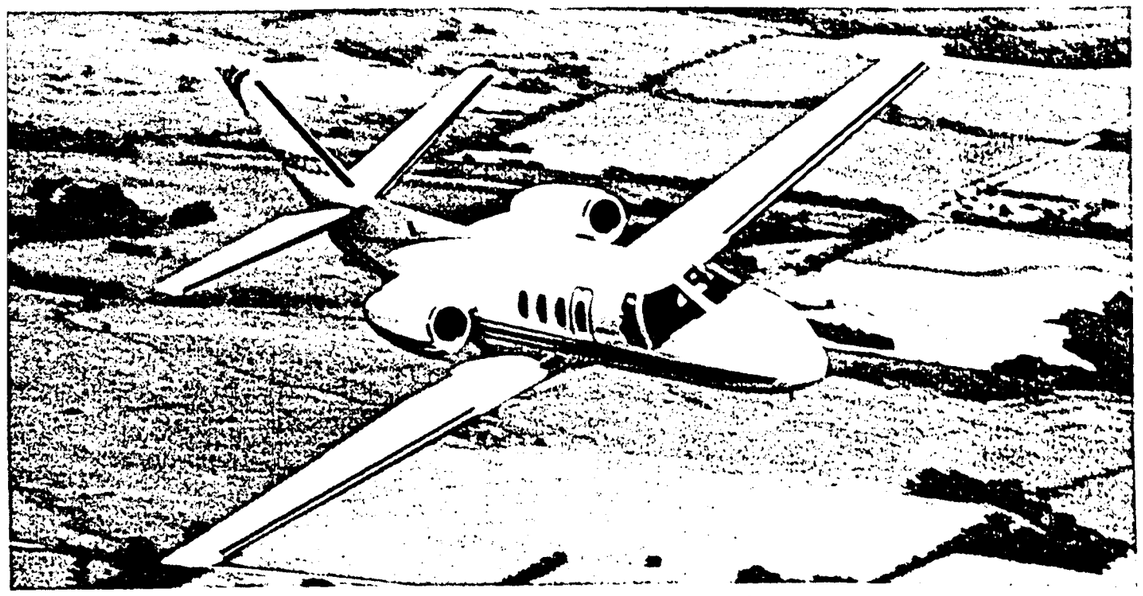
The argument used to justify the idea of these trials is that they would provide a form of national catharsis, somehow purging Bangladesh of the hate and vengefulness that are the legacy of last year's bitter struggle. But a trading off of the Biharis against an agreement to cancel or curtail the trials might enable Bangladesh to bind up its wounds in a much more practical way, while at the same time helping Mr Bhutto to strengthen his flanks against his army, where resentment of the trials would burn hottest. Foreign friends of both Pakistan and Bangladesh might expedite this kind of agreement by offering aid for resettling the Biharis in Pakistan. Foreign help will also be essential if Pakistan and Bangladesh are to agree on a division of debts and assets.

Mr Bhutto has gained a certain amount of world sympathy during the past few months because of his position as the underdog and his obvious political troubles at home. And Mrs Gandhi has correspondingly been criticised for making his problems worse by disregarding the Geneva conventions and exploiting the prisoners of war as a bargaining counter. In fact, both bear a share of the blame for the delay in opening negotiations. But if Mr Bhutto should now make these negotiations possible by recognising Bangladesh, the onus will be on India, as the party dealing from maximum strength, to turn peace talks into peace.



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BRITAIN

That was the Government reshuffle that was



Carrington : new Tory chairman



Prior : but do they need two ?

It would be an exaggeration to say that the impact of Mr Heath's long-awaited Government changes, which he announced last Friday afternoon, was swamped by Mr Jenkins's resignation from the Labour shadow cabinet three days later. The truth is that the changes could barely sustain any journalist's interest on the Sunday. Mr Heath dropped five ministers—Messrs Corfield, Sharples, Bryan, Ridley and Price—and brought in (leaving aside the whips) 11 new faces. The consensus seemed to be that if the changes were not made with a pin they might just as well have been ; it even seemed to be accepted that the one new addition to the cabinet, that of Mr Maurice Macmillan as Secretary of State for Employment, was made because Mr Heath could think of no one else. In fact the changes deserve a little more consideration than that.

The consequences of Mr Macmillan's appointment are discussed on page 14. Mr Heath deliberately limited his cabinet shuffling to the extent made imperative by the appointment of Mr Whitelaw as the new Secretary of State for Northern Ireland. Mr Robert Carr takes over Mr Whitelaw's old job as Leader of the House of Commons. The move has been generally welcomed on all sides of the House, but Mr Carr will be aware that when that happens it is because it is generally believed that the new leader is a bit of a softy. A really effective Leader of the House has to have a way with him when dealing with backbench MPs ; but he is involved in so many cabinet committees outside the Commons that he has to be an extremely astute political animal to make a real success of the job.

It has been suggested that, the cabinet changes apart, the reshuffle in the lower ranks might well have been made last autumn if the massacre at the Department of Trade and Industry, which has now occurred, had not been leaked to the press. That again would not be completely true, for there is evidence that some of the changes were not decided until very recently. Mr Corfield, for example, had to be brought back from abroad to be fired. And there is the curious case of Mr Robert Chichester-Clark, the Ulster Unionist MP. On March 24th, when Mr Heath announced direct rule in Ulster, Mr Chichester-Clark agonised aloud in the Commons whether, now that Stormont was to be suspended, any Northern Ireland MP had "a mandate to remain in this Parliament." Mr Heath then assured his honourable friend that "everyone in the House will value what he has to contribute in the future. . . ." If Mr Heath himself contemplated at that moment that the contribution would be as minister of state at the Department of Employment it is hardly likely that he had communicated his intentions to Mr Chichester-Clark.

Governmentally, the most interesting of the changes are those at the Department of Trade and Industry. Three of Mr Davies's junior ministers were sacked entirely, and a fourth, Sir John Eden, was given the posts and telecommunications ministry. Six new men were moved into DTI, headed by Mr Christopher Chataway as Minister for Industrial Development. That department now has nine ministers, and although its political touch has been immensely strengthened by the arrival of Mr Chataway, the changes raise even more doubts whether Mr Heath is any nearer to getting the structure of government in that vital area of activity anything like right.

By keeping his cabinet changes to the strict minimum required, Mr Heath has left the impression that he intends to make rather more dramatic changes at the top later in the year—perhaps after the European Communities Bill has been passed. But what is to be made of the goings-on at the Conservative Central Office ? Mr Heath replaced one unknown cabinet minister, Mr Peter Thomas, as chairman of the party, with two well known members of the cabinet : Lord Carrington, as chairman, and Mr Jim Prior, as joint deputy chairman with the existing, and highly professional, Sir Michael Fraser. Everyone at Central Office professes to be delighted with the new arrangement ; as both Lord Carrington and Mr Prior are delightful company well

they might be. But the grass roots of the Tory party cannot be so withered as to require even the divided attentions of two cabinet ministers. The most likely explanation is that Mr Heath has reluctantly come round to the view that even his Government would be better for the occasional dose of politics, and that Mr Prior, who has been given an extra minister at agriculture, is to be communications supremo. It is an appointment which is well overdue.

Labour party

Polling time

The Labour party is very sensibly speeding up the procedure for electing a new deputy leader to replace Mr Jenkins, and a very interesting election it will prove. The resignation from the shadow cabinet of Mr Thomson and Mr Lever creates no electoral problems because the two leading losers in last December's elections automatically fill the vacancies. They are Mr Reg Prentice, who got 95 votes, and Mr John Silkin, who got 94. Their elevation now gives the shadow cabinet a strong anti-common market majority.

Last autumn, the three challengers for the deputy leadership were Mr Jenkins, Mr Michael Foot and Mr Wedgwood Benn. On the first ballot Mr Jenkins polled 140, Mr Foot 96 and Mr Benn 46. Mr Jenkins picked up no further votes in the run-off, but Mr Foot collected 30 of Mr Benn's votes. On those figures the left must fancy Mr Foot's chances this time. But he is going to be faced by at least two challengers, Mr Tony Crosland and Mr Ted Short. Mr Crosland lost so much ground last year that he seems to be sticking his neck out now. He will certainly share the moderate and right wing vote with Mr Short on the first ballot, but after that it should be a straight fight between Mr Foot and Mr Short. The knowledgeable money is on Mr Short to win. He is a pro-marketeer who abstained in the Commons vote in October, but voted for a referendum in the second vote in the shadow cabinet before Easter. He also topped the poll for the shadow cabinet last year.

It could hardly be claimed that the election of either Mr Foot or Mr Short would provide the Labour party with the best deputy leader it has got, even after the departure of Mr Jenkins. But among the more formidable figures, Mr Callaghan's friends say he will not stand (he never has had any truck with deputy leadership elections), and Mr Healey would have no chance.

Of course it is always open to a non-member of the shadow cabinet to stand, but it is unlikely that anyone will. But if, as seems most likely, the new deputy leader comes from within the shadow cabinet itself that would create another little problem. The vacancy he would leave could not be filled by last year's third runner-up because Mrs Castle and Mr Heffer tied for that position. One of the few bright spots for moderate and right-wing Labour MPs these days is the prospect of seeing the left agonising over which of those two it would choose if neither would give way to the other.

Ulster

Brian comes in from the cold

Mr Willie Whitelaw, Northern Ireland's secretary of state, got a nod—and a warning—from Mr Brian Faulkner when they met briefly on Wednesday for the first time since the imposition of direct rule. There does not seem much of a chance that the British Government will drop its intention to set up an advisory commission, which Mr Whitelaw will choose from the Ulster community, even though the idea has been scathingly criticised by Mr Faulkner and his old cabinet colleagues. But there is now a possibility that Mr Heath will suggest the formation of an all-party committee to keep an eye on Northern Ireland, which might include MPs from Stormont as well as Westminster. This might reassure Mr Faulkner, who has talked about Ulster being in a "constitutional limbo, under-represented at Westminster, with much of the democratic processes of legislation effectively suppressed and a semi-colonial structure of government."

All the same, Mr Faulkner has serious doubts about the conciliatory tactics of the security forces towards IRA urban terrorism and about Mr Whitelaw's declared intention to phase out internment without trial, which began with a flourish on April 7th with the unconditional release of 73 men—47 internees and 26 detainees. There are still a further 842 men held under the Special Powers Act ; 681 are internees and the rest are in detention. Mr Faulkner remains unrepentant, too, in denouncing Mr Heath's initiative, which he told the Bow Group in London on Monday, was regarded by everyone in Ulster as "a victory for terrorist tactics, and therefore for republicanism." He would regard a prolongation of Mr Whitelaw's administration beyond next April as "totally unacceptable." If he cannot have Stormont back, Mr Faulkner looks as though he will settle for nothing less than complete integration in the United Kingdom.

So far the transition of government has proved to be thankfully troublefree, at least up at Stormont. Certainly no police or civil servants have resigned in protest at what has happened. Mr Whitelaw and his three junior ministers do not intend to spend all their time in Northern Ireland, although there will always be at least one of them available on the spot. Mr Whitelaw has complete responsibility for the province



Belfast : the IRA is still in business



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DIVISIONAL REVIEW

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Glynwed Baths Limited. During 1971, an intensive publicity and advertising campaign was undertaken to improve still further the image of Vogue "The Good Bath" in the minds of both the merchant trade and the general public.

Glynwed Foundries Limited. Aga and Rayburn Cookers continued to be the leaders of this type of appliance with a high level of demand maintained during 1971.

Glynwed Plastics Limited. Development of plastic components for the motor and allied industries is now to be carried out in four factories in the UK. With increasing activity in the motor industry the outlook for 1972 is promising.

Glynwed Steel Pressings Limited. The policy of maintaining the highest standard of quality in products brought benefits during 1971 in the form of increased demand for our kitchen and bathroom equipment, in particular stainless steel sinks, shower cubicles and vanity basins.

Glynwed Steels Limited. Throughout the world, steel production was cut back in 1971 and was reflected in the output and profits of both our re-rolling and bright drawing activities. In the former, our ability for quick changes in production and speed of delivery has been a great asset in depressed periods.

Glynwed Screws and Fastenings Limited. Disruptions in the automotive industry and internal labour problems at the beginning of the year affected our 1971 profits considerably. The purchase of Walter Slingsby has increased our share of the steel and malleable pipe fitting market and rationalisation with Hipkiss should bring financial improvements.

Tower manufacturing is proving a valuable addition to our specialised fastener business.

Glynwed Distribution Limited. Value of sales fell in 1971 in common with the engineering industry, but through its comprehensive stocks and first class service the division increased its share of the market without resorting to the lowering of prices.

PROSPECTS

In 1971, the upturn in the building industry certainly helped us to achieve good results for the year and it seems likely that this trend in building will continue through 1972.

The other principal aspects of our business concern the motor industry, general engineering, re-rolling and drawing of steel, the manufacture of fastenings and general engineering castings.

The year 1971 proved a difficult year in many of these activities but we are hopeful that with the Government committed to achieving growth in all sectors of industry, these areas will show an improvement during 1972.

PRODUCTS

Copper Tubes and Fittings, Steel Tubes and Fittings, Brass Tubes, Lead Sheet and Pipes, Microbore Heating Components, Vogue Baths, Hand Basins, Aga and Rayburn Cookers, Aga Heat Central Heating Boilers, Engineering Castings, Catering Equipment, Cast Iron and Plastic Rainwater Pipes and Fittings, Plastic Extrusions, Plastic Chemical and Domestic Waste Drainage Systems, Laboratory and Hospital and Shower Fittings, Plastic Coated Fabrics, Leisure Kitchen Units and Sinks, Vanity Units, Shower Cubicles, Steel Baths, Radiators, Leisure Gas Cookers and Fires, Hot Rolled Steel Bars, Bright Drawn Steel Bars and Rods, High Tensile Bolts and Nuts, Bright and High Tensile Studs, Steel and Malleable Pipe Fittings.

SALIENT COMPARATIVE FIGURES	1970 £	1971 £
Turnover of the Group	73,387,000	85,787,000
Group Trading Profit	6,608,000	9,112,000
Debenture and Loan Stock Interest	1,562,000	1,555,000
Profit before Taxation	5,046,000	7,557,000
Profit after Taxation attributable to Ordinary Shareholders	2,945,000	4,557,000
Net assets employed	37,724,000	41,869,000
% Dividend on Ordinary Capital	28.5%	33.5%

Copies of the full Report and Accounts are available on application to the Company Secretary.

GLYNWED LIMITED

Dudley Road West, Tividale, Warley, Worcestershire. Telephone: 021-557 6451/60.

and is answerable to the Westminster Parliament. But his chief local concern is security. He runs the old home affairs ministry and has taken over Mr Faulkner's job as chairman of the security committee, which is going to meet each week as in the past. He also intends to keep an eye on the ministry of agriculture. His colleagues have been given other departments. Mr David Howell has finance and commerce, Mr Paul Channon health, the social services and education, and Lord Windlesham development and community relations (he also deputises for Mr Whitelaw on security matters).

So far no more Whitehall civil servants have been drafted into Ulster to join Mr Howard Smith, the British representative, and his staff of half a dozen. Both Sir William Neild, permanent secretary in Mr Whitelaw's ministry, and Mr Neil Cairncross, his deputy, are so far commuting between London and Belfast to ensure there is a smooth continuity in the running of the province by Ulster's own widely-respected civil servants. The Northern Ireland Office has taken up residence in Great George Street, in the building of the now defunct department of economic affairs, and is made up almost entirely of civil servants recruited from the Home Office.

But if there have been no teething problems in the transfer of power, Mr Whitelaw cannot be happy with the indecisive Catholic response to his conciliatory efforts. Priests and politicians in the Social Democratic and Labour party have continued to voice their support for the initiative and urged the Official and Provisional wings of the IRA to call a truce for a few weeks at least. But the gunmen and bombers appear to be in no mood to listen. On Thursday, the IRA launched its biggest bombing offensive since direct rule, and it has not given up its readiness to go for civilian targets.

And the IRA has had no inhibitions in continuing to intimidate the Catholic working class. A brutal attack on a pregnant mother of three in Ballymurphy is just the latest episode in a constant story of violence, which the army and police are powerless to stop. Over in the Catholic working class districts of the Bogside, Brandywell and the Creggan, west of Londonderry's city walls, the IRA appears to be the only potent political force among the 35,000-strong population who live behind the steel and concrete barricades. Provisional Sinn Fein leaders in Dublin intend to hold an election for a community government in the embattled, lawless, unkempt area known as Free Derry within the next few weeks.

Mr John Hume of the SDLP has expressed his opposition to this, and local moderates have formed a residents' association, which intends to seek financial assistance from the Londonderry Development Commission for an improvement in the squalid conditions in which the city's Catholics now have to live. Mr Hume faces a major test of his claim to speak for his constituents. The outcome may do much to decide what happens to Mr Whitelaw, too.

Planning

Layfield's lesson

The inquiry into the Greater London Development Plan began its third and final stage on Wednesday, 18 months after it opened. The panel's report should be with Mr Peter Walker in the autumn. Unlike that other planning marathon, the Roskill inquiry into the third London airport, the result will be no single answer but a complex policy statement which will accept, reject, or modify the Greater London Council's aims concerning the future population of London and how it will live, work and travel. Only then will it be clear whether, as many people suspect, the whole inquiry has been a vast waste of time, money and talent, or whether at least enough has been learned about what is called strategic planning for it to be done rather differently next time—perhaps by a system of continual, informal, review.

There have been two main weaknesses all along. First, although the law demands a judicial inquiry, the charade of confrontation between the GLC and objectors to the plan in the formal legal manner has proved a poor way of improving policy. Second, there are very few targets within the plan which it is within the GLC's power to achieve—either they are really in the hands of the individual boroughs, or, as with the attempt to boost employment, there is not much local government can do about it anyway. The exception is, of course, the building of the controversial ringways through London, but the relevance of the inquiry even to this has been shaken by the GLC's insistence on treating the western section of the inner ring as a separate issue, which went before a separate inquiry last week.



Layfield : new style inquiry

Even so, the panel, under its chairman, Mr Frank Layfield, QC, has been able to play a more active and constructive role than was expected, stepping into some of the gaps left by objectors (who naturally enough were mostly concerned with their own personal interests). There has been concurrent help sought from experts with no axe to grind. On Wednesday, Mr Layfield said that stage three would be conducted in a new style, with witnesses being asked to explain rather than defend themselves.

The GLC has produced a much revised version of its strategy statement, the document under review. This takes account of some changes of the past two years and also meets some of the objections made, for instance by sounding keener on public transport. There are also a whole lot more figures about the additional industrial and office space to be provided in each borough during the next four years. But Mr Layfield has already shown himself unconvinced by the idea that floorspace breeds employment pro rata, a theory which now seems pretty soundly disproved. Anyway, there is clearly absolutely no hope of adding another 14.5m sq ft of industry to London in four years when all the trends are to the contrary.

But even if the problem never reaches American proportions, there is certainly something to worry about at the flight of jobs from London and the growing pool of unemployed, while the people who leave London most readily, are those who are still most wanted there—professional and clerical workers. But does it really make sense for Lambeth borough council, for example, to be buying land to let cheap to industry while, as the director of the Shelter Housing Aid Centre pointed out this week, finding a house in London is now quite impossible for the £30-a-week family with one child? Yet no proper machinery exists to bring London planning effectively into that of its region.

Criminal law

The overburden of proof

The plans for smoothing the prosecution's path that purport to have been leaked from the Criminal Law Revision Committee's deliberations have certainly been rolling round in law chiefs' minds for quite a while. The judges' rules surrounding the police caution have come under particular fire, and not only from policemen: the moment at which the caution must be given is so metaphysically defined as to provoke endless semantic courtroom debates on whether it was properly administered. There is a clear need for a bit of redrafting, at least. The civil libertarians' defence of this principle is in any case at least partly misdirected: the far more important safeguard (which is also far more often flouted) is that which lays down that no one shall be taken to a police station against his will unless he has been formally arrested.

Of the other proposals, the least defensible is that previous convictions should be admissible as evidence. They already are if the defendant attacks the character of the prosecution witnesses or seeks to show that he himself is of exemplary character; these, plus certain other small loopholes in the ban, are quite wide enough. It is a fair presumption that juries, hesitating between verdicts, will feel there is less harm in reconvicting someone with past crimes to his credit; the process is, of course, cumulative. But the proposal that the defendant should be required to reveal the outlines of his defence before trial is absolutely right. He already has to if his is an alibi defence, and there is no reason why this requirement should not be extended. Its absence is one of the greatest causes of delay in criminal trials, and does not always work to the benefit of the defendant.

Should the defendant be required to give evidence? Or rather, should the jury be entitled to draw conclusions from his refusal to do so? There is more argument here; an innocent man, slow-witted or with poor command of English, could find this a frightening Hobson's choice. But a change would not alter the requirement on the prosecution to prove that there is a case to answer before the defendant could be called to give his evidence; as now, it would be open to defendant's counsel to submit that there was no case at the end of the prosecution evidence. That is an important safeguard. That there would still be others is shown up by a comparison of civil and criminal procedure: the burden of proof would still rest on the prosecution, hearsay evidence is seldom admissible in criminal courts and legal aid—though patchy—is much, much easier to get.

Students

Union shambles

The National Union of Students persists in taking itself seriously although it is rapidly forfeiting all claims to credibility. Over 500 delegates turned up in Birmingham this week for its third conference in under six months. But less and less time is devoted at these gatherings to any sensible discussion on the problems of higher education. They have become no more than trials of strength between the different plumages of marxism which flower these days in the student world.

Mr Digby Jacks, the communist president of NUS, has only held office since last November but that has been quite long enough in the eyes of some militants to transform him into yet another stuffy establishment figure. So he and his left-wing friends on the union executive found themselves under challenge this week from a portentous sounding body called the Liaison Committee for the Defence of Student Unions. This offshoot of the trotskyite international marxists was set up following Mrs Thatcher's consultative document last autumn on the future financing of student unions. These militants are all for what they call a "concrete involvement of students in working class struggles." Vice-chancellors and principals are denounced as "the administrative agents of the state," and non co-operation is preached against either the Department of Education or the education authorities.

The liaison committee notched up a victory back at the NUS conference in January when it managed to push through a resolution which rejected the principle of public accountability for the spending of student union money, although it comes from the ratepayers and not individual students. But this week the committee's eight nominees for places on the NUS executive went down to defeat. Mr Jacks fended off his opponent for the presidency, Mr Jerry Fitzpatrick, a dismissed student from Aston university, by 412 votes to 139. None the less such a debacle was no victory for moderation. Far from it. Mr Jacks has no intention of losing out to the ultra-left. His own address to the conference was little more than a dreary recitation of fashionable left-wing slogans. Although he insisted that there was a "direct relationship" between Ulster, Rhodesia and student unions, it was not even clear to delegates what that was. Mr Jacks wants the NUS to be a "union with social and political relevance" and not just a "welfare shop organisation" or "a pseudo-political party." He claimed that the £5,000 spent on the NUS campaign against the Government's student union finance proposals might otherwise have been spent on NUS opposition to internment without trial in Ulster, a province which he called "virtually a mini-fascist state on British soil," and to the terms of the Rhodesia settlement.

David Ricardo

Two hundred years on

Next Tuesday marks the bicentenary of the birth of David Ricardo, the Portuguese Jew born in the City who started work at the Stock Exchange in 1786, aged 14, and died suddenly in 1823, the greatest political economist of his day with £700,000 and a parliamentary seat to boot. Ricardo's life and his lively correspondence with such contemporaries as Malthus, James Mill and the novelist Maria Edgeworth (with whom he carried on long arguments on the potato as the solution to the Irish problem) are documented in an exhibition now at the Drapers' Hall in Throgmorton Avenue. Although Ricardo was not associated with the Drapers' Company, the Royal Economic Society (publishers of 10 volumes of his letters) and Ricardo's own foundation, the Political Economy Club, who are jointly staging the exhibition, jumped at the chance of a site in the very shadow of the Stock Exchange.

For it was there that Ricardo made the fortune on which he could retire and write his books. His biggest business coups were made on Government stocks to finance the Napoleonic wars. The largest single loan—neatly timed four days before the victory at Waterloo—was for £36m. His most famous treatise, "The Principles of Political Economy and Taxation," was first published in 1817, soon after he had retired to the country, to a house whose academic tradition is carried on by its present owner, Lord Butler.



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THE WORLD *International Report*

The Germans get set for the ratification dress rehearsal

FROM OUR SPECIAL CORRESPONDENT *Bonn*

West Germany seems farther than ever this week from the goal of a bipartisan foreign policy towards the communist world, despite Wednesday's much-publicised "summit" meeting between government and opposition leaders at the chancellor's residence in Bonn. Herr Brandt had arranged to meet the opposition Christian Democrats a few weeks ago, when defections from the ranks of his coalition in the Bundestag seemed to threaten the prospect of his obtaining the ratification of the treaties that he signed with Russia and Poland in 1970. "Willy panicked, and felt he needed to make a conciliatory gesture to placate us, and we could not refuse to reciprocate," was a leading Christian Democrat Bundestag deputy's version of the situation earlier this week. "But now he seems to have sorted his chaps out, so he did not really need the meeting after all. But he could not back out of it. Nor could we." No wonder the meeting has proved a damp squib.

The Christian Democrats' own contribution to making it no more than that was Monday's announcement, which must have been calculated to infuriate the government, that Herr Gerhard Schröder, the former foreign minister who is now the opposition's main spokesman on foreign affairs, would be visiting China in July. What particularly annoyed the ministers was that they first learnt about it from the newspapers. And then, on the eve of Wednesday's meeting, the Christian Democrat party executive formally stated that the reopening of negotiations with the Russians was the absolute precondition for a return to bipartisanship in foreign policy.

So the opposition's demand that the treaties should be put on the shelf for a while and then renegotiated still stands. But so does the government's contention that to do this would anger not only the Russians, but also west Germany's allies, who put so much effort into negotiating last September's four-power agreement on Berlin with the Russians. The Berlin agreement, although it is officially quite separate from any deals that west Germany may make with the communist states, could be endangered too, Herr Brandt's supporters argue. They can now cite the warning to that effect given by Mr Gromyko in a speech delivered in Moscow on Wednesday, when he also ruled out all idea of renegotiating the treaties.

Herr Rainer Barzel, the leader of the Christian Democrat opposition, and his colleagues resent such suggestions. They complain that a "war of nerves" is being conducted against them by a desperate government that is pulling out all the stops in order to secure the ratification of the treaties. They concede that a refusal by the Bundestag to ratify the treaties would probably be a nuisance from the western powers' point of view. But they are not impressed by the government's hints that west Germany could find itself isolated if the treaties are not ratified. They get particularly hot under the collar when they hear it said that they are really opposing the treaties only because this gives them an opportunity to harass and, possibly, defeat the government.

There is probably more than a grain of truth in that charge. It is widely rumoured that many leading Christian Democrats really have no objection to the treaties. Nevertheless Herr Barzel and his colleagues, and especially Herr Schröder, have been able to build up a certain amount of public support for their insistence that the goal of eventual German reunification should somewhere be officially reaffirmed. Similarly, they are gaining ground by concentrating on the need to make the



It's a war of nerves for Barzel

communists concede more of those real "human improvements" that Herr Brandt seemed so keen on back in 1970, when he first talked to the east German prime minister, Herr Stoph, in Erfurt. It may not be realistic politics so far as the east Germans are concerned, but it is helping the opposition to make debating points against the government.

The opposition's contention that Herr Brandt concluded an unsatisfactory treaty with the Russians in 1970 because he urgently needed a major foreign policy success to cover up for his government's lack of domestic achievement has, paradoxically, been strengthened by the recent actions of the communists themselves. The decision to let west Berliners visit east Germany over Easter and Whitsun; Mr Brezhnev's statement on March 20th that Russia recognised the "reality" of the European Economic Community (after Herr Barzel had made this one of his conditions for taking the Russians at all seriously as negotiating partners); last week's inclusion of west Berlin in the first trade agreement between west Germany and Russia since 1963; and Mr Gromyko's hint that some Germans will in due course be allowed to emigrate from Russia—all these recent concessions have been hailed by the Christian Democrats as evidence

that Russia could and should have been induced to pay a bigger price for its treaty. They have caused embarrassment to Herr Brandt's supporters, who privately admit that further Russian concessions at this stage could be extremely damaging.

At the moment, however, it still looks as if the treaties will be ratified —perhaps to the secret relief of Herr Barzel and his colleagues. Some of them, like Herr Franz-Josef Strauss on television on Monday, have already hinted that they would abide by the treaties once they are ratified. And although there is always a chance that somebody might seek a ruling on the treaties from the constitutional court in Karlsruhe—a *Land* government, for example, could do this—few observers in Bonn think that will happen if the treaties are ratified in May.

But there is still the big hurdle of the extremely important *Land* election on April 23rd in Baden-Württemberg to be got over. There the government's record on issues like the economy and law and order is hotly attacked by Herr Barzel and his men. If the Christian Democrats gain an overall majority in this south-western region (and most people expect that they will) and if the Free Democrats, who are now Herr Brandt's partners in Bonn, do very badly, then some Free Democrats in the Bundestag may begin to waver and look toward the opposition for their future jobs and party political propects. The first chance to judge the effectiveness of that threat to Herr Brandt and his coalition will be provided by the budget debate shortly after April 23rd, which Christian Democrats describe as a dress rehearsal for the final battle over the treaties. If the government does badly in the budget debate, then there could still be some rude shocks in store for Herr Brandt on May 4th.

Vietnam

It looks like a long haul

FROM OUR INDOCHINA CORRESPONDENT
Saigon

The present offensive in Vietnam is likely to be a long one. Having launched a campaign on several military fronts against South Vietnam, the communist leaders in Hanoi are still holding many of their options open. But it looks as though the pressure will be maintained south of the demilitarised zone and in Binh Long province,



70 miles north of Saigon, where the North Vietnamese have already established footholds. They are also likely to open a new major front very soon in the central highlands, directed against Kontum. This could be followed by extensive fighting in the central coastal province of Binh Dinh, bringing local communist units into play for the first time.

At some point it seems certain that the communists will issue a new peace formula designed to appeal to American voters and to the increasingly nervous South Vietnamese. Madame Binh's return to the Paris peace talks supports this expectation. Direct military attacks against Saigon and a widespread guerrilla offensive similar to that of Tet, 1968, are seen as longer-term communist options, rather than as immediate threats. The Vietcong are generally thought to be not ready for them. But Saigon can expect new rocket attacks.

It is still too early to make any firm judgment on the crucial question of how well the South Vietnamese army (ARVN) is performing—in other words, whether Vietnamisation will pass its first real test. Initial reports of a lamentable collapse by the ARVN Third Division in the face of the North Vietnamese invasion across the demilitarised zone were perhaps exaggerated. Most of the division has now regrouped after withdrawing some 10 miles, and the situation in Quang Tri this week was far more stable than anyone believed possible a week ago. Some observers say that time is now on the ARVN's side. Certainly the communists have suffered some big losses, especially from air strikes, and their Russian-built tanks have received a hammering.

It is regarded in Saigon as significant that North Vietnam has committed very nearly its entire army to the present campaign (although not all of it is yet engaged in combat), and that many of the first-wave troops sent across the demilitarised zone were raw teenagers with little training. North Vietnamese prisoners tell of having received their movement orders as early as March 20th, indicating that the offensive was already being cranked up before President Nixon's suspension of the Paris peace talks.

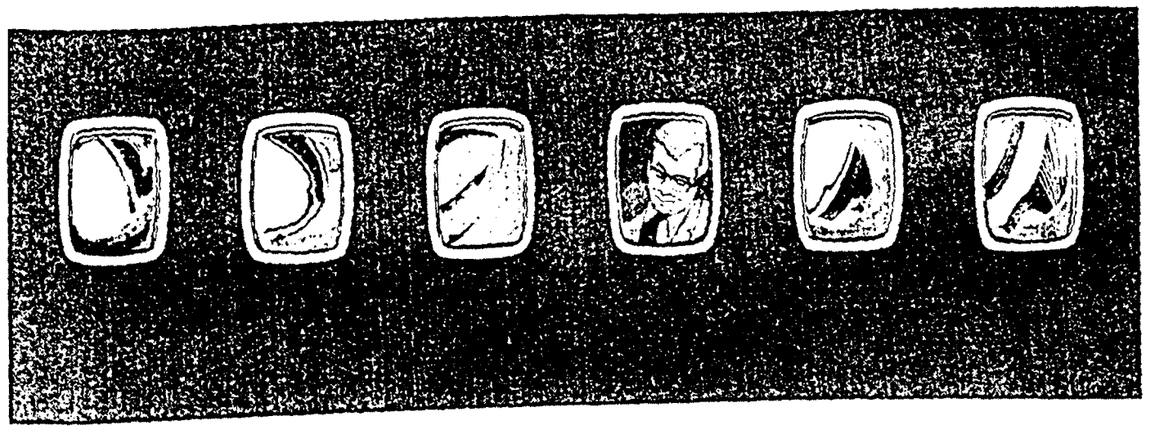
In the narrow strip of territory now occupied by North Vietnamese forces just south of the demilitarised zone, communist hamlet and village councils have been set up, each consisting of



South Vietnam's goose still isn't cooked

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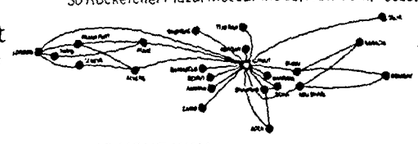
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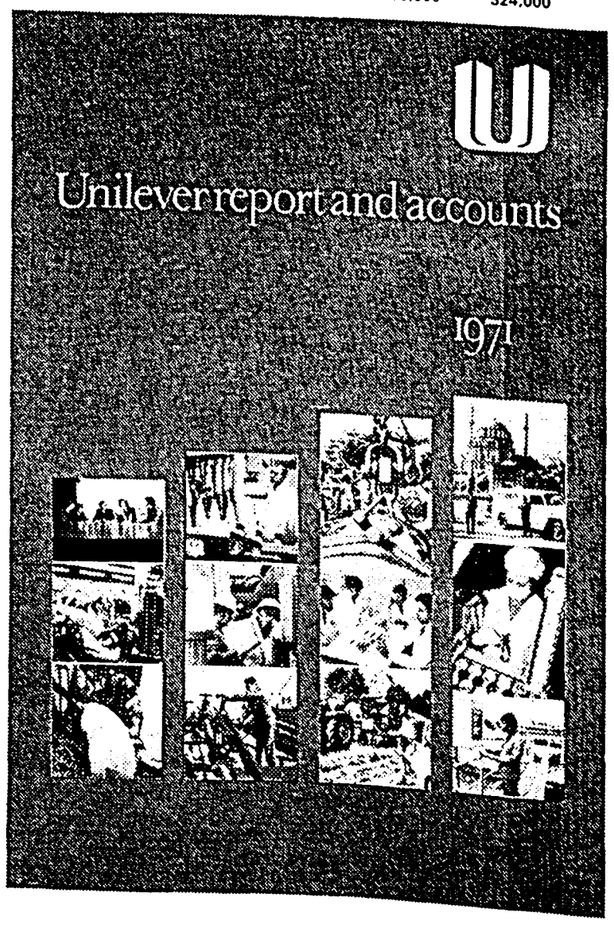
Working capital has been reduced, liquidity was improved, and interest charges were materially lower. Profit accruing to ordinary capital increased by £24.8 million or 33%.

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Final dividends recommended are 6.68p per 25p ordinary share of Unilever Limited, and Fl.3.69 per Fl.20 ordinary capital of Unilever N.V. Total dividends therefore will be 11.20p per 25p share, and Fl.6.20 per Fl.20. For 1970 total dividends were 9.415p and Fl.5.43, respectively.

Salient figures

	1970 £ million	1971 £ million
Sales to third parties	2,868	3,069
Operating profit	165	203
Interest on loan capital	12	13
Profit before taxation	156	196
Taxation on profit	76	91
Profit accruing to ordinary capital	75	99
Ordinary dividends	35	41
Profit retained	40	58
Capital employed	1,140	1,199
Net liquid funds	53	124
Capital expenditure	114	101
Depreciation	77	79
Ordinary dividends		
Limited—per 25p of capital	9.415p	11.20p
N.V.—per Fl.20 of capital	Fl.5.43	Fl.6.20
Number of employees	335,000	324,000



Unilever comprises Unilever Limited, Unilever N.V. and their respective subsidiaries which operate in more than seventy countries. The Report and Accounts of Limited as usual combine the results and operations of Limited and N.V. with the figures expressed in sterling.

The Report and Accounts of N.V. give the same information in the Dutch language with the figures expressed in guilders. English, French and German translations of the Dutch version, with the figures remaining in guilders, are also published.

Copies of all versions are available from Information Division, Unilever House, London E.C.4 and from Unilever N.V., Burg. s'Jacobplein 1, Rotterdam.

seven commissars. Communist news agency reports say similar councils have been formed in the Loc Ninh area north of Saigon. In Quang Tri the communists apparently did not try to prevent local inhabitants fleeing south if they wished, and the majority did so. Whether they headed south out of political preference or to avoid the inevitable fighting is debatable.

Air power is certain to play an increasingly pivotal role in the American and South Vietnamese counter-offensive. By adopting conventional military tactics including dependence on tanks, truck convoys and heavy artillery, the North Vietnamese have become more dependent on road communications and more vulnerable to aerial attack. Realising this, they have installed a formidable array of anti-aircraft sites in the vicinity of the demilitarised zone, some with Sam missiles. For the first time, an American B-52 bomber was hit and slightly damaged by a Sam this week, during a high-altitude raid.

The offensive has raised the usual speculation in Saigon about President Thieu's personal position. As yet he seems secure enough, but one may expect communist attempts to undermine his position by drawing away American and local political support in the weeks ahead.

Pakistan

Bhutto mounts the plank

FROM OUR SPECIAL CORRESPONDENT

The opening of peace negotiations with India is a little like mounting the gangplank for President Bhutto. He cannot afford to ignore the vocal anxiety of families throughout Pakistan for the release of the 93,000 prisoners of war or the pressure in the central Punjab and Sind for the evacuation of Indian forces from the land they occupied in the December war. On the other hand, many of his people still reject any concessions to India as an intolerable affront to Pakistani pride.

The Pakistani president, however, has now firmly placed his foot on the boards. His exchange of letters with Mrs Gandhi paves the way for a meeting between emissaries from both sides. The time and the place of the meeting has yet to be agreed though it seems likely that the participants will be Mr D. P. Dhar, Mrs Gandhi's chief foreign policy troubleshooter, and Mr Aziz Ahmed, a personal confidant of Mr Bhutto who was brought in to lead Pakistan's ministry of foreign affairs. Their discussions should at least mark the beginning of regular contacts. Apart from preparing the ground for a summit meeting they could also pave the way for a resumption of diplomatic relations, the reopening of the borders and trade exchanges, all of which would help reduce tension and make a settlement easier.

Mr Bhutto seems to be sincere in saying that he would like an end to the era of confrontation with India, both because he does not believe that Pakistan could win any future conflict and because he wants to remove the threat to civilian rule posed by the army and concentrate on development. He is probably as eager as Mrs Gandhi for mutual reductions in armed forces. It is also possible that he would privately agree to India's demand that Pakistan recognise the ceasefire line in Kashmir as an international frontier but only on the proviso that he was given a year or two to prepare his countrymen for a formal declaration to that effect.

But there is a real question whether Mr Bhutto has the political authority to make any commitments of lasting value. The army has been getting more cocky and officers talk as though the recent war was not necessarily the last. And on Wednesday Mr Bhutto's talks with the Pathan leader, Mr Wali Khan, were breaking down. How seriously, therefore, Mrs Gandhi is willing to negotiate must depend on her assessment of Mr Bhutto's political grip.

Cyprus

Makarios still on top

After weeks of rumour and speculation, it is now as certain as anything can be in Cyprus that President Makarios and General Grivas have met. Whether their secret confrontation (reportedly at a house on the outskirts of Nicosia, around the end of March) produced any kind of genuine accommodation is, however, another matter. Sources close to General Grivas say that he is still adamant that the archbishop must relinquish the presidency, and that enosis (the union of Cyprus with Greece), or possibly some subtle variant of it, is the only admissible formula for solving the perennial Cyprus problem. But, for the moment, the meeting of the two rivals is perhaps a sign that the crisis sparked off by President



I never lose face

Makarios's importation of a large consignment of Czech arms has been largely defused ; and it is significant that the Greek government, while not formally dropping its demand that the archbishop should reshuffle his cabinet to include pro-enosis representatives, is no longer harassing him publicly on the issue.

So, once again, the archbishop seems to have come out on top. It may be argued that by treating with General Grivas, who is still blatantly laying lines for a possible military coup, he has lost face ; the truth is rather the reverse. Merely by emerging from his lair (he has been in hiding since he arrived in Cyprus secretly last September), General Grivas has shed some of the mystical aura that fascinates many of his followers. His willingness to meet the president strengthens the theory that he and the Athens government are now at variance. While he may loathe President Makarios, he has no great admiration for the Greek prime minister ; and he is said to have been particularly angered by Mr Papadopoulos's dismissal of General Zoetakis, the Greek regent.

With the slight easing of tension, there is now a sporting chance that the expanded constitutional talks to work out a definitive solution will get under way. This might sweep the Cyprus question under the rug again—for perhaps a month or two. But the events of the past few weeks have generated so much bitterness that it is hard to see any definitive solution in sight. And to the Turks, the mere suggestion of a tactical (and no doubt temporary) Makarios-Grivas accommodation comes as the confirmation of their deepest suspicions. If and when it comes to bargaining around the conference table, the Turks will be tougher than they were a year ago.

Iraq and Russia

The tip of the boot



Kosygin descends on Iraq

Mr Kosygin cut the ribbon and the oil flowed. A little oil, anyway. On April 7th production started at North Rumailah, one of the oilfields expropriated from the Iraq Petroleum Company and developed with Russian financial and technical assistance. According to Baghdad, the first ship load is already in a Soviet tanker on its way to destinations in Russia or eastern Europe. On April 9th Mr Kosygin and President Bakr signed a 15-year friendship treaty, similar to the Russian-Egyptian treaty signed nearly a year ago. On April 11th a Soviet naval squadron began a five-day goodwill visit to the Iraqi port of Umm Qasr. Friendship is, indeed, a lovely thing.

The initial yield from North Rumailah will be about 5m tons a year. This is only peanuts compared with the oil that the IPC, despite the bitterness of the open-ended quarrel over expropriation, continues to export from Iraq. It is, all the same, a turning point—though the direction of the turn depends, partly, on the measures that the IPC's shareholders, an international group of major oil companies, may take in retaliation. Mr Saddam Hussein, Iraq's Baath party boss, claimed that with Russian help Iraq had at last managed to break the oil companies' monopoly of production and marketing. In response, Mr Kosygin rejoiced over the forced retreat of colonialists, capitalists and all such bad men. What it adds up to is that Russia has made a start in establishing a Middle East oil source. This, if it leads to larger operations, could be useful in helping Russia to keep up with eastern Europe's growing demands and thus releasing its own supplies for other markets ; a project for transporting Siberian oil to Japan is, for instance, in the air.

But this is only one aspect of Russian-Iraqi friendliness. Iraq's great value from Russia's point of view is its superb geographical position : it leads outward to the Gulf with its collection of rich, western-oriented states and kingdoms ; it also outflanks the Nato and Cento positions in Turkey and Iran. True, Iraq is no alternative to Egypt ; despite its repeated efforts to join some Arab club or other, it is too bottled up by its own power groups to have much influence on the Arab world to its west, let alone on the Arab-Israeli conflict. The importance of the Iraqi alliance is that it provides a foothold in precisely the position where it is useful, strategically and economically, for Russia to balance the tip of its boot.

Iraq's neighbours are playing the new development coolly, though the Kuwaitis have privately allowed their nerves to show. The Shah of Iran, who might have been the first to over-react, has been markedly restrained. Before Mr Kosygin descended on Iraq, the Iranians made discreet inquiries from the Russians, which produced an informal assurance that nothing was intended that might damage Russian-Iranian relations. The Shah, one presumes, is less than assured. But he may, uncharacteristically, be taking the advice of those advisers who believe that his recent boast that Iran would be the strongest military power in the Middle East within five years, and his preparations to this effect, are partly responsible for Iraq's turn to the Soviet Union.

The western powers have banked their money, and their arms, on Iran ; Russia may now be deciding to put considerably more effort than before into building up Iraq. While the Iraqi regime is treated dismissively by many other Arab governments, it could well have a better chance of survival than most. The regimes now in danger of losing out are the ones that could be caught between a western-directed push from Iran and an eastern-directed push from Iraq. At the least, a new factor has been added to the edginess of politics in the Gulf—and beyond.

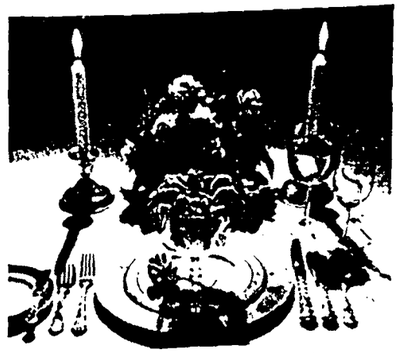
Earthquake

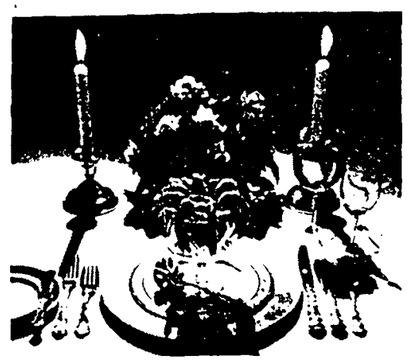
FROM OUR SPECIAL CORRESPONDENT

Before the earthquake in southern Iran on Monday Qir was a township of 7,000 people, 100 miles south of Shiraz. Few could tell by mid-week what Qir's future population will be. At that stage the estimates ranged up to 7,000 dead in the town and the surrounding area, although this is one of the more sparsely inhabited parts of Iran, peopled largely by Qashkai, tribes who live in tents. Getting to Qir this week was a question of building the road and carrying the car part of the way as you went. Your correspondent, who got there with the first journalists on Tuesday, took six hours to cover the distance from Shiraz. Only trucks and helicopters could be sure of making it.

A dust cloud hangs over the huge valley, whose lushness this spring, after the first real rains in four years, mocks what came after them. Bodies lie by the stream, most of them in shrouds. Some are tiny. Fortunately the vaccinators came through this valley two months ago. The town of Qir is razed to the ground ; there are no half-standing houses left as there were at Agadir in 1960 or at Skopje in 1963. The houses were made of heavy baked mud and brick, weak when they stood and lethal when they fell. Only the street lighting poles remain. All round the outskirts sit the surviving women and children, wailing and chanting in rotation. The men were luckier, most of them being out in the fields by 6.30 in the morning when the earthquake struck. But two days later they were still too numb to do much. Soldiers dug in the rubble while townsmen dug their own families' graves. One oldish man who had four crumpled heaps, his whole family, to dig back into the ground, pleaded : "Please help me dig, I am alone."

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Palestinians

Demagoguery

FROM OUR LEVANT CORRESPONDENT

The windy resolutions of the meeting of the Palestine National Congress, which ended on Tuesday in Cairo, showed that in the endless political outbidding that has always plagued the Palestinian national movement the demagogues are again making the running. After King Hussein's federal proposals for a Jordanian-Palestinian kingdom, the Jordanian regime has once more replaced Israel as the main enemy of the Palestinian commandos. But the punitive actions against Jordan recommended by the congress are to be taken not by the Palestinians but by Arab governments. Few governments are expected to oblige.

President Sadat made militant verbal propaganda against Jordan in his speech at the opening of the congress on April 6th, and Egypt has joined its federal partners, Syria and Libya, in breaking its formal diplomatic links with Jordan. This by itself is of small consequence. The more serious threat, being aired in Cairo, that Egypt should close its airspace to Jordanian planes remains, so far, no more than a threat. The congress called for a blockade on Jordanian goods but Syria last week actually relaxed the blockade it had imposed in 1970 by allowing Jordan to resume 40 per cent of its phosphate exports that pass through Syria on their way to European markets.

If the commandos try to infiltrate into Jordan for sabotage or assassination they are likely to have as little success as they have had in Israeli-occupied territory. The Jordanian security forces are united, efficient and vengeful. And Jordan, unlike Israel, retains the death penalty. Moreover such activity would alienate the many East Bankers, Palestinian as well as Jordanian, who are weary of violence, still further from the commando movement.



Sadat won't take them seriously

The Egyptians, revealing the cynicism of their attitude towards the resistance movement, have recently brought back into public life Mr Ahmed Shukeiry, the Palestinian leader who was rightly deposed and discredited after the June, 1967, war. Mr Shukeiry spoke to the congress and was listened to. That the Palestinians should have allowed this is proof either of their forbearance or of their inability to refuse the wishes of an Arab government, particularly Egypt. It emphasises their urgent need to make a clean sweep of their leaders, past and present.

Lebanon

With the UN seal

FROM OUR LEVANT CORRESPONDENT

Lebanon has asked for, and the United Nations may agree to provide, 15-20 more observers to augment the seven-man force that at present patrols the Lebanese-Israeli frontier. These observers cannot be expected to preserve peace across the frontier but their presence can help the Lebanese army to do so—and is a means of affirming the international character of that threatened border. In the Middle East, as in Kashmir, the presence of a UN observer force has never been anything but a face-saving arrangement which enables the host countries to do what they want, or are obliged, to do, that is to behave peaceably.

After the disproportionately heavy reprisal raids on villages in southern Lebanon last month, following a brief spasm of Palestinian commando activity across the border, the Lebanese army moved on the heels of the withdrawing Israelis into the Arkoub area, hitherto known as Fatahland. If it were not for this reasserted Lebanese military presence, and the control of the frontier that it implies, the request for more observers could have been a dangerous move for Lebanon because its reports confirming commando sniping across the frontier would have given international sanction to Israeli reprisal raids or even occupation. As it is the Lebanese army can point out to the commandos that additional international witnesses make their activities doubly dangerous for Lebanon. This, in turn, entitles Lebanon to take doubly secure counter measures. In effect this means that the commandos have lost their last "open" sector for operations against Israel.

Logically Israel might have welcomed this move ; in fact, like the Palestinians, it has objected to it. Israel's argument is that the observers cannot police the 75-mile-long frontier effectively : small groups of infiltrating commandos would be able to slip past them undetected though not, of course, the counter attacks of Israel's regular armed forces. But this, the Lebanese believe, is not Israel's real objection.

In June, 1967, Israel unilaterally denounced all the armistice agreements that covered its frontiers with its four Arab neighbours, including Lebanon, even though Lebanon took no part in the June war. According to Israel all its frontiers are now provisional cease-fire lines. This, so far as Lebanon is concerned, is a much more fragile and dangerous arrangement than an armistice line based on an established international frontier. Lebanon is acutely aware that ever since the first world war many zionists have argued that the Jewish state's "ideal" northern frontier should include what is now southern Lebanon and its water resources.

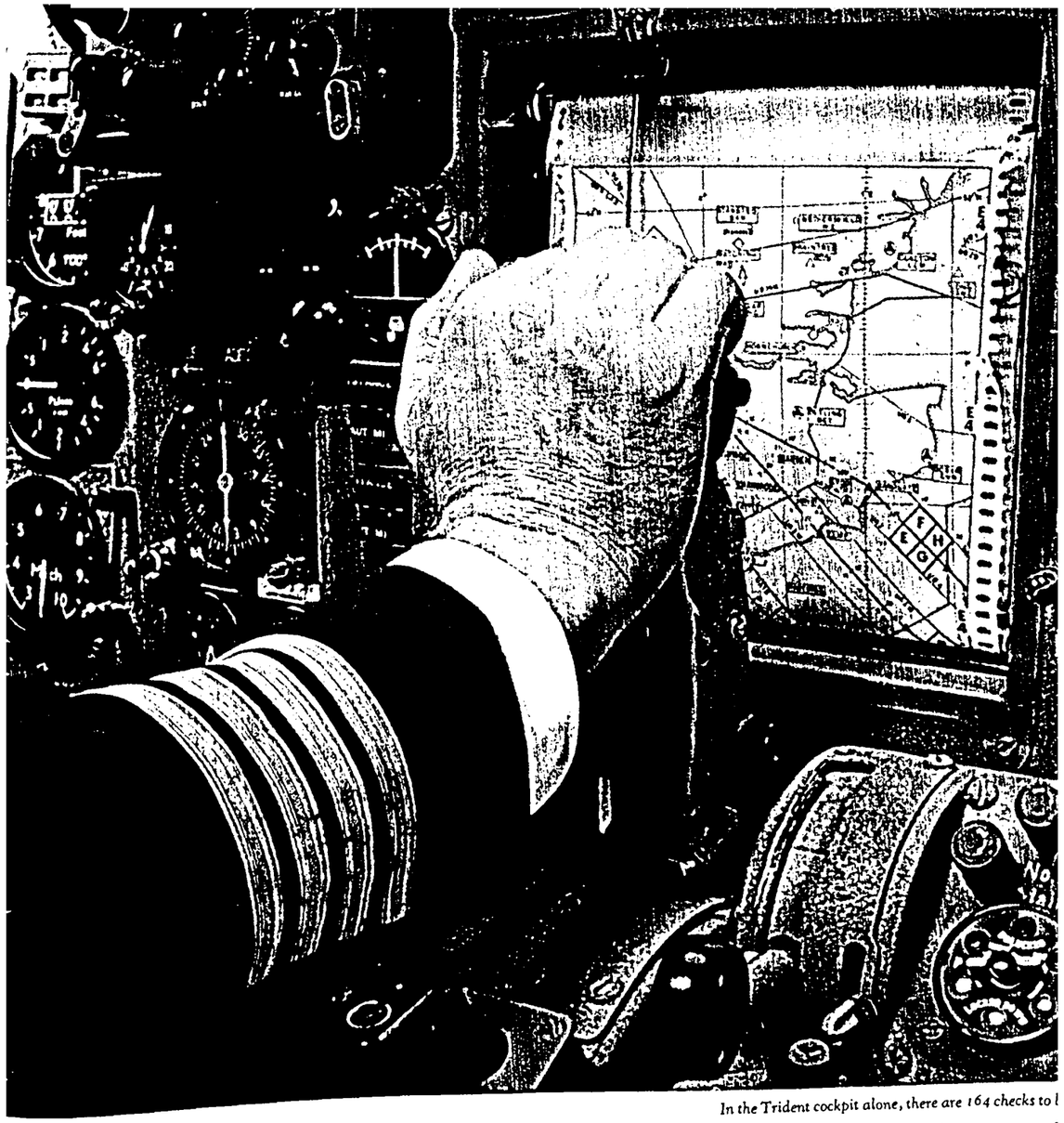
Israel maintains that the present UN observer groups are not a continuation of the old UN truce supervision organisation but a new ad hoc set-up. This has been accepted for Syria, Jordan and Egypt where the frontiers are new ones, but Lebanon rightly claims that its southern frontier is on the international line, as it was before 1967, and that it is being policed by the UNTSO as before. Hence an increase in UN strength along this line helps to solidify the unchanged character of the line itself.

This remains true only if the line is not violated from the Lebanese side. Lebanon has now assumed the responsibility, with the UN providing an additional and respectable reason for doing so. Yet the UN observers in southern Lebanon may have the dubious distinction of facing the possibility of being shot at not from the usual two sides but from three.

Zanzibar

Jambo, Jumbe

Sheikh Abeid Karume, the dictator of the beautiful coralline island of Zanzibar, died in a hail of bullets in the headquarters of his Afro-Shirazi party last Friday night. Radio Zanzibar later reported that three of his four murderers had been killed, and that the fourth had committed suicide. Probably not since the death of Verwoerd in 1966 has an assassination in Africa been



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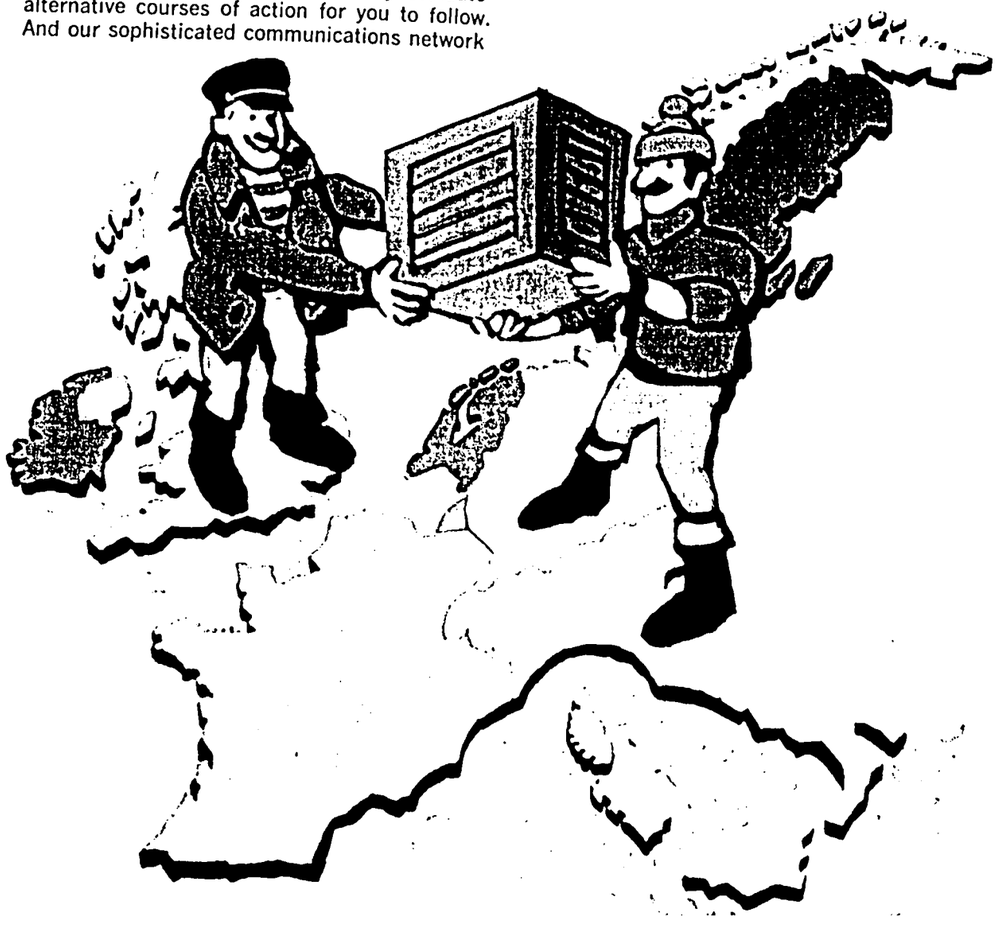
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greeted with such wide approval.

Sheikh Karume presided over a brutal and despotic regime. Since the revolution in 1964—itself a pretty bloody affair—when the Sultan of Zanzibar was overthrown, he had eliminated political enemies, forced a number of girls of Persian extraction to marry members of his revolutionary council, and reduced the island's inhabitants to a state of nervous terror. He had enemies amongst those of Arab, Indian and Persian descent who formed the privileged class against which the 1964 revolution was aimed; he had enemies amongst the indigenous islanders whom he oppressed; and he had enemies amongst his fellow revolutionaries who disapproved of his methods and sometimes suffered at his hand. It is not yet known who killed him, but there was no shortage of potential assassins.

Yet the sheikh was not a wholly evil man. Having himself received a mere 18 months formal schooling, he was anxious that others should have more, and made education, as well as health services, free on Zanzibar. He also went some way towards improving the incomes of the peasants. More remarkably, he gave handsomely on behalf of the island to the victims of disasters, such as the 1970 cyclone in Pakistan and the 1971 drought in Kenya.

But if charity began abroad it ended there too: there were—and are—serious shortages in Zanzibar's shops, caused by Sheikh Karume's decision to allow almost no imports to the island. Although Zanzibar's near monopoly of the world's clove supply made the island rich in foreign exchange, it merely accumulated—much of it in the coffers of the Moscow Narodny Bank in London—until recently when, it is reported, the sheikh transferred the assets of £25m to his own account.

This was interpreted more as an act of spite against Tanganyika, off whose shores Zanzibar lies, than as an attempt to enrich Sheikh Karume. Since 1964 Tanganyika and Zanzibar have been joined under an interim constitution to form the united republic of Tanzania, whose president, Julius Nyerere, must sometimes have felt Zanzibar's reserves to be the only fruit of the union for the mainland. Mr Nyerere's high moral asceticism has always been highlighted by the erratic despotism of his island counterpart. His inability to intervene in Zanzibar's affairs has usually been accepted, even by his critics, but his decision not to break the union, presumably in the hope that his influence might prevent even greater excesses in Zanzibar, has caused him much embarrassment.

He will now be able to justify his wish to maintain the bond between the two countries if he can help bring about a more enlightened regime. On Wednesday he appointed Mr Aboud Jumbe, a former schoolteacher who became the minister of state in Sheikh Karume's office, to succeed the sheikh. This has raised hopes of better relations with the mainland. But it is still too soon to judge what shape events will take on Zanzibar. Those who rejoice at Karume's death might do well to look at South Africa since the assassination of Verwoerd in 1966.

Lesotho

A change of tune

FROM OUR SOUTH AFRICA CORRESPONDENT

Changes are coming to the tiny enclave kingdom of Lesotho which could seriously disrupt the South African government's vision of a future commonwealth of tribal states, docile under its own economic overlordship. Since it gained independence from Britain six years ago, Lesotho has in effect been the archetypal bantustan. Entirely surrounded by South Africa and dependent on it for the employment of half its population, the little country's conservative prime minister, Chief Leabua Jonathan, has traditionally taken the view that it would be fatal to do other than sing Pretoria's tune.

When this cautious line was threatened by an electoral victory of the less subservient Congress party at Lesotho's first elections in 1970, Chief Jonathan pre-empted the result by declaring an emergency, cancelling the elections and imprisoning the opposition leaders. There followed a period of savage political repression during which the monarch, King Moshoeshoe II, went into exile in Holland.

But, just when everything seemed securely battened down, Chief Jonathan himself began six months ago quietly to introduce a phase of change. First came a speech last October denouncing apartheid as abhorrent to all Africans. And although this stung the South African prime minister, Mr John Vorster, into a menacing warning that "You must not tempt me too far," Chief Jonathan repeated the speech last month. Simultaneously he staged an even more pointed snub to Pretoria by inviting South Africa's most strongly anti-apartheid MP, Mrs Helen Suzman, to be guest of honour at Lesotho's inaugural Moshoeshoe Day celebrations.



Jonathan clears the way

The most dramatic development came on April 1st, however, with the sudden dismissal of Lesotho's British chief of police, Mr Fred Roach, the strongman responsible for keeping Chief Jonathan in power. With him went Mr John McFall, commander of the police mobile unit, which was responsible for most of the bloody repression of Congress party cells in the mountains.

What these firings indicate is that Chief Jonathan is clearing the way for a coalition with his erstwhile Congress party enemies, to whom the sacked policemen are anathema. The Congress party leader, Mr Ntsu Mokhehle, is out of jail and in regular consultation with the prime minister. The king is back from exile. So the stage seems set for a national reconciliation—and a coalition government much less inclined to sing Pretoria's tune. For Mr Vorster, this has some awkward implications: the sight of an impudent Lesotho could cause his own followers to have second thoughts about bantustans generally. But although Lesotho is technically at his mercy, he dare not be seen taking action against it.

Chile

No Pompidou he

It is not just the French who go in for plebiscites, although Chile's President Salvador Allende must be feeling considerably more uneasy than President Pompidou about the referendum he has just threatened to hold. Dr Allende's problem is that back in February the opposition parties (who hold a majority in congress) passed the Hamilton bill, which is designed to curb the power of the executive to take over private companies. Until the end of last week Dr Allende was hoping for a backroom compromise with the Christian Democrats. But the Christian Democrats refused to play, and finally the leaders

of the non-marxist Radical Left party (Pir) who had been negotiating with them resigned from Dr Allende's Popular Unity coalition on April 6th on the grounds that his attempts to veto the Hamilton bill were unconstitutional.

Now there are only seven parties represented in the government. But the loss of the Pir means more than the loss of eight senators and two competent and moderate ministers. It means the collapse of Dr Allende's so-called "middle strategy" designed to restore the confidence of small businessmen and professional men by building up the non-marxist elements in the governing alliance.

As the Unctad conference opens in Santiago (see page 78) Dr Allende is facing the most acute political crisis he has so far had to contend with. His threats to dissolve congress and hold a referendum on the constitution ring a little hollow when one remembers that he got only about 36 per cent of the votes in the 1970 presidential election, and that there is widespread discontent at food shortages and inflation.

Having banned a housewives' protest march a few weeks ago, Dr Allende then felt he must decree that the "march for democracy" that the opposition parties staged on Wednesday should be rerouted a mile away from the Unctad buildings so as not to offend the eyes of foreign delegates. There has also been a wave of arrests of retired army officers and of right-wing Patria y Libertad organisers on the charge that they were plotting to stage a putsch at the end of last month. With a Chilean congressional committee beavering away at the papers Mr Jack Anderson charitably dredged out of ITT's files, Dr Allende may calculate that he can raise a right-wing bogy to scare more than half the voters into backing him in a pebiscite. If he succeeded, he would set up a one-chamber parliament that would be much more submissive to presidential initiatives. But all that will probably have to wait until he has finished playing host to Unctad.

Argentina

Two killings

Two men were murdered in Argentina this week. The first, Sr Oberdan Sallustro, was the Fiat executive who had been held hostage by the trotskyite People's Revolutionary Army (ERP) for three weeks. His captors finally shot him during a gun battle in the south-eastern suburbs of Buenos Aires as the police were closing in on their hiding place. His death may lead Fiat's directors to rethink their decision to pump $90m of new investment into Argentina over the next four years, although it would be wrong to assume that an isolated act of brigandage is a sign that the country is on the skids.

The other killing probably poses bigger immediate problems for President Alejandro Lanusse. General Julio Carlos Sánchez, the tough commander of the third army corps in Rosario, was ambushed on his way to his office on Monday. He had waged a successful campaign against the ERP and other terrorist groups in the town that has become their headquarters, and his death means that General Lanusse will have to think hard about how to juggle the commands of the four army corps so as to guard his flank against a barracks revolution.

General Sánchez was killed by a combined group of ERP guerrillas and members of the peronist Revolutionary Armed Forces (FAR). They say they have seven other soldiers and policemen on their black list. The ERP has already murdered a prefect of police and attacked army patrols and police posts in Rosario and Córdoba. Linked to the trotskyite Fourth International through the Workers' Revolutionary party (PRT), which provides a political commissar for each commando group, the ERP has emerged as one of the most active urban guerrilla movements in Latin America.

Papua New Guinea

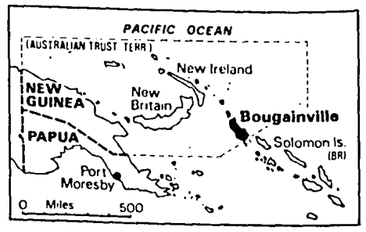
As Bougainville blossoms

FROM A SPECIAL CORRESPONDENT

Port Moresby

Katanga in the south-west Pacific? Well, not quite, but the opening of one of the world's largest open-cast copper mines, which started commercial production in Papua New Guinea's Bougainville island on April 1st, has already turned some eyes toward the former Belgian Congo. For the territory of Papua New Guinea, administered by Australia and now on the verge of self-government, Bougainville island's copper is a bonanza. The mine, two-thirds owned by Conzinc Riotinto of Australia and one-third by North Broken Hill, represents a £183m investment, and sales—mostly to Japan—have been guaranteed for the first 15 years of production.

The copper deposits are the fledgling



nation's only hope of building something more than a beggar economy: Bougainville's copper is expected to double Papua New Guinea's export income and give the government £137m in company tax, royalties and dividends over the next decade, depending, of course, on the world price of copper. There are, however, two flies in Bougainville Copper's ointment. The first is that following the revaluation of the yen and recent legislation in Japan to control pollution caused by copper smelting, Japanese buyers are pressing for a renegotiation of their contract. But more important, perhaps, is the political situation in Bougainville itself.

Bougainville, 600 miles from Papua New Guinea's capital Port Moresby, is geographically and ethnically a part of the British Solomon Islands Protectorate and, but for a piece of territorial horse trading in 1899 by which the British ceded it to German New Guinea in return for trading concessions in Samoa and west Africa, it would still be with the Solomon Islands. Over the past four years a Bougainville nationalism has arisen whose aim is either a return to the British Solomon Islands Protectorate or alternatively plain secession. The politically conscious among Bougainville's own people nurse a grievance against Australia for alleged neglect of the island until the discovery of copper. As for the brown-skinned Melanesians of the New Guinea mainland, the coal-black Bougainvilleans regard them as another race.

The Australian government has so far refused to consider Bougainville's requests for a referendum on the question of secession, but it remains one of the imponderables of Papua New Guinea's future. Meanwhile Bougainville Copper is anxious to be in the clear whichever way the ball bounces. Before the recent general election it donated £1,370 to each of Papua New Guinea's three political parties, and it has set up a commercial trust on the island with £3.6m in credit facilities to involve the Bougainvilleans in the new business which it is hoped the copper will bring.

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April 6, 1972

THE WORLD

American Survey

Public transport misses the bus

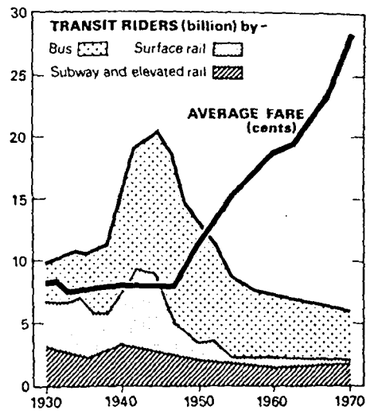
FROM OUR SPECIAL CORRESPONDENT

The prevailing current of opinion in the United States is in favour of systems of public transport—by bus, rail and tube—and against the motor car. This could produce a lot of promises in an election year. A first indication came recently when the Senate passed a bill to authorise the federal government to spend $800m over two years on subsidies for running bus and underground services. This measure, which has yet to get through the House of Representatives, would be a new departure ; so far the federal government has not given operating subsidies to mass transit undertakings, fearing that these would swell into a suffocating burden on the taxpayer and regarding operation as a local matter in any case. Help has been confined so far to subsidies for capital development and research and these seem likely to be increased this year, even if Congress does not allow the Department of Transportation to open up the huge and ever-growing highway trust fund. Until now this has been reserved for the building of roads but the department would like it to be used to finance the capital costs of all types of urban transport.

With the cities short of cash, the poor and the old definitely short of transport and mass transit systems losing $600m a year, there is great political appeal in something that spreads part of the financial and social burden of the ghettoes to the suburbs and at the same time relieves the agony of the middle-class commuter. But uncritical support for the motor car has given way to uncritical support for public transport, especially for underground systems, and a lot of money may be spent with meagre results. Of the $3.1 billion that the Department of Transportation is already spending on mass transit between 1971 and 1975 nearly three-quarters is going to suburban rail and subway projects. With the bulk of the cost being paid by Uncle Sam any mayor who can pull off a scheme for an underground has made political capital for himself. But improved bus services would be a better means of giving people mobility and at a fraction of the expense.

The cost of the Metro now being built for the capital of the United States has just escalated by $500m and will probably rise by another $500m to a total cost of $4 billion before it is finished. This is nearly $1,500 for every person in the whole Washington region. For the same price a minibus could be bought for every seven people. Congress has just had to be asked to approve a guarantee by the federal government for loans to cover the building costs of the Metro ; this reflects the lack of confidence by the financial community in the forecasts of the Metro's backers. The cost of interest payments on capital for the Washington Metro would alone be enough to allow free travel on the buses, hand out 50 cents to every passenger and double the bus services.

Emotion about the urban crisis is so great that any criticism of current plans for expanding public transport is regarded in many quarters as a sell-out to the General Motors Corporation (though GM is one of the big beneficiaries of mass transit subsidies, since it provides much of the equipment). Supporters of transport by rail argue that only thus can a density of 60,000 passengers an hour along the same route be achieved. But there are only about three corridors in the entire United States requiring such density of movement. Rightly or wrongly, the motor car has spread people out over a wider area and at



present only a bus or minibus has the flexibility to match this scattering of demand for transport on a remotely economic basis, although a number of other ideas are being studied.

Even in San Franciso the celebrated Bay Area Rapid Transit system will meet only about 7 per cent of the transport needs of the area when it opens eventually. Property is already being developed along Bart's route and there is every danger that San Francisco will repeat the experience of Toronto and Montreal, where the building of tubes led quite quickly to more rather than less traffic congestion on the roads, because more trips by bus, car, taxi and lorry were generated on the surface by property development than were generated underground by the subways. The other thing that has to be taken into account is the effect of tubes on local bus services. To the extent that subways win passengers from buses, and this is where a large part of their market comes from, the economics of bus systems deteriorate and services have to be withdrawn. This means that many people will be served less well because of the new subways.

At the same time there is a lot that can be done to improve the buses, whose present plight is due as much to the extraordinary sleepiness of their managements as to the automobile. Three things stand out which have

led to the financial downfall of mass transit in the United States and each alone is a recipe for bankruptcy. One is the flat fare system, which is responsible for the vicious circle between increases in fares and declines in the number of riders. Flat rates create a pattern of revenue that is excessively dependent on those travelling short journeys. Then, when inflation brings increases in fares, those suffering the biggest rises in relation to the distance that they travel are those who can most easily walk instead.

The second problem is that trade union contracts say that every man must be employed for an eight-hour day. Labour is by far the biggest cost in all forms of public transport but the bulk of this cost is needed to sustain services for only two hours a day. The number of men needed at the peak—and the peak is becoming more and more pronounced—is often five times the number needed during the rest of the day. If bus companies could employ part-time labour their financial problems would be relieved.

The third factor in the downfall of the bus is lack of marketing. Managers of mass transit systems think that publishing a timetable is marketing enough. But almost every other industry undertakes detailed research and tries to match its supply of services to the demand for them. In a motor car era with people's patterns of travel undergoing a revolution, bus companies have done practically nothing to alter their services, except to cut routes, although recent experiments show that, where companies devise means of providing a more rapid and convenient service of buses, they attract a lot of extra passengers.

At present there is no easy solution to the transport problems of the cities. People are not yet ready to invest the huge sums that would be needed to replace existing systems of transport with fancy technology that would combine the advantages of the motor car while eradicating its disadvantages, nor is the technology sufficiently refined to do this. Meanwhile controls on the motor car are inevitable, if the subsidies for mass transit are to get people out of their cars. It is only fair that a bus with 40 passengers should have preference over a car with only one. Sometimes this can best be achieved by giving buses precedence through traffic lights, sometimes by segregating them from other traffic for all or part of the day and sometimes by taxes on the motorist, such as higher tolls or parking charges. There may be more promise in approaches of this kind than in operating subsidies, which can only reinforce the complacent attitudes of both management and labour that have led to the present decline in the services offered by bus companies.

Test in Vietnam

Washington, DC

Manifestly, President Nixon's policy for a "Vietnamising" of the war in Indochina had to be exposed to a test sooner or later and nobody is surprised that it happened just now. The commentators and the spokesmen follow their habits, some explaining the timing with political arguments turning on the American election process or with diplomatic ones concerned with the President's foreign travels past and future; while just a few attribute the armed actions of the communists to military purposes.

At all events, the Administration did expect a flare-up in the communist attacks about this time and it did try to prepare the public for something of the kind, but in a muted way, since the last thing that Mr Nixon wants is for the war to become a dominant issue in the public mind again, to his disadvantage this year—as it was, to his profit, in 1968. What the Administration was not prepared for was the scale and violence of the North Vietnamese attacks across the demilitarised zone and from Cambodia into the Saigon region. Thus the North Vietnamese achieved surprise, after all. The Administration is uncertain how things will turn out and the tension is great.

When he made his choice in the spring of 1969, soon after his inauguration, Mr Nixon expected a shorter run of public tolerance for the continuation of the war than he has, in fact, encountered. The choice was to sue for peace on terms which he considered degrading or to transfer the burden of fighting on to the South Vietnamese while placating American opinion with successive withdrawals of American fighting men. Mr Nixon chose the second course. Withdrawing the American soldiers while continuing the war did, however, imply a period of reliance on air power and naval power as a stand-by support for the South Vietnamese in case of need. Aircraft carriers, air force squadrons and warships are now being brought to bear on a huge scale to save the land battle: whether the battle can in fact be saved in this way nobody quite knows.



Laird warns Hanoi

Mr Nixon is understandably not saying much. He did take the occasion of the ceremonial signing on Monday of the treaty on biological warfare to reprimand a great power (the Soviet Union, that is) which encouraged another "to use force or armed aggression against one or other of its neighbours"—but in sufficiently general terms for the Soviet Ambassador to see no need to take offence. Apart from that rather theoretical sally, the President has been leaving it to others to comment on the new, violent turn that the war has taken. His staff in the White House has been as taciturn as he. For once, the glory of spreading reassurance and uttering cheerful prophesy is being generously left to the State Department, the Defence Department and the military commanders.

These stout men are not backward in their duty. Plenty of assurances are to be obtained that the newly Americanised South Vietnamese army is turning out well and that North Vietnam (having, by these accounts, gone inexplicably crazy) has desperately thrown its last reserves into a forlorn hope. The press and the television reporters treat these assurances with open disbelief but they, too, have formed their habits and they are by now conditioned to expect the worst.

The truth is that nobody knows how it will come out. Military theories are being tested in the fire and different members of the military establishment plainly have their different views of who will be proved right. Some will rise, and some will fall, when all is over. The public, rightly bewildered, has shown no sign yet of being greatly aroused. After all, the conflict no longer threatens the lives of young American conscripts.

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April 7, 1972

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It's Mafia, but is it art?

The murder last week of Mr Joseph (Crazy Joe) Gallo in Umberto's Clam House in the Little Italy section of Manhattan came just as the national craze for the Mafia seemed to be at its height. Mr Gallo was one of the best-known members of the international crime syndicate which, even in modern America, has retained its ties of blood and affection with Sicily, the Mafia's home. No one, least of all the police, could say exactly why Mr Gallo was gunned down while celebrating his 43rd birthday with his family and bodyguard. Nor do they know why six other underworld figures with presumed Mafia connections have been slain during the past fortnight.

There are several theories: One is that Mr Gallo and his brother and colleagues from Brooklyn's Mafia family (as local organisations are called) ordered the shooting of one of the Mafia's patriarchs, Mr Joseph Colombo, at a public rally last June. Mr Colombo, who is said to have been paralysed since, had fallen out with the Gallo brothers because of his sponsorship of the Italian-American Civil Rights League. Recently Gallo had worked for another organisation, Americans of Italian Descent, and the rival groups were contesting for the support of Italo-Americans in the same Brooklyn districts. Joe Gallo always denied any responsibility for the Colombo shooting and many believed him ; yet he has been a marked man since. But another theory holds that he was killed by his own faction. A recent nine-year stint in prison seems to have changed him. He made friends with blacks (something many Mafiosi disapprove of), insisted that he was going straight and held a contract to write his memoirs.

If Mafia men watched the bestseller charts, they might drop their aversion to authorship. The novel, "The Godfather," based on their organisation, has sold 10m copies in paperback editions alone and it has been turned into a film which looks like becoming the box-office leader of the year. In just a few weeks, the film has made millions, restored Mr Marlon Brando to stardom and drawn unbelievably long queues of filmgoers all around the country. "Honour Thy Father," a non-fictional account of some Mafia leaders at home, revealed how the members themselves enjoyed reading "The Godfather." (However, Time magazine reports that the late Mr Gallo found the film's death scenes too flashy.)

But the Mafia is no comic book crime syndicate. It was powerful enough to have the words "Mafia" and "Cosa Nostra" (another of its names) excised from the script of "The Godfather." It could also have been the reason why Mr Dino de Laurentiis, the Italian film producer, suspended the New York production of "The Valachi Papers" ; his announcement referred ambiguously to "pressures." The film, based on the testimony to Congress of a Mafia flunky, may yet be made in Rome.

Meanwhile, with other Mafia films in train, there is public concern about what the current fad means. Is it a nostalgia for simpler days when in crime, as in war, the lines between bad and good were easy to see ? Or is it a symptom of a new cynicism about the integrity of American business and government ? This view, ignoring the brutality of the Mafia, holds that the organisation has only given people what they wanted—gambling, prostitution, money-lending—and has done so according to a code of honour and discipline for which there is grudging admiration.



St Peter will decide who did it

ELECTION '72

After Wisconsin

Last week's Democratic primary election in Wisconsin may have narrowed the field of contenders for the party's presidential nomination but it has not clarified the likely result, except to increase the possibility that a complete outsider may come out ahead at Miami Beach in July. Senators Humphrey, Muskie and McGovern are now bunched together in the lead with Governor Wallace of Alabama nipping at their heels whenever it suits him. Mr Humphrey's main concern now is to win a major election, something that he has never done except in his own state of Minnesota, to show that he is not a dedicated loser. His opportunity is coming in the next primary, on April 25th, in Pennsylvania where his trade union and Negro supporters are both strong. On the same day the primary in Massachusetts, full of students and liberal intellectuals, offers Mr McGovern what he needs most—another victory to keep his challenge rolling and the money coming in. He could also prove there that he really is broadening his base, to include blue-collar workers and suburban voters, not just in Wisconsin but nationally.

Between them these two candidates could squeeze Mr Muskie right out of the race, a danger that always threatens a centrist candidate, especially one who has been chary of taking a public stand on individual issues for fear of alienating potential backers. A change in Mr Muskie's strategy is obviously necessary, although his staff seem to have had some difficulty in convincing him of this. It appears, however, that he has now decided to let Mr McGovern have the popularity contest in Massachusetts and to concentrate for the next two weeks on beating Mr Humphrey in Pennsylvania. This is tactically wise since Mr Humphrey is competing with Mr Muskie for the support of party organisations and state officials—the support on which Mr Muskie's original lead was founded. Together Mr Muskie and Mr Humphrey represent the Democratic establishment which will never back Mr McGovern unless it is forced to recognise that his new populism offers the party its only chance of beating President Nixon in November.

So far none of the candidates is within sight of collecting the clear majority, 1,509 votes, that is needed to win the party's presidential nomination at the convention. Even Mr Muskie, in the lead here with 96 delegates pledged to him, is only just ahead of Mr McGovern; but this is where the backing of local party officials becomes important. For instance, even if he does not campaign in Massachusetts, Mr Muskie expects to pick up a number of delegates there in districts where he can count on the help of his friends—Mayor White of Boston, for example. Instead of dissipating his energies in all, or nearly all, of the 20 Democratic primary elections that are yet to come (most of them in May), Mr Muskie is now said to be planning to devote himself to the populous states which send large delegations to the convention, starting with Pennsylvania and going on to Ohio, California and New York ; after all, he did well, collecting 60 delegates, in Illinois, the only really important state which has had a primary election so far. And over half the states do not choose delegates in primaries at all, but at party meetings ; these need attention also.

Gas gap

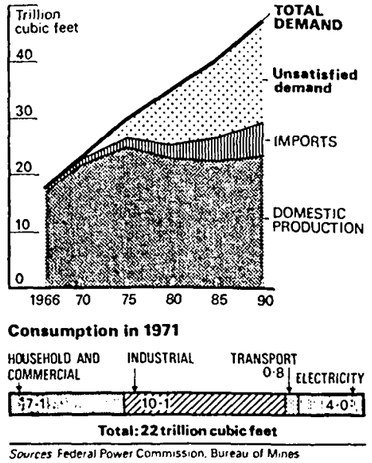
Natural gas now supplies a third of America's energy and the share would be higher if more gas were available. For some time gas companies in certain parts of the country have been refusing to take on new customers and cutting back supplies to industrial consumers. This non-sulfurous fuel does not conflict with the increasingly severe restrictions against air pollution, as do most other fuels, so potential demand for it is expected to double in the next 20 years. But, according to the official forecasts, production from domestic wells will reach a peak of just under 25 trillion cubic feet in 1974, only slightly more than last year, and will then fall off. Imports from Canada are expected to double, to nearly 2 trillion cubic feet a year, by 1990, with the development of new fields in the north-west, and rather more than that should be coming by then from the American reserves in Alaska.

This gas will come by pipeline but a more substantial contribution—2 trillion cubic feet a year by 1980, 4 trillion by 1990—is supposed to be coming by tanker, in the form of liquefied natural gas. Most of this is to come from North Africa, although the possibility of obtaining supplies from Siberia is being looked into. Small quantities to meet emergency situations have already been allowed in but in March the Federal Power Commission approved a long-term contract for LNG for the first time. Distrigas Corporation of Boston may bring in 14 tanker loads of LNG—15 billion cubic feet—a year for the next 20 years to serve customers in the fuel-short north-east of America. This is only a beginning, both in the development of the commission's policy towards such imports and in the issuance of permits for them. Other important applications are pending.

So are applications for permission to bring in petroleum products, such as naphtha, outside the quotas which regulate oil imports, for conversion into synthetic natural gas. Some firms, the Brooklyn Union Gas Company, for instance, are proposing to use domestically-produced oil for this purpose. Plants of this kind could be in operation by 1975 but it will take much longer for any gas to come from the numerous pilot projects which are now under way, with government backing, for making synthetic gas from coal.

Even then, however, a dangerously large deficiency will still remain to be filled (by other fuels, presumably) even if additional domestic sources of natural gas are developed. The FPC's staff report, on which these estimates are based, recognises that exploration for new supplies is likely to be stepped up as the result of the higher prices for natural gas which were permitted last year by the commission with this purpose in mind. Annual consumption of natural gas is now regularly exceeding the discovery of fresh reserves.

Forecast for natural gas



Sources Federal Power Commission, Bureau of Mines

Last week the FPC proposed a further relaxation of its controls over the prices that may be paid to producers for new gas which has not already been contracted for by interstate pipeline companies. Under this proposal gas would apparently be allowed to double, or even treble, in price, to approach the much higher levels at which imported LNG and synthetic gas will be sold. Moreover, the FPC would promise not to roll back the new prices once they had been agreed. If the plan actually goes through, it will please, although it will hardly satisfy, the producers who insist that the shortage of gas is largely due to the commission's controls on prices. The impact of the increase on consumers will only be gradual since the more expensive gas, whether domestic, imported or synthetic, will be mixed in with that being sold under existing contracts. And the growth in demand will presumably be held down, even if only marginally, by the higher prices. Nevertheless protests are certain.

Post blacked

It is a bit hard on the Washington Post that it should become the first newspaper to be the subject of a complaint to the Equal Employment Opportunity Commission. The complaint comes from seven of the Post's 21 black writers and photographers ; they say that the paper employs too few blacks and refuses to promote those it does employ to the plum jobs on the national and financial staffs or to positions of editorial and managerial responsibility. Yet by comparison with other newspapers the Post, a liberal journal and a great battler for racial justice, is not doing badly.

The comparison, however, is hardly an exacting one : in 1970 there were 121 Negroes among the 7,152 members of the editorial staffs on all of America's daily newspapers ; only five of these blacks were in executive positions and able to influence the handling and interpretation of the news. The liberal New York Times does less well than the Post, with only 22 members of all minority groups among its much larger number of writers and photographers.

Even today's token number of blacks on metropolitan dailies would hardly be there if riots in the 1960s had not made it a matter of urgency to find men who could enter the ghettoes and report at first hand on what blacks were thinking.

The Post has already announced the appointment of a black (Mr Austin Scott, formerly of the Associated Press) to its prestigious national staff, the appointment of a second black assistant editor to its metropolitan desk and the acceptance of two black apprentice journalists. Mr Benjamin Bradlee, the executive editor, could dismiss as absurd the proposal that within a year 35-45 per cent of the editorial jobs on the Post should be held by blacks. But the Post will have to move faster than it has, partly to satisfy its own conscience, partly because its market lies in a city which is 71 per cent black and a metropolitan area which is 26 per cent black.

The Post also exists under the eye of the 12-member Black Caucus in the House of Representatives which, after holding hearings, decided to set up a task force to monitor progress in the press and in radio and television, where the record is almost as bad. One demand made by the caucus was for a black commissioner on the seven-man Federal Communications Commission and this demand is likely to be met.

The main excuse given by the newspapers and broadcasters for not employing more blacks is that so few of them are qualified and it is true that up to now few educated blacks have shown much interest in this field. But this is changing and nowhere more rapidly than in Washington, where Howard University, by opening a new school of communications this year, has almost doubled the number of black students of journalism; last year there were under 400 in the whole country. For the next few years, however, it looks as though editors will have to take some chances on untrained, but lively, black intelligences if they wish to be certain of not being challenged in court.



Fong outfaces VD

Plagues of Venus

FROM A CORRESPONDENT IN SAN FRANCISCO

The Department of Health, Education and Welfare estimates that 2.5m Americans, more than 10 per cent of the population, will develop gonorrhoea this year—it is now the most commonly reported infectious disease in the United States—and that 100,000 will catch syphilis, now the fourth most common disease. This epidemic has burst upon Americans after a period when it seemed that venereal disease was declining under the impact of antibiotics. It appears to coincide with increased use of the birth control pill and most of its victims are young.

"Clearly new tools are needed," said Dr Bruce Webster, president of the American Social Health Association and the head of the National Commission on Venereal Disease which submitted its report to HEW last week. It noted a "deplorable inadequacy" in education about health in most American schools and said that explicit instruction about venereal disease should be offered by specially trained teachers to all children as they approached puberty, whether they were in private, church or tax-supported schools. The report recommended that such teaching should take place in mixed classes and should include specific references to human anatomy and physiology. The commission called for a five-fold increase in federal spending to control VD over the next five years, from $12.9m a year to $68m.

California has already embarked on this kind of educational effort, in the fear that by 1980, if the epidemic goes unchecked, one out of every two teenagers will contract VD before they leave school. In California there were cuts in the budget for health education just as the young were adopting freer life styles and doctors say that VD is "out of control" and spreading like wildfire in the state. Yet for years conservative forces all over the country have restricted or eliminated entirely classroom instruction about the health problems associated with sex, arguing that sex education is a parental prerogative.

In California a law was actually passed in 1969 automatically revoking the licence of any teacher who as much as mentioned sexual behaviour without giving parents advance notice and the chance to find out what was to be taught. This threat virtually ended any discussion of venereal disease in all schools—except for a few special courses in the biggest cities—at the very time when the diseases were increasing explosively. California's health officials found gonorrhoea and syphilis to be the infections most likely to be contracted by the young; yet there was not one word about them in the school textbooks, which were filled, instead, with details about rare diseases such as yellow fever and typhoid.

In January California's officials, who had finally awakened the public to the danger, began to plan for a totally new educational effort. On March 1st venereal disease was given a bureau of its own in the public health department, a symbol of the new seriousness with which it was being taken. An opinion was obtained from the state attorney general blunting the 1969 law and California, which previously had spent less than $80,000 a year on all public health pamphlets and other warnings about VD, suddenly found $250,000 just to train teachers in the field. The training starts this month and will lead, it is hoped, to greatly expanded instruction for young people by next September. Nearly $1m will be added to school and health budgets to pay for new teaching materials and for the enlarged teaching staffs.

None of this could have happened—at least not fast enough to make California a pioneer—but for the belated conversion of the Governor, Mr Ronald Reagan. Last year the legislature passed overwhelmingly legislation introduced by a pretty young Democrat, Mrs March Fong, which would have repealed the ban on sex instruction and would have authorised more money to combat VD. Governor Reagan vetoed the bill, on the old grounds that parents, not teachers, should provide sex education.

By then the legislators were convinced that a crisis really existed and they came within eight votes of overturning the veto; this is the closest that Mr Reagan has ever come to being over-ruled. There was also a public uproar which led the Governor to look more closely at the facts and, in the end, to switch sides. He is now a champion of education about venereal disease and a supporter of Mrs Fong's bill. And he found the emergency funds to get the programme rolling.

All of these securities having been sold, this announcement appears as a matter of record only.

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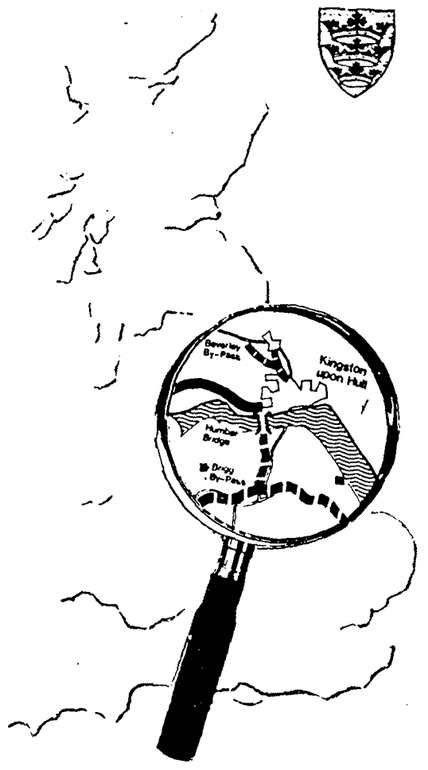
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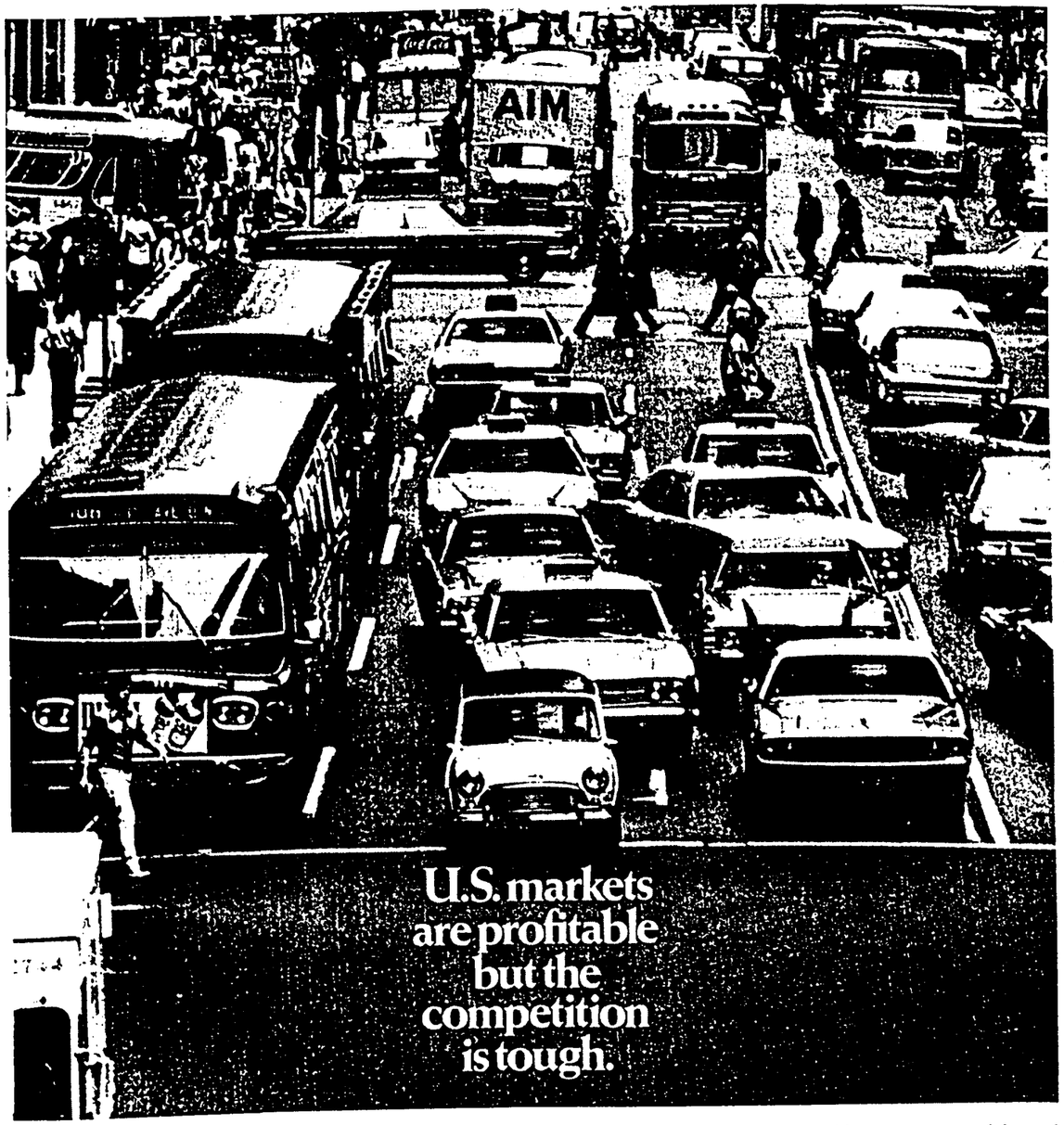
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Golf Brief

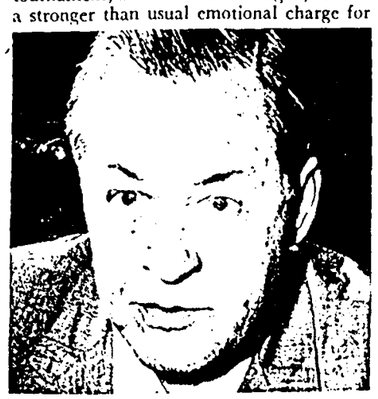
Nicklaus sets off on the grand slam

Augusta, Ga

This year, as most years, the Masters, which finished on Sunday, was the first of the world's major golf championships to be played. Started in 1934 by the great Bobby Jones, and won this year for the fourth time by Jack Nicklaus in a walk-away, the Masters is also probably the golf tournament most heavily laden with nostalgia.

Golf fans everywhere remember crucial shots or incidents from previous Masters, and their memories are aided by the fact that the tournament is held in the same place every April, the Augusta national golf club in Augusta, Georgia, whereas the other three major tournaments—the American Open, the British Open and the American Professional Golfers' Association championship—switch their locations yearly. For instance, there was the sad finish to the 1968 tournament which impressed itself in the minds of most golf fans. That year the popular and colourful Argentinian, Roberto de Vicenzo, had actually tied the American Bob Goalby at the end of the 72 holes of the tournament. But de Vicenzo, in his excitement, signed a score-card that falsely recorded a score one stroke higher than he had actually shot on one hole. According to the strict rules of competitive golf, de Vicenzo was required to keep the score he had signed for, and the score he had made before millions of television viewers as well as thousands of spectators on the course itself was nullified.

This year's Masters perhaps carried a double load of nostalgia because Bobby Jones died just a few months ago. It is now hoped that the Masters will serve as a permanent memorial to him. This year's tournament, at least before it began, carried a stronger than usual emotional charge for still another reason. This is the year that Jack Nicklaus, usually regarded as the best of the current generation of golfers, has set his sights on winning all four major championships, a feat accomplished only by Bobby Jones himself.



Bobby Jones : his memorial

The temerity of Nicklaus's ambition may have frightened his fellow professionals. At any rate, they made it easy for him to win. Nicklaus led the tournament at the end of each of the four rounds, and while there were brief bursts of low scoring from several members of the field all the challengers fell away as soon as they really began to press Nicklaus. As a result, on the last two days of the tournament, the question was not so much who would win but would Nicklaus throw victory away—as he has been known to do in some tournaments in the past.

The possibility of a Nicklaus collapse grew stronger at the end of the third round when, six strokes under par and leading his nearest rival by three strokes, he went one over par at each of the two finishing holes, leaving him with a mere one-stroke advantage. However, the man nearest Nicklaus was Jim Jamieson, playing in his first Masters, and he, perhaps frightened by the prospect of success, destroyed his chances early in the fourth round the next day, just as Paul Harney, a veteran but relatively unknown professional, had quickly blown up in the third round after getting to within one stroke of Nicklaus at the end of the second. No one else was ever close to the great man and he finally finished the tournament three strokes clear of the three players who tied for second place. Jamieson finished one stroke further back than this, tied with four other players for third. The unfortunate Harney kept blowing up, shot an atrocious 81 on the final day and wound up far down the field.

Thanks to Jamieson's disappearance from contention, Nicklaus was in the happy position of being able to play the course defensively for most of the final round. Blond, leonine in his movements and with his cold blue eyes glaring fiercely, Nicklaus brought his full concentration to bear on every shot. While the conditions were such to bother every golfer, they suited his game more than anyone else's and his being able to play defensively gave him a further edge over his opponents, who were obliged to take chances on the number of fine holes on the Augusta course where only a gambler's shot will produce a low score. The Augusta fairways are wide and enable a long hitter like Nicklaus to open up.



Jack opens up

The course's difficulties come on the approaches to the greens and on the greens themselves. The greens were extremely hard and fast and would only hold shots hit softly to them. Water and sand hazards exist in profusion to punish any errors. The speed of the greens and the difficulty of many of the pin placements made putting from any distance a problem, and many normally excellent putters such as Lee Trevino, the irrepressible Mexican-American, who finished 12 over par for the tournament, never did find their touch.

All of today's big stars were present—Nicklaus, Trevino, Arnold Palmer, Gary Player, Britain's Tony Jacklin—as well as the defending champion Charles Coody and the smooth-swinging Sam Snead, winner of the Masters three times and of 130 other professional golf titles around the world. Snead will be 60 next month but he shot a three-under par 69 on the first day of play, only one stroke more than Nicklaus. However, Georgia's warm spring weather turned cold and windy on the second day and Snead stiffened up.



Palmer : getting irritable

Arnold Palmer, this era's most popular golfer and perhaps the most popular golfer ever, also gave his ever present Annie's army something to cheer about on the first day as he went round in two under par. Palmer, now a millionaire many times over, has some quality about him of the ordinary working-class American. He might be the fellow down the road who repairs your car. Hundreds of fans crowd around him whatever he does, and this is probably truer at Augusta than any other place since he has won four previous Masters titles. However, there is a barely-concealed irritability about Palmer now that must make it difficult for him to compete in tournaments, and especially in major ones. Competitive golf is so demanding of cool nerves that the quickest way to loose is to let something upset you.

Yet, in the week before the Masters, Palmer stormed off the course in an ordinary tour event at Greensboro, North Carolina, after he inexplicably threw away a two-stroke lead with three holes left to play. His annoyance was easy to understand. He had hit his tee shot into a creek far to the left of the sixteenth hole (par three). He decided to play out of the shallow water but the ball stopped short of the green behind a bunker. Then, cracking under the pressure, he dumped the little pitch shot straight into the bunker, much as any Sunday golfer might do. He wound up with a six for the hole—and two other golfers set out to play off for the $40,000 first prize. There was no special significance in Palmer having fouled up two straight shots : this happens to the best from time to time. But veteran Palmer-watchers noted that Palmer, when he had finished the round, stormed past officials, shrugged off newsmen and left the course immediately, speaking to no one. The pilot of his private plane had to run to keep up with him.

Palmer appeared to bring some of this irritation with him to Augusta. In his second round, playing with Jacklin, Palmer hit his ball over the ninth green into the crowd. When he came up to the ball, he discovered it was resting in a depression made by the leg of a spectator's chair. He asked an official if he could move the ball without penalty to a new spot. When this was refused, he played the ball where it lay, taking a one over par for the hole, then dropped another ball and played this one out for a par. At the same time, he appealed against the official's decision to the rules committee. Perhaps sensing that the committee would decide against him (which it did), Palmer did not seem himself from that moment on. It was no surprise a few minutes later, on the short, treacherous, twelfth hole, that he blew up, much as he had at Greensboro.

The twelfth is only 155 yards long but the green is narrow from front to back and it is guarded in the front by a wide creek. Club selection is difficult because the wind, bouncing off the tall pine trees that guard much of the Augusta course, swirls in unpredictable currents above the hole. Palmer's shot made it over the water but landed in a sand trap in front, the common fate of many shots at that hole. He played out of the bunker over the green on to the bank behind it. His chip ran back across the green and wound up in the same bunker he had just got out of. Finally, he pitched on the green and after two putts sank the ball for a six, three over par. A short time later Palmer's name was taken off the boards placed strategically around the course to keep spectators informed of progress, and was never put up again.



Coody : up the creek this time

Palmer is 42, and some sports writers have been saying for a long time that, although he may yet win a lot of money playing golf, he is unlikely to win another major championship. His latest performances and, what is more, his reactions to his performances, at Greensboro and Augusta, now add weight to these prophecies of doom.

Palmer's fate at the twelfth, while bad, was hardly as embarrassing as that suffered by Britain's Brian Barnes on the first day of play. Barnes, generally reckoned to be a good golfer, dumped his tee shot into the water, then chipped two more balls there before finally getting one on the green. He took a nine for the hole and was so flustered he shot an eight on the next and an horrendous 85 for the round.



Trevino : heavy going



Jacklin and Player : not much to laugh about



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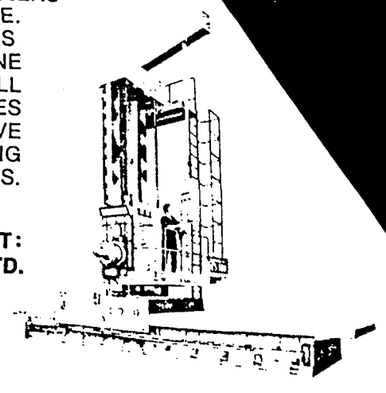


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TECMO for the paper converting industry

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— combined rotary presses for rotogravure and flexographic printing ;
— dry and wet laminating machines, varnishing and lacquering machines ;
— extrusion laminating machines ;
— waxing machines ;
— slitting machines for fine and thick aluminium ;
— embossing and punching machines ;
— proof-pulling and rotogravure roller testing machines ;
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TECMO for the aluminium industry

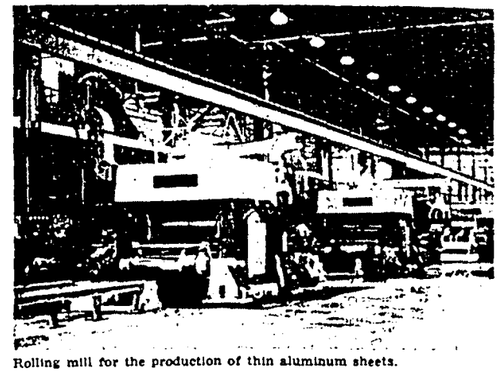
For the aluminium industry, Tecmo designs and manufacturers :
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b) aluminium lamination plants ;
c) continuous process colouring plants for aluminium or other metal strip for bending or drawing after painting (paint-line system) ;
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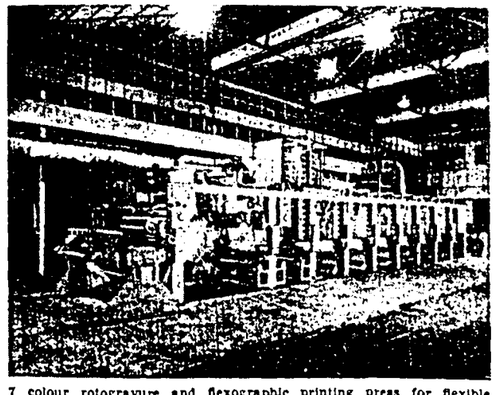
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— Design and production of machinery ;
— Supervision by engineers during machine erection ;
— Assistance of highly skilled operators in starting up machines ;
— Training programme for the staffs of Tecmo customers ;
— Information on new procedures and on cost reduction improvements;
— Information on production procedure details ;
— Technological and operating know-how ;
— Technical consultancy and assistance on various production problems.
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During these last years LIQUICHIMICA AUGUSTA, LIQUICHIMICA SUD, LIQUICHIMICA BIOSINTESI, UNILIQ and LIQUICHIMICA DO BRASIL (the latter Company recently established with Head Office in Sao Paulo, Brazil) have all become allied with LIQUICHIMICA, the leading petrochemical Company in the Group.

LIQUICHIMICA, whose registered office is at Via Roncaglia 12-Milano (and plant at Robassomero near Turin), co-ordinates and guides production and relations and commercial agreements with the leading companies in the world and also directs sales promotion, research and technical assistance.
The programmes adopted by LIQUICHIMICA and now in course of realisation include high quality productions of growing importance for all markets ; amongst these are **Normal-Paraffins**, which represent the basic product for the chemical industries of the Seventies, and **synthetic proteins** from oil intended to replace the serious lack of natural proteins in both human and animal foodstuffs.

Normal-Paraffins :
LIQUICHIMICA has thus prepared a vast programme based on the two following points :
— a large quantity production of N-Paraffins (650,000 tons per year) ;
— downstream transformation of N-Paraffins into highly specialised products of high technological content.
This project necessitated an extension of the large Augusta plant which is located next to the Rasiom-Esso Refinery. This extension is now being carried out and, when complete in 1974, the productive capacity will be increased to 650,000 tons/year of N-Paraffins representing 45% of the estimated world production for 1974 of approximately 1,400,000 tons.
When extended to its full size the LIQUICHIMICA plant will be able, as well as ensuring the supply of raw materials to the associated company LIQUICHIMICA BIOSINTESI, also to reap the economic advantages of scale and establish a keenly competitive position on all overseas markets. Starting from the above basic product, LIQUICHIMICA is also active in the fields of its derivatives and especially :
— detergent products
— intermediate products for the electro-mechanical and textile industries
— additives for lube-oils
as well as, as previously indicated, synthetic proteins.

Detergents Sector :
The LIQUIGAS Group has already acquired a well established position in the detergents field which it intends to maintain and extend with products that enable it to remain amongst the leading Companies.
The production of citric acid derivatives of LIQUICHIMICA BIOSINTESI will be added to the production of the Robassomero and Augusta Plants (N-Paraffins, linear dodecylbenzene, N-Olefins and higher alcohols).
The most complete range of intermediates for "third-generation" detergents—that is fully biodegradable and physiologically safe—will thus be offered to the home and international market. LIQUICHIMICA will manufacture these intermediates using the latest modern technology thus enabling her to offer extremely interesting prices and to encourage all detergent manufacturers to employ them in steadily increasing quantities.

Lube-oil additives :
The consumption of these products shows a continued and remarkable expansion : Europe's production is insufficient to meet her need and she must therefore import these additives from the United States for an amount of over 80 billion lire per year.
LIQUICHIMICA, conscious of this lack, has studied a programme according to which—with the Robassomero (Turin) Plant—she will by the end of the current year attain the highest productive capacity in Europe and thus greatly help to reduce the gap between production and consumption.
The Robassomero Plant, which also produces raw materials for surfactants, auxiliaries and intermediates for the textile and electro-mechanical industries, special plasticizers for rubber and plastics materials, solvents for inks and paints, has extended its activities during 1971 to sound-proofing materials, adhesives, mastics and sealing agents.

Synthetic Proteins :
With regard to LIQUICHIMICA BIOSINTESI, the yearly productive capacity of the Plant under erection in Calabria at Saline di Montebello, planned to go on stream in 1974, will reach 100,000 tons of synthetic proteins, 50,000 tons of citric acid and its derivatives, 100,000 tons of fatty acids and 10,000 tons of amino-acids.
The LIQUIGAS Group has also planned this enterprise with a wide vision projected on to an international scale in the future. It has already obtained from a large Japanese concern the know-how and technology for the production of synthetic proteins that can be considered among the most technically advanced.
At the same time the LIQUIGAS Group is making agreements for collaboration with large international distributors of raw materials for zoo-technical feeds.

Ethylene, Propylene and derivatives :
LIQUICHIMICA SUD recently obtained from CIPE—within the scope of the National Chemical Plan—authority to obtain its supplies of ethylene and propylene from MONTEDISON and to erect in Sicily a new steam-cracking combine plant together with MONTEDISON, ANIC and SARP. This will enable LIQUICHIMICA SUD to put on stream the production of the derived products—such as special resins and resins for engineering—at least on a European scale and at economical and competitive costs.
The petrochemical programme of the LIQUIGAS Group will then be complete with the production of the associated company UNILIQ of Reggio Calabria of selective adsorbents and catalysts for the chemical and petrochemical industries. This production will also be widely employed by the LIQUICHIMICA AUGUSTA Plant.

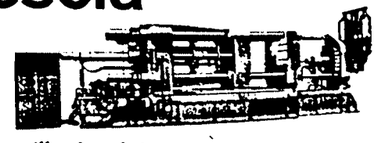
Financial Investments for over 400 Billion lire
The investments of the LIQUIGAS Group for the period 1971-1974 for petrochemicals amount to over 400 billion lire, made up as follows : 16.5 billion lire for the expansion of the LIQUICHIMICA Robassomero Plant, 127 billion lire for the LIQUICHIMICA AUGUSTA Plant, 55 billion lire for LIQUICHIMICA BIOSINTESI, approximately 200 billion lire for LIQUICHIMICA SUD and 21 billion lire for UNILIQ.

LIQUICHIMICA DO BRASIL :
The LIQUIGAS Group has been represented on the Brazilian market since 1954 by its associated LIQUIGAS DO BRASIL which operates in the LPG sector. This nation—which is in the process of a rapid expansion—is destined to become the second development aim of the LIQUIGAS Group. It intends to carry out this development through the diversification of its activities and this will include petro-chemicals in accordance with the programmes already adopted in Italy. LIQUICHIMICA DO BRASIL, with registered office in Sao Paulo, was founded for the above purpose. This Company has already taken up commercial activities in co-operation with its Italian associate LIQUICHIMICA. They already have two shore-tanking facilities at Rio de Janeiro and at Santos. Interesting agreements are in course that will lead to an industrial activity in collaboration with other Brazilian enterprises.
First the plants for the production of intermediates for detergents will be erected and put into operation using raw materials imported from the Italian associates and, later on, they will be produced locally.
A second project covers the construction of plants for the N-Paraffin lines following the policy adopted by LIQUICHIMICA AUGUSTA.

Research Sector :
LIQUICHIMICA will give great importance to scientific and technological research, using its well and fully-equipped laboratories for this purpose. All research activities will be expanded with the co-operation of other interested parties. This applies to the biochemical field and in particular to nutritional matters.
This programme too will help to reduce the technological gap from which Italy is suffering and will make a most valid contribution to the Italian chemical industry in general, in a climate of sound competition.
(Published by **LIQUIGAS ITALIANA** s.p.a. 12 via Roncaglia, 20146-Milan, Italy.)



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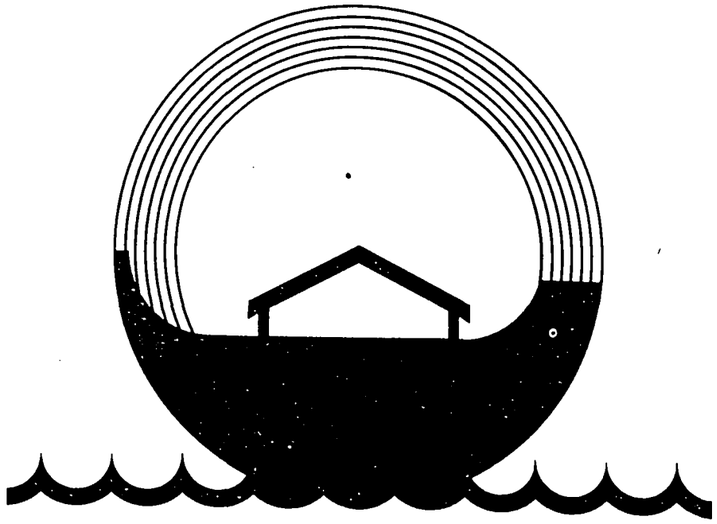
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When the growing had to stop

No one can be so persuasively pessimistic about Italy as an Italian. And in the elaborate tapestry of doom he weaves all is blended together—riots, strikes, bank robberies, the absence of a government, the flight of money abroad, the failure of nerve of the small businessman, the decline in industrial production. . . . And so it goes on. To talk about the Italian miracle to an Italian is an affront to national dignity. What miracle, the industrialists ask, searching their memories for the time when Italy had the fastest growth rate in Europe ? The question they put to themselves now is not whether the rapid expansion of the past can be resumed quickly, but whether chaos can be avoided.

In fact it is impossible to discuss the important economic questions facing Italy without talking about politics, not in the sense of who is going to get how many votes in the forthcoming elections but about the chances of the Italian political system ever becoming an effective vehicle for change. If the governments of Italy continue to be unable to provide the right amount of houses, schools, hospitals and jobs for the poorer regions, the social and political unrest which puts Italy at the top of the league for strikes will get worse. Labour troubles on the scale that Italy has been experiencing damage confidence, and that depresses investment and encourages a flow of capital abroad. The result is low growth and the one thing that a society in transition like Italy's cannot afford is low growth. For this in turn limits the government's capacity for easing the pain of mass migration and for bringing the south into Europe, in substance as well as form.

Low growth makes the political situation more unstable and the polarisation of society between the right and the left more likely. The men in the middle become increasingly nervous and start to cultivate foreigners as a long term insurance for the future, while Italian industrialists put yet more of their plans in cold storage for fear that the skeleton may jump out of the political cupboard.

The difficulty is to assess whether confidence and attitudes towards investment are entirely the result of labour troubles or whether they have not also been affected by the economic mismanagement of the administration. If this is so, the right economic treatment might enable the patient at least partially to recover and growth to take place again after two years of stagnation. And then Italy's entrepreneurs might come to terms with the fact that life will never again be as it was in the 1950s and most of the 1960s.

What has happened in the past three years is that a new centre of power has arisen alongside the three groups which in the past have dominated the post-war recovery of Italy, the church, the communists and the great industrial corporations. The unions have suddenly emerged as a group which can influence events, political as well as economic. For many people this makes the future unpredictable. There is also a ground swell of disorder and violence which puts the small businessman on the right and beyond, lured by the madness of neo-fascism. This makes the left jumpy. There is a general sense of unease in Italy which has both a direct and an indirect effect on the economy.

The direct effect is that a grumbling war of attrition is taking place between unions and employers. This puts a constraint on output both through the impact of strikes and the increase in absenteeism. Much more important is the indirect effect on private industrial investment. Ignoring the massive state holding companies, investment declined sharply last year and only recently has it shown tentative signs of picking up. The government cannot do much about it, for though funds are allocated so as to push extra purchasing power into the economy, the task of persuading the bureaucracy to turn votes into money spent and buildings on the ground becomes increasingly difficult. And the government, in its turn, becomes even more discredited in the eyes of those who know that for Italy's future health,

the money must be spent.

But the trouble with this kind of political analysis, of which the Italians are so fond, is that it does not add up to a complete explanation of what has been happening, and what is likely to happen over the next 12 months, whatever the results of the May elections. There are a variety of factors which prevented the economy from growing last year. Even if most of them have had some kind of political origin, they can also be treated as economic events per se, which can respond to a coherent economic policy.

Since the hot autumn of 1969, when the unions first showed their new militancy in bargaining over the national three year wage contracts, the extraordinary dynamism which the Italian economy has shown since the war has faltered and virtually disappeared. The union campaign itself knocked about 1 per cent off Italy's growth in 1969, cutting it back to around 6 per cent. Initially in 1970 there was a rapid recovery, but by March other factors began to force the economic authorities, notably the Bank of Italy, into restriction. Alarmingly, prices rose by more than 6 per cent ; the balance of payments moved into a worrying deficit ; and there was a serious political crisis in the middle of the year, which led to an outflow of capital of avalanche proportions. As a result the Bank of Italy had to impose a credit squeeze, which together with the 15 per cent rise in wage rates in 1970, created a severe cash problem for a lot of Italian companies. On top of this, Signor Colombo's government, when it was formed in the middle of 1970, brought in an emergency package which was supposed to cut consumption in a full year by L600 billion (£450m), with the aim of cutting back imports and shifting resources to investment. The idea was that by moderating the pressures of the wage increases granted at the end of 1969, the economy would be on course to surge forward on its normal growth path in the course of 1971.

The failure of the Colombo government to achieve this goal was largely responsible for its demise early this year. Signor Colombo had, after all, been for years Italy's internationally respected finance minister in successive centre-left governments. Without a well-entrenched power base in the Christian Democrat party, it was essential for the survival of his government that he should at least succeed at the game at which he was meant to be pre-eminent. In fact 1971 was the worst year for the Italian economy since the grim days of early postwar reconstruction, despite predictions to the contrary by most outside observers, including the Organisation for Economic Co-operation and Development (OECD) and the Bank of Italy itself.

Behind the stagnation

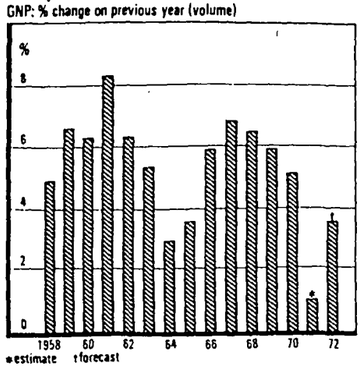
What went wrong ? Apologists for Signor Colombo say that the key factors were : continued labour unrest and strikes ; the trials and tribulations with which the Colombo plan for reforming and expanding low-cost housing went through in parliament ; and the sickness of the textile industry. Certainly the continued aggression of the unions did not make the government's job any easier. But this was largely predictable and, in any case, was partly the result, not the cause, of the economy's sluggishness. The textile industry, increasingly hit by competition from lower cost producers in Asia, is one of those problem children with which any economy has to cope. The argument about Signor Colombo's housing reform is more interesting in the sense that what happens in the building industry directly affects about 26 industrial sectors, such as cement, steel, glass and so on. The building industry was, of course, affected by the pervasive stagnation of investment. More important, housing has been in a disastrous decline since 1969 for a complex series of reasons.

What matters here is that the private sector was in serious difficulties owing to a number of laws which restricted its ability to buy land and to build. The basic objective of the Colombo housing reform programme, on which he staked a good deal of his government's time and prestige, was to enlarge the public sector, give it more money and short-circuit the hopeless administrative confusion in which the housing question had long been stuck. What eventually emerged was in the typical way of Italian politics a very different animal from what was originally proposed, and it may only modestly enlarge the capacity of the public housing sector. Meanwhile what has mattered is the private sector, since public housing still represents only 5 per cent of the total, and it was this that the Colombo government felt unable to help while its reforms were dribbling through parliament.

The result of the private sector's troubles was a continued decline in building activity which sent ripples throughout the whole economy. House building was 10 per cent down on 1970, which already had shown a considerable fall on the high point of 1969. This statistic and its effects on related industries the forecasters had failed to include in their equations. At the same time, stagnation had a cumulative effect in pushing down stocks throughout industry to astonishingly low levels. And on the international front, exports, while rising by what seems in British eyes a highly satisfactory 8 per cent in

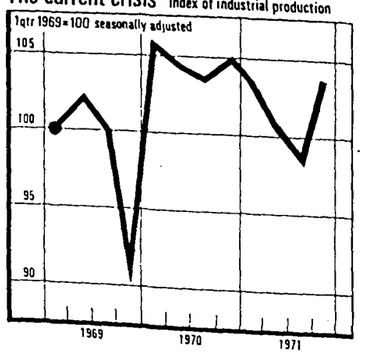
The past miracle

GNP: % change on previous year (volume)



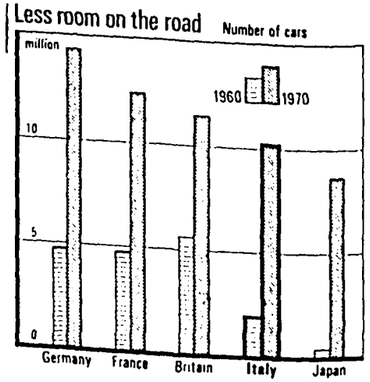
The current crisis

Index of industrial production



Less room on the road

Number of cars





Dr URBANO ALETTI
President of Milan Stock Exchange

MILAN STOCK EXCHANGE

The Managing Committee of Stockbrokers of the Milan Stock Exchange send their greetings and thanks to the delegates who attended the 1st International Convention on Stock Exchanges, March 14th-16th 1972, in Milan.

A brief report on the proceedings follows :—

GOOD HOPES FOR THE FUTURE

If it is true that Italy is "the Sick Man of Europe", and if it is still possible to speak of the Italian Stock Exchange as an economic thermometer, the present state of this institution should surprise no-one.

The phenomenon cannot, however be explained in such simple terms. In reality, the crisis of the Italian Stock Exchange has deep and complex roots : the vitality of the Market depends also on the inter-connections (in Italy, yet to be clarified) between the Stock Exchange and the model of economic development decided on by the authorities.

It was, hence, in Italy, that the Stockbrokers Management Committee in Milan, a city of traditionally international bent, organised the 1st International Convention on Stock Exchanges which was attended by highly qualified experts in financial and Stock Market matters from all over the world. The theme of the Convention—organised by CISMEC (Centro informazioni e studi sulla Comunità Europea) the scientific sessions being run by Prof. G. Pivato of the Bocconi University of Milan—was "The Stock Exchange : an instrument of socio-economic progress in Europe and the world". The success was really remarkable. Dr. U. Aletti, President of Milan Stock Exchange said that the contributions from foreign speakers had been most important. Not only had the conditions of the world's principal bourses been discussed, but experiences had been exchanged and it had become apparent that the Stock Exchange can develop its functions with efficiency; above all the foundations were laid for an international collaboration which the Italians, for their part, would promote to the utmost.

The Italian's contribution to the Convention, although voluntarily limited in its length, was brilliant in its quality.

However the most keenly awaited speakers—whom the Milan Stock Exchange wish to thank most warmly—were those from the United Kingdom, France, Germany, the United States and Japan, in a word, from all the leading industrialised countries. Also of considerable importance were the various institutions of the EEC, effectively represented by Mr. Raymond Barre. The delegations from Latin America and from Israel were equally well-armed. Also memorable was the keen interest in exchange matters demonstrated by Yugoslavia. Since it is impossible to record here every single one of the very valuable speakers, the principal points may be drawn from Prof. Pivato's summary which was agreed by most of those present.

The internationalisation of the capital markets is destined to become a reality and the Stock Exchanges must conform their policy to it (see the speeches of W. J. Carey, Chairman of the SEC, of J. E. Ammermann and of W. C. Cates of the U.S. Department of Treasury; of Raymond Barre, commissioner of the EEC; of H. Feith of the Deutsche Bank).

To attain this objective a higher concentration and efficiency of different domestic markets are first necessary (see the speeches of J. G. Torrò, Barcelona Stock Exchange; of S. Aihara, Tokyo Stock Exchange; of D. Petit and Y. Meunier, Paris Stock Exchange; of G. Tagi, Milan; of U. J. N. De Graaf, Amsterdam Stock Exchange; of N. Goodison, London Stock Exchange).

The self-regulation powers of the Institution and of its members appeared as a rapid and efficient instrument for modernising Stock Exchanges (see the speeches of R. W. Haack, New York Stock Exchange ; of J. R. Knight, London Stock Exchange ;



Milan Stock Exchange

of G. Rendu and J. Sellato, C.O.B. Paris ; of M. F. Cohen, Washington ; of A. Rossi, Zurich Stock Exchange).

There were unanimous and pressing demands for a stricter harmonization of regulatory systems and for a closer collaboration on an organisational level.

It is exactly in this direction that the Milan Stock Exchange intends to act in the future, decisively and with conviction, without waiting any longer for miraculous interventions by State bodies which have too often shown themselves to be short-sighted. A presence on an international level—European first of all—requires a suitable internal organisation : the large computer of Milan Stock Exchange may soon become the nerve centre of the Italian securities market, connecting up the data and operation systems of all the Italian Exchanges. This will produce benefits in concentrating the market, without adversely affecting the widespread system of collecting orders through provincial brokers.

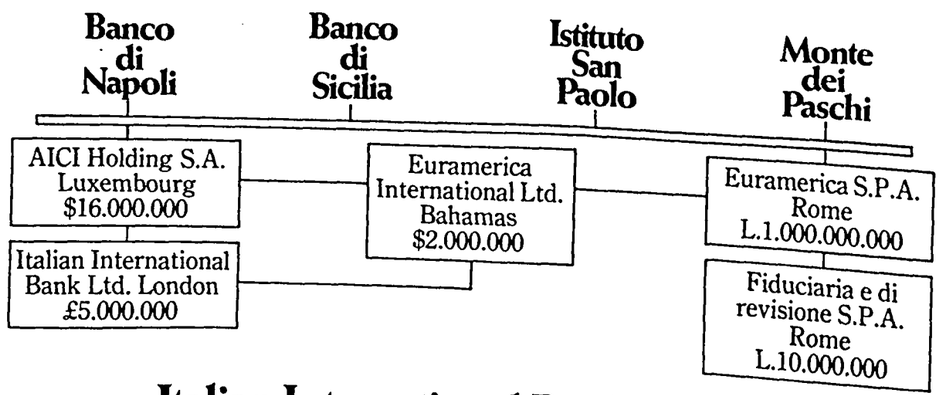
The Italian broker must however acquire a multi-national habit and mentality, which alone will allow an increase in this role. The experience of the important British and American securities firms shows countries such as France, Belgium, Spain and Italy the path to be followed : multi-national broking firms not only in securities but also on commodities—will be the logical outcome of internationalising negotiations.

The governing bodies of the Milan Stock Exchange are aware that this is the moment to act firmly on the proposals for harmonizing the main European exchanges. On this, President Aletti said : "We are ready to collaborate actively on every problem within our competence. The executives of the Milan Stock Exchange are ready to exchange views and make study visits to London, Paris or Madrid. But there is no time to lose." He proposed to the London Stock Exchange, as a first step, to formulate a common general exchange index and, for example, to unify the dealing hours of European Stock Exchanges. If it is true that "nothing succeeds like success" the 1st International Convention on Stock Exchanges gives good hope for the future.

For further information write to the Milan Stock Exchange, Piazza Affari 6, Milan.

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volume, were less than brilliant by Italian standards, partly because of the slowdown in international trade and partly because of supply problems at home, so that Fiat dealers abroad, for instance, were—and still are—howling for more cars which Turin cannot supply.

Consumer demand did not make up for the crisis in housing and investment. Wages were still rising fast, by rather over 10 per cent, thanks to the 1969 contracts and the widespread custom of indexing wages to the cost of living. But over half the increase was taken up by the continued rise in prices, and the uncertainty which most sections of the population felt about the future was revealed in an increase in the rate of savings. At the same time there was a fall of at least 300,000 in the numbers employed and a substantial increase in short-time working. The actual number of hours worked dropped by 5-6 per cent over the year.

Worries about the way the economy was going were pronounced enough by the middle of 1971 for the government to attempt some reflation in July, and by that time the Bank of Italy was pursuing a monetary policy which was compatible with a nominal growth in gnp of more than 10 per cent. The everlasting problem was that the government machine is not well geared to use public spending as a counter-cyclical device. It could and did take over from business some of the burden of social security payments. But the government's main effort last year was to announce that some L1,500 billion (£1 billion) of public investment would be "accelerated." The problems, however, of ensuring that public money, other than the salaries of the overnumerous bureaucracy, is spent are enormous. And so far the effect has been negligible.

On the knife edge

As a result the economic scene during the run-up to the elections has been gloomy. Nevertheless, some highly optimistic figures have been bandied around. The budget minister of the outgoing government, Signor Giolitti, produced a planning document in February which suggested that growth this year could be around 5 per cent. The employers' confederation, Confindustria, presented a paper to the unions which forecast the same thing. In the case of Signor Giolitti's annual plan the proviso was that the L1,500 billion of public investment would actually be made. For Confindustria



Italy needs more people like them

the quid pro quo was that workers would behave themselves: if only there were industrial peace, all would be well is their highly politicised but partially justified message.

For ISCO, the government-backed economic forecasting institute, and the Bank of Italy, which are both thinking in terms of what is likely rather than what is desirable, the forecast is a growth rate of 3.2 to 3.5 per cent, concentrated largely in the second half of the year. This time the forecasts are unusually important since even if the elections provide a decisive mandate for a new government—and the odds on that cannot be very high—the likelihood of a further reflationary package having much impact on the economy before the end of the year is not great.

If Italy experiences another year of stagnation, there is a persuasive school of thought which suggests that the effect on the economy and the political equilibrium will be powerful, long-lasting and bad. The argument goes something like this. The Italian economy should be growing at something like 6 per cent a year. Instead it has now been effectively operating below capacity for three years, and the situation has been getting worse year by year. Another bad year will be enough to cause a sea change in the way the economy operates. It will then be difficult, if not impossible, to return to the habits and assumptions which induced rapid growth in the 1950s and 1960s. Italian industry—or at least that large sector of it that has been so successful in foreign trade—will cease to have one of the best investment records and hence some of the most up-to-date and competitive capacities in the world. Instead it will have one of the worst.

This will have a profound effect on its propensities to export and import, which may take some savage tinkering with the exchange rate to get right again. As a result Italian industry may shift from the virtuous circle of export- and investment-led growth to the vicious circle that Britain knows so well—under-investment, sluggish exports and imports which are only too quick to roar up as soon as domestic demand revives. At the same time Italy has, and has always had, a very special structural problem which requires rapid growth as an essential precondition of its solution. This is the old balance between the north and the south, which in relative terms is as bad as it has ever been, even if in absolute terms southern Italy is enormously more prosperous than it was at the end of the war.

Will it be 3 per cent?

On this analysis a 3 per cent plus growth rate is probably the minimum which will enable Italy to re-enter its traditional growth path next year. So the forecasts are worth looking at in some detail, bearing in mind that there has rarely been a more difficult time to make them. The key assumptions are that the fall in housing activity will start to level off, perhaps ending up with a drop of 5 per cent this year, but that private investment will still

This survey was written by Jonathan Radice

show an absolute fall. But this, the forecasters then assume, will be more than made up by a strong rise in the investment of the great public holding companies. At the same time there should be a big turnround in stockbuilding, if inventories return to anything like their normal levels. Public consumption tends to grow steadily at around 3 per cent a year. But ISCO for one is making a rather optimistic assessment of what will happen to private consumption which it expects to rise by 6 per cent in real terms. As no one can envisage a growth in employment and as prices are likely to eat up all but 3 per cent of the growth in wages, ISCO must be assuming that people will be cutting into their savings. Where it is less optimistic, however, is over exports which it thinks will only increase by 4½ per cent in real terms.

No one expects any real revival in either building or private investment. On the trade side, as exports last year rose while imports remained virtually static in real terms, it is thought likely that this year the trade balance will be neutral in terms of its effects on growth. Stockbuilding should be some help. But the main onus is on public investment and private consumption. The accelerated spending of L1,500 billion is still in theory taking place, and some of it should limp through into reality from the shadow world of government budgeting. But a great deal still depends on a reasonable increase in private spending. And this in turn depends too much on expectations to be forecast with any confidence.

Umbrella for the unemployed

It also depends on the employment situation. In Italy this is never easy to decipher. Essentially Italy's policy is to do the opposite of what has been happening in Britian, where labour has been shed in line with the underlying growth in productivity. With an even worse growth record, a similar increase in the level of wage rates and a propensity for productivity to increase even faster, Italy has seen a big fall in employment but virtually no increase in the recorded figures for unemployment. This mystery is partly explained by the fact that the unemployment statistics, which show that 650,000 people are without jobs, do not mean very much at the best of times. But there has also been one of those once-and-for-all changes in the activity rate. This has happened because of a rise in the numbers of children staying at school ; an increase in the number of people of pensionable status ; and a decline in the number of working hours. So although there are less jobs available, there are also relatively less people to do them.

But there is also another factor : it is much more difficult and expensive to lay off workers in Italy than it is in Britain. The closing of factories, for instance, causes such enormous hostility that they are frequently occupied by the redundant workers who then have to be bought off. It can be assumed that most firms are carrying workers whom they could do without. This tendency is encouraged by the existence of a curiously Italian institution, the Cassa di Integrazione, which makes up wages for those on short time. In 1971 it increased payments to the equivalent of 200m hours. As a short term palliative this is as efficient a means of paying out benefits as any. But there is a limit to the extent to which it can conceal the true state of unemployment.

In the last recession, which was at its worst in 1963, employment did not pick up again until late 1967. It is hard to see anything different happening this time. So the outlook for private consumption, at least until the autumn round of wage negotiations, is not very encouraging. In short, it is quite possible to envisage the economy growing very little again this year, and certainly under the 3.5 per cent envisaged by even the more cautious forecasters.

This analysis has been in terms of the components of real demand. But monetarists, even if one hears less from them nowadays, would argue that the large increase in the money supply which took place in 1971 must at some point have its effect. Base money, which the Italians find the most useful pointer as it governs the future expansion of deposits (consisting of currency, monetary liabilities of the Bank of Italy, and treasury bills) expanded by 18 per cent in 1971, compared to less than 10 per cent in the previous two years—in each of which real gnp rose by over 5 per cent. At the same time the leading banks report that they increased total lending by around 20 per cent last year. So, if there is a lag between the increase in the money base and an increase in gnp of 18 months to two years, all one has to do is to wait. The trouble is that this kind of relationship depends a great deal on expectations and these at the moment are unpredictable. It would seem that a relatively small number of changes would be enough to shift the Italian economy back on course. It is, as always, all a matter of 1 or 2 per cent.

The necessary insulin

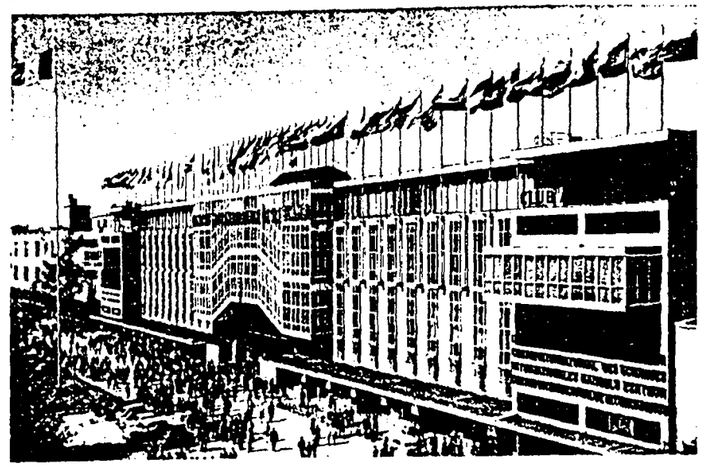
But this is not to advocate complacency. There are a lot of things seriously wrong with Italian society, which require a shift in the allocation of resources and in the method of doing things. But it is much easier to redeploy resources when they are growing. Much more interesting than the present impasse is what will happen to Italy in the next 10 years. In a rather critical form it exemplifies the most acute problems both of northern European societies and of the peripheral countries to the south. In Turin the unions are posing sophisticated if unanswerable questions about the meaning of work, while in Palermo there are still stories about women having to sell their children for the rest of the family to survive.

If two things are done quickly, Italy has a sufficient combination of dynamism and sophistication to cope better than most. First, the incoming government in May will have to get the economy moving again ; and, second, it needs to use the crisis to push through a bold programme of social spending. Fortunately the two are compatible. Unfortunately—and this is why the "if" is a big one—no one at the moment can foresee the emergence of a government capable of doing anything. One can only hope that the general pessimism is unjustified. Optimism is not in the Italians' character. As Luigi Barzini has put it : "There are many things they do not see for being too clear sighted." Italy has come far, fast. But it needs the constant stimulus of economic growth as much as a diabetic needs insulin.



Dr Colombo did not provide the insulin

FIFTY TRADE FAIRS A MILAN ANNIVERSARY



The Milan International Trade Fair was held for the first time in 1920. It was closed for three years during the war and will therefore be celebrating its fiftieth anniversary this Spring.
In the half century since the Fair was founded Milan has firmly established itself as one of the cross-roads of world trade. Two main factors lie behind this city's rapid growth as a vital centre of commerce.
The industrial and agricultural potential of northern Italy backed by the commercial spirit of its people is one. Abundant energy, hard work and devotion to the job in hand is the other. Taken together, they are the secret of Lombard prosperity.
But there is a third ingredient to the formula: yeast. And the yeast that has kept production rising in Italy is Milan Trade Fair. No one could have guessed what a leavening effect this Fair would have when it was opened fifty years ago.
The wooden pavilions of the 1920 Fair exist no longer. They had been used to accommodate refugees from Caporetto and were already the worse for wear when the first Organizing Committee re-erected them beside the city walls at Porta Venezia. In 1920 there were 1233 exhibitors, 265 of them from abroad.
Britain was represented officially and by private exhibitors. The United States had a number of firms there. All countries now belonging to EEC were showing. German firms alone booked thirty display stands.
The bastions at Porta Venezia and the gardens of the old Villa Reale soon proved inadequate. Another location, where lasting premises could be built, had to be found. For the fourth Trade Fair an army parade ground, at that time on the outskirts of the city, was taken over from the State, and a first group of pavilions was erected on what is now the permanent home of this Fair.
The economic autarky of pre-war days did not check the increasing attraction of this trade event. By the mid-thirties the number of stand bookings had settled at around 4500, of which perhaps 1000 were from foreign exhibitors. Daily attendance was in excess of 100 000. It took a war to halt its progress. That was in the Spring of 1943.
After re-opening in 1946 a major plan was drawn up to restore the Fair quarter. Its buildings had been razed to the ground, and while the work of clearance and temporary reconstruction was still going on a scheme was adopted to lay out the new premises in self-contained sectors designed to operate independently of one another. Several exhibitions could then be presented at the same time.
The immediate post-war phase was followed by a period when, in addition to thorough re-structuring, provision had to be made for the many specialized trade shows which, with the April Fair, now form what is known as the « Great Fair »: an integrated cycle of trade events spaced out round the year so that in effect the gates are never closed.
To take the most recent complete cycle, between May 1970 and April 1971 42 specialized trade shows lasting 251 days were held in the Fair quarter. Add to that the annual Trade Fair - 14 to 25 April - and the number of days on which business visitors were admitted was 263.
In that year the total display area available to the Fair was 598,580 square metres. Overall, the sequence of specialized trade shows took up 899,387 square metres. Exhibitors at the 1971 Trade Fair numbered 11,916, of whom 9135 were Italian and 2781 from abroad. Specialized trade show exhibitors were up to a record 14,400, of whom 10,617 were Italian and 3783 from abroad. Seen as a whole, the 1970-71 cycle shows the following results: trade shows, including the April Fair, 43; working days 263; total area of display sites utilized 1,498,237 square metres; exhibitors 26,316, of whom 19,752 were Italian and 6564 of other nations.
The international importance that this trade exhibition centre has acquired is best shown by the returns for last year's April Fair. That single event booked stands to nearly 12,000 exhibitors, one-quarter of them from outside Italy. Of the 3.5 million visitors 120,000 were foreign businessmen from 130 countries. Participation by private firms came from 90 countries, 72 being officially represented.
Official representation is through CIS, the International Trade Centre located in the Palace of the Nations at the heart of the Fair quarter. This « business citadel » contains a series of well-equipped offices that offer maximum privacy and comfort to foreign delegations and organizations that come here to meet exhibitors and businessmen from all over the world. Developed in the early 'sixties, CIS is the instrument through which Milan Fair helps to bridge the gaps between areas with different economies.
In the first instance the Fair did this by setting up as a bridgehead between western countries and the socialist states of eastern Europe. More recently it has done so by providing a rallying-point for bringing industrially advanced countries into closer contact with the Third World in the belief that it is there that consumption levels are most likely to rise.
But the value of this Fair does not lie in trade promotion alone. For many years Milan Fair has been a centre for conferences and congresses on social, technical and scientific subjects of wide interest to environmental and ecological progress. It has set itself targets in this field which fifty years ago were unheard of.
With half a century of experience behind it the Fair Organization is in a position to make even greater efforts in co-operation with countries and private firms that avail themselves of the many services and opportunities it offers.
Its second half century begins with the expansion of EEC to include Britain, Denmark, Norway and Eire. Milan Trade Fair welcomes the wider prospects they will bring to the economic and technological development of Europe and the world.

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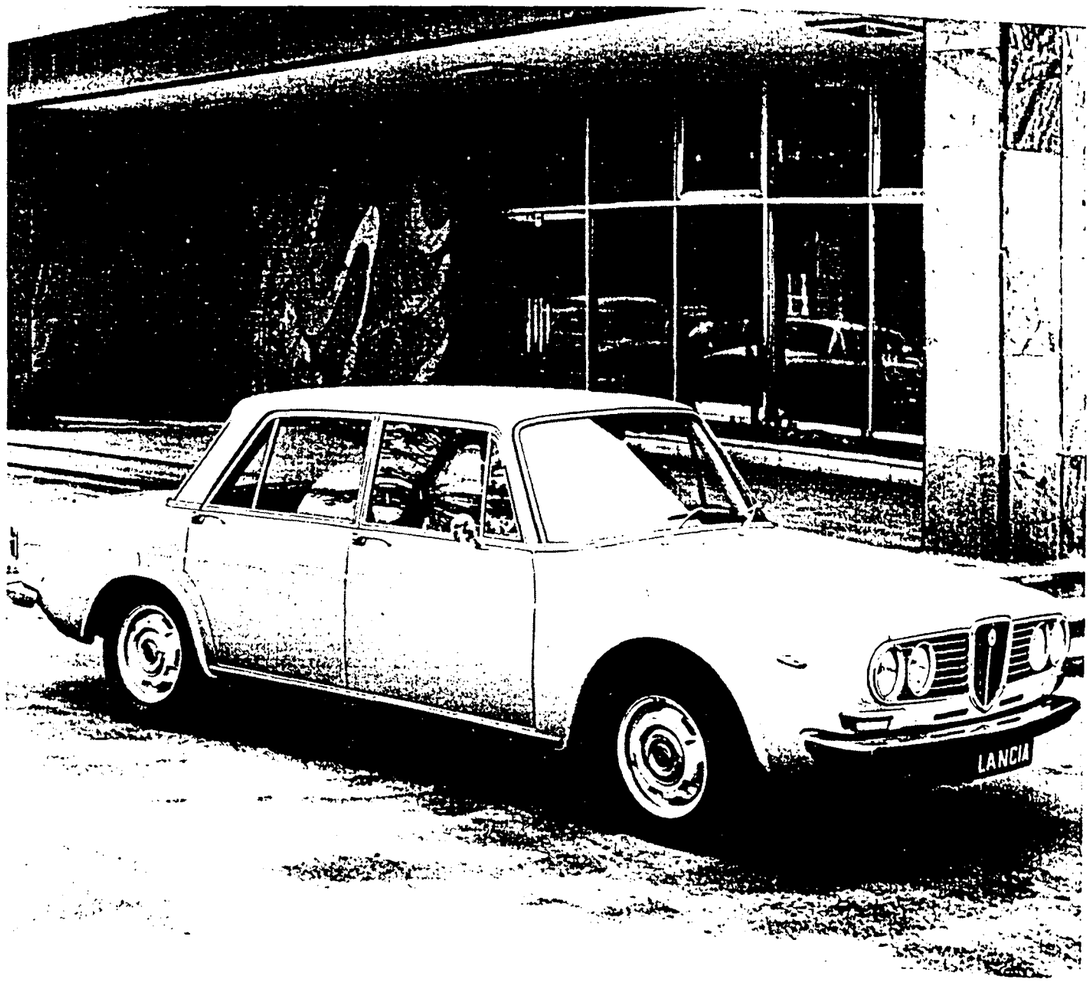
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A sense of perspective

The starting point for any discussion about the Italian question must be the end of the second world war, if only to provide a sense of perspective and to show the remarkable development which has taken place since then. By the end of 1945 national income was less than half what it had been in 1938, when in any case it was relatively low by European standards—being just over a quarter of that of Britain, for instance. Industrial production was down by 75 per cent. And just like its defeated ally, Germany, Italy was experiencing a period of very rapid inflation (with prices having risen during the war years 40 times). Again like Germany, after two years when the main problem was to ward off starvation, it discovered a monetary policy to ward off inflation and launched itself into 14 years of uninterrupted growth combined with remarkably stable prices.

But if the story of recovery shows some similarities with that of Germany, the structural background was very different. Germany had, after all, been for nearly half a century the great industrial power in Europe, while Italy's industrialisation started very late in the 19th century. It was hampered, of course, by the fact that it became politically one country only in the 1860s. And even unification could not make up for its lack of raw materials like coal and iron ore.

The first world war gave a tremendous impetus to industrialisation, but it was pushed through at any cost, so that by the war's end, when it was facing a critical shortage of foreign exchange with exports only covering 20 per cent of imports, Italy had too big a production base for the home market, and industrial costs were so high as to prevent its industries penetrating export markets. Italy then suffered from 20 years of Mussolini. The tragedy was that in the 1920s, when a realistic exchange rate might have fertilised Italy's still young industrial sector, Mussolini saw a strong lira as a breastplate rather than a leaden suit. "I shall defend the Italian lira to my last breath," he said. As a result Italian industry remained short of wind until the 1950s.

So when the De Gasperi government had to decide what to do about the combination of mass unemployment and hyper-inflation in 1947, it was not just a question of stabilising the lira and getting the factories going again. There were not all that many factories. The problem facing Italy was similar to that of a developing country, with a low industrial base and inadequate savings. But there was one important difference : Italy, though industrially backward, was a culturally advanced country. A potentially highly skilled labour force was there, ready and waiting to be used.

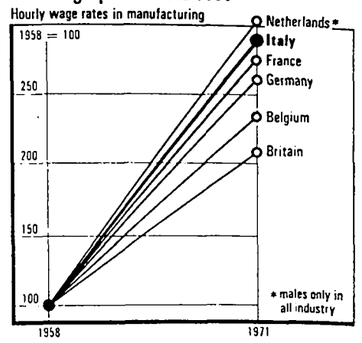
The solution devised by De Gasperi and his very able finance minister, Signor Einaudi, the ex-governor of the Bank of Italy, was to avoid the autarchic mistakes of the past and to go for a liberal economic policy based largely on the manipulation of credit. But it was a liberal policy with a difference. A massive use of state funds was needed, first for reconstruction and then to develop the south. But the essence of the policy was to mobilise private savings within a free market economy. It was therefore incompatible with a coalition which included the communists, as the first postwar government did. A coherent policy required firm political direction, which it fortunately got from De Gasperi's dominance in the Christian Democrat party.

The key technique used was to slow down the growth of credit very substantially, but not to halt it absolutely. The aim was to change expectations about inflation without bringing industrial recovery to a complete stop. To do this new weapons were needed to allow the Bank of Italy to control credit in a continuous and flexible way. They were provided by a package of reforms which enabled the Bank to impose reserve requirements on the banks, and generally to maintain a close surveillance over them and to oversee the bond market and new issues.

By 1949 Italy's industrial output was back to prewar levels. And then with skilful guidance from the Bank of Italy, it moved forward very fast, rising by 62 per cent in the seven years to 1953, and by 96 per cent in the seven years after. So successful, in fact, was the use of monetary policy in the postwar years, that allied with the frequent political weakness of coalition governments, it has enabled the Bank of Italy to dominate economic policy-making ever since.

But a skilful use of credit was not, of course, enough given Italy's plight. Italy depended, as did other European countries, on large injections of dollars to provide it with foreign exchange. It obtained an essential $\$3\frac{1}{2}$ billion in American aid, via UNRRA and then the Marshall aid programme. Italy for some time also needed high tariff walls. It had to build up its exports before it could afford to let in more than the bare essentials in imports. And even in 1953 Italian tariffs were still higher than those of any other nation in what was then the OEEC.

Catching up with the rest



The Italian economic miracle was not just caused, however, by a good monetary policy and some cash from the United States, although they were the essential preconditions. What mattered was the quality, supply and price of its labour, combined with a very high level of capital formation. Cumulatively they explain a great deal. What one cannot say is quite how much they do explain in detail. The economic evidence for why countries grow, and why growth rates differ, is not conclusive for the simple reason that no one has yet come up with a satisfactory growth model. And while correlations between aggregates can do much, the causal direction—whether X influences Y or vice versa—is never completely clear.

One of the most comprehensive attempts to discover why growth rates differ was made by Mr Edward F. Denison for the Brooking Institution. Taking the period 1950 to 1962 he suggested that about 40 per cent of Italian growth was caused by either the increase in available labour or the movement of people from low productivity areas (mainly agriculture) to high productivity ones. Another 12 per cent was due to the increase in capital and a further 20 per cent to economies of scale as the Italian market and exports expanded (which effectively amounted to growth feeding on itself). These percentages should not be taken too seriously except as indications, but they provide a good clue to the factors behind the Italian miracle.

Labour moves mountains

Italy's problem for a long time was that it had a population growth roughly comparable to that of Britain, without the same rate of industrialisation to provide employment. The classic remedy was emigration. In the first decade of the century, for instance, at least 500,000 people a year left Italy's shores, not just to the United States, which houses the most famous and notorious community of the Italian diaspora, but to other places as well. Quite a lot went to France, for instance, and across the southern Atlantic to Brazil and Argentina.

This kept unemployment down, not just in the south and the islands, but in the centre of Italy and the north east in the Veneto area. And eventually the little sums which the emigrants sent back to their villages developed into an important contribution to the balance of payments. But the process had its costs. The money which was coming back was often used to pay for the passage out of Italy of other members of the family. And the social and psychological costs were heavy. The communities in the south lost their most energetic sons. Today, this is still a potent factor in explaining the apathy and defeatism of those who were left behind.

The fascists attempted to remove the effects, while doing little about the causes. Mussolini disapproved strongly of emigration, since this hardly tallied with his vision of a strong, dynamic and conquering state, and he managed to reduce the outflow. At the same time he brought in laws which made it difficult for people to move within Italy and bound them in principle to the area where they were born.

So by the end of the second world war there was a huge sector of the population which, even ignoring the dislocations of war, had no means of employment. Emigration from Italy started to rise again. But recipient countries in the post-war world had very different views about immigration. And the outflow settled down to a steady 250,000 people a year, which in gross terms is rather under that from Britain. Internally the laws restricting people to the area where they were born, although in practice largely abandoned, were not in fact repealed until 1961.

Italy, therefore, had a gigantic unemployment problem on which its governments only began to make any real impact towards the end of the 1950s. It was compounded of suppressed emigration and an economic structure totally unsuitable for a population of 50m on a land area about the same as Britain's (116,000 square miles), of which only half is remotely suitable for farming. In 1951 42 per cent of the population was still employed in agriculture, if employment is the right word when four out of five farms amounted to less than two hectares. By contrast, industry in all its forms employed only about 35 per cent of the working population.

The movement off the land is always thought of as a shift of people from south to north. But it was not just that. Agriculturally depressed areas ran right up through the centre of Italy, through areas like Umbria and Tuscany to the Veneto and the mountainous areas of the north. And there was a long tradition even in the north of smallholders leaving their farms to work in factories when times were good and going back to the land when times were bad.

But the shift from the land was not just a simple question of Rocco and his brothers jumping a train to the north and arriving at the gates of Fiat's Mirafiore works in Turin. First of all there was a substantial shift from the country to the towns within the south. Then there has been an enormous movement of people to Rome itself, which has trebled its population in the past 20 years. In any case a southern Italian farm labourer was not likely to move straight into manufacturing industry, but to swell the ranks of those eking out a living in the service industries. Fortunately, Italians became very ingenious at inventing services after the war, and the enormous, if seasonal, tourist trade helped. Building provided another large outlet. There was all the reconstruction work which needed to be done after the war, financed in large part by the counterpart funds from American aid. And not only did Italy have one of Europe's worst housing problems to overcome, made doubly bad by migration, but it also embarked on an ambitious programme of road building and public works.

The total impact of manufacturing industry on employment, once it got moving again after the war, was rather small, at least until the late 1950s. The reason for this was that labour productivity in manufacturing rose very fast, by about 10 per cent a year consistently throughout the 1950s, and nearly in line with its output. So that although by 1960 industry contributed over 46 per cent of national income, its share of employment had not risen at the same rate.

Nevertheless, manufacturing did add to its labour force. It is a common factor of all fast growing economies that they all need extra labour at the margin. What Italy's large pool of unemployed labour did was to enable the fastest growing sectors of the economy to add without any difficulty to their labour force when they wanted to, right up to the end of the 1960s, and without waiting for declining industries to release their surplus manpower. In other words, firms could largely ignore, until recently, the considerable rigidities in the economy.

Even more important for Italy's



The immigrants

ENI – 1971

SMART MANAGEMENT TRIUMPHS IN A CRITICAL YEAR

Italy and the ENI group were unable to escape repercussions from the numerous discouraging economic factors characteristic of 1971. Rising costs, weakening demand, labour agitation, renewed foreign nationalistic pressures particularly directed at the international oil industry, world monetary troubles, all combined to make good business harder to realize.

Nevertheless, as consequence of a broad background of perennial preparation for business flexibility in times of stress plus the long pursued international policy directed at winning friends throughout the world, ENI and its group of national and foreign based operating companies were able to chalk up in 1971 a 16.5% increase over 1970 in consolidated gross sales, for a total of 1,865.2 thousand million lire (equivalent to $3,189.5 million at the new rate of exchange). This is the highest figure yet reached in the 18 years of ENI existence. At the same time, during 1971 the group invested the largest annual amount ever, 472,400 million lire, which is indicative of the intense effort of ENI management to continue the expansion and qualitative upgrading of key industrial sectors to safely affront critical periods in national and international economies.

This effort in 1971 was an effective factor in the ability of the group to maintain the continuous upward trend in sales. It also indicates the built-in potential created by wise management whereby ENI has been able to maintain its position among the largest energy enterprises of the world while at the same time carrying out its statutory charges to serve as one of the important mediums of the Italian government for executing strategies pertinent to national economic planning.

While as an energy company the majority of group investments are in the petroleum sector, which accounted for 82.1% of group business in 1971 (1,531.2 thousand million lire), ENI's interests also lie in two integrated sectors, chemicals and textiles, which national economic planners consider crucial. Consequently of the planned investments of some 3,020,000 million lire in the next 5 years (1971-75), 32.5% of the outlays are earmarked for the chemical and textile sectors. In the chemical sector, in addition to broadening and strengthening the group position in heavy and basic chemicals, plans in the making are for initiatives which will tend to stimulate diversification toward production of more of the finer chemicals such as intermediates and additives. In the textile field the group for some years has been carrying on a programme for reorganizing, rationalizing and rejuvenating the sector.

During 1971 the results of group petroleum exploration and production were very satisfactory. New production began making available to the group crude oil from fields in Nigeria, from the Nowrouz field in Iran and from the North Sea, adding 33.2% to the previous year's foreign production. As a consequence total foreign and domestic crude production amounted to 11,700,000 metric tons (average 230,000 b/d). Natural gas production in Italy amounted to 12,399 million cubic meters (437,871 million cu ft), with new discoveries during the year adding 16,000 million cubic meters to domestic reserves.

Although demand for both petroleum products and natural gas in Italy was somewhat restricted because of the economic status which affected practically every sector of industry in 1971, the ENI group continued programming and implementing expansions for meeting future needs. The ENI natural gas transmission system reached a total length of 9,714 km (6,023 miles) by the end of the year, an increase of around 1,000 km more than in 1970. Preparations evolved rapidly for construction of the new transmission lines to bring gas from the USSR and Holland. The importation of LNG from Libya was initiated.

The engineering, construction and well drilling service companies of the group, backed by the farsighted trading and financial policies practiced internationally by ENI, were able to show consolidated sales 18.5% higher than in 1970. Among a large backlog of work at year-end the ENI engineer-constructor sector was building a new group refinery in Zambia.

The mechanical manufacturing sector, despite considerable buyer reluctancy in Italy, was able to show a 12% increase in sales of heavy equipment for the refining, chemical and petrochemical trade. Half of these results came from export business.

Returning to the marketing of petroleum products and connected activities, as in other sectors ENI has continued reinforcement of facilities. At year-end there were 6,773 roadside outlets operating in Italy and 2,015 abroad in 23 countries plus 7 stations functioning in Hungary under the combined AGIP-AFOR banners. In Italy product distribution rose only 3.8% over 1970. Elsewhere in Europe the increase in all product sales rose 12.8% while in Africa the gain in such sales was 21.3%. In Italy 2 new motels were opened and 629 "Big Bon" convenience stores were operating in connection with service stations at year-end.

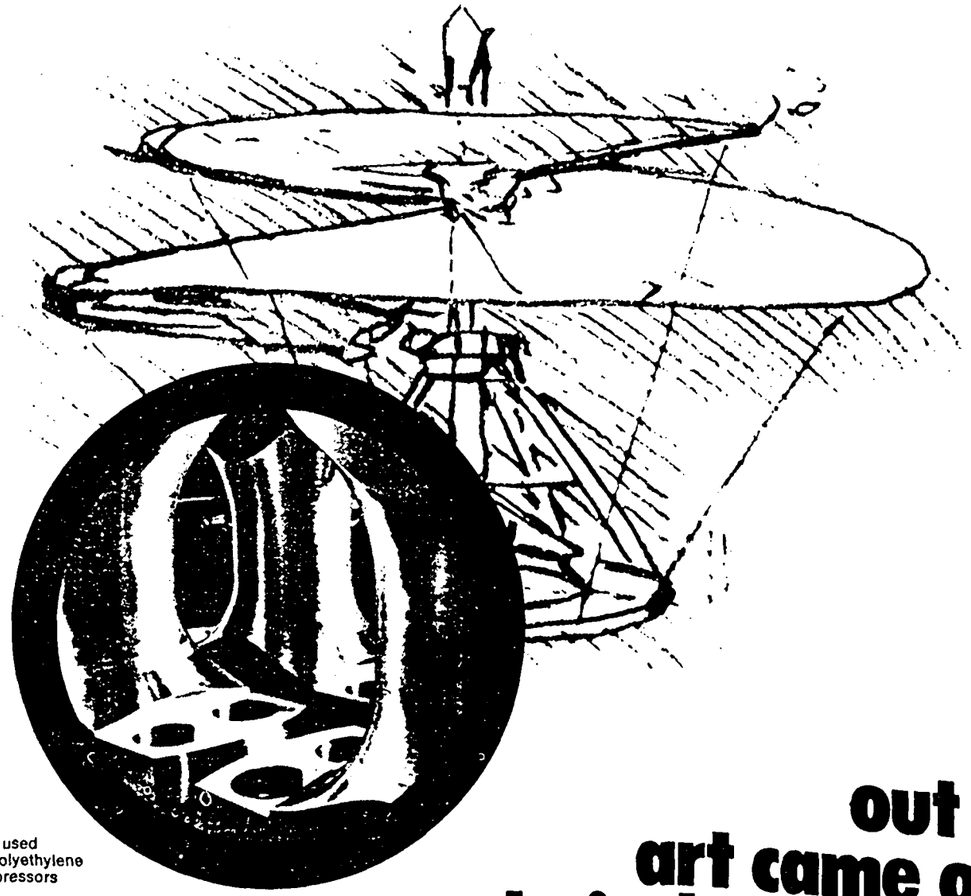
In the nuclear field, fuel element manufacture continued for supplying the reactor at Latina (near Rome) and a contract was signed for future supply of UF_6 to ENEL. Uranium prospecting continued on leaseholds of the group in various countries and discoveries considered potentially promising were made in Wyoming (USA), Zambia and Australia.

Environmental protection is a field the importance of which has long been stressed by ENI management. To better co-ordinate group efforts and needs in this sector and for studying problems concerning ecology, systems for its protection and for abatement of pollution, a new subsidiary was created under the name of TECNECO with the objective of commercially designing, engineering and supplying such systems.

ENI (Ente Nazionale Idrocarburi) is a corporation wholly owned by the Republic of Italy, created under and by virtue of Law No. 136 of 10 February, 1953. This Law, with subsequent legislative modifications, endowed ENI with corporate powers to operate with the flexibility of a private enterprise in carrying out functions of promoting and actuating initiatives of national interest in the fundamental fields of petroleum, natural vapours, chemicals and nuclear fuels. Where applicable, these include exploration, production, processing, reprocessing, marketing and activities in other sectors connected with operations in the fundamental fields, where such operations are instrumental, accessory or complementary thereto.

Although the Republic of Italy owns other agencies endowed with special statutes, the peculiar combination of functions endowed upon ENI posed managerial responsibility of a nature formerly unprecedented in Italy. While free to operate with the flexibility of a private enterprise ENI has the obligation to account to the Government and Parliament for all its activities.

ENI operates as a holding company, parent to a large group of subsidiary corporations which are private operating companies and which depend upon ENI for assistance in primary strategy formulation and decision making, long-term investment policy and advance planning, financing and negotiating of fundamental business affairs, and for consolidation of programmes to conform with group strategy on both the national and international scenes. With constitution in 1967 of CIPE (Interministerial Committee for Economic Planning) ENI began co-ordinating all programming to conform with recommendations by that body.



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manufacturing boom was the impact the army of unemployed had on wage rates, working conditions and the general docility of the unions. It is only now when social and working conditions have improved so visibly that so much fuss is being made about them. In other words, when it was clearly a privilege to have a job, someone who only two years before was facing destitution in his southern hovel was not going to argue about long hours or a lunch break which lasted only 15 minutes. Wage rates rose at much the same speed as they did in other European countries, albeit from a far lower base. But as far as manufacturing was concerned, they consistently rose only about half as fast as productivity. So between 1950 and 1961 there was a steady fall in wage costs per unit of output.

This, in turn, made its impact on the rate of savings and capital formation. The crucial point here is that in mature industrialised countries high unemployment generally means a lot of surplus capacity too. So, normally, it is not combined with a high rate of capital formation. In Italy during the 1950s, this was not the case. High unemployment made it easy for firms to get hold of labour when they wanted it. It made it easy for them to generate savings because, thanks to the weakness of the unions and the fast rate of growth in production, the workers' share of the cake was falling. It had nothing to do with whether Italian industry was operating at full capacity or not. In fact, since the basic problem of Italian industry was that there was not enough industrial capacity, this background was ideal for the generation of new capital with which to expand it.

Italian industrialists were able to hold their prices steady. And with a reasonable exchange rate (for, like the currencies of all the defeated nations, the lira undervalued rather than overvalued Italy's productive potential) and the tremendous backlog of domestic demand, they had no problem in selling what they produced. They then picked up the profits and ploughed them back into further capacity. This process was aided by two additional advantages. First the tax system in Italy was so easy to evade that no self-respecting firm ever paid anything like what it should have done on its profits. Second, Italy has, since the war, developed a whole variety of ways in which loans for investment are subsidised (the main example is loans for the south, but there are many others).

Other factors which helped to make the Italian take-off possible were the discovery of natural gas in the Po valley, which considerably broadened the base of low cost energy, and the shift in the world oil distribution system, which encouraged the building of refineries close to consumer markets rather than alongside the oil fields themselves. Italy was a natural site for oil coming from the Middle East and has for a long time been a major exporter of refined products, which helps to lower the cost for itself. By the mid-1950s what had been previously for Italy a crippling disadvantage, its own lack of coal, had turned into a major advantage in that it could buy from the cheapest possible sources of fuel on the world markets (including coal from the United States and oil from Russia).

On the distribution side, transport costs began to fall as Italy set to work enlarging its autostrada system. During the 1950s Italy was building more new motor roads than any other country in Europe. And although most of the publicity was lavished on the Autostrada del Sole down to Naples, most of the actual building took place in the north where industry was, with the new roads radiating from Milan.

With costs going down rather than up, Italian industrialists benefited from a further change in their environment, —the lowering of tariff barriers. From being the most highly protected economy in Europe, Italy had to move towards and then undergo the process of becoming part of the EEC. Much of Italian industry was terrified by the prospect, just as French industry was. But for the larger and more dynamic companies it was self evident that the Italian market was uncomfortably narrow if they wanted to be anything like on a par with their European, not to speak of American or Japanese, rivals. Fiat, for example, was thinking in European terms well before the EEC took effect. On the supply side the controlled reduction of tariffs which took place during the 1950s and most of the 1960s once again had a significant impact on the prices of bought-in materials.

For a number of reasons, therefore, Italian industry had a great deal going for it during the prolonged boom of the 1950s. But it also exploited them with considerable flair. This was not just the work of a few large firms. What the boom provided was the opportunity for the highly skilled artisans in which Italy abounded — in part because it had missed out on so much of the industrial revolution previously —to combine with the latent entrepreneurial skills which Italians always had in abundance but rarely before had a chance of revealing. The men who did so well in the boom were the small businessmen in the Veneto area and the Lombardy plain. These men had enormous freedom to do what they wanted, hardly bothered by tax men, union officials or pollution inspectors. Milan became and is still the free enterprise capital of Europe in the old American sense of the word.

Running out of steam

The first serious check to this process of growth feeding on growth came in the early 1960s. By the end of 1961 industrial production was running at double its level in 1953. Then a change started to take place. As boom year succeeded boom year, unemployment started to fall much more rapidly than before ; net emigration began to decline ; and for the first time shortages of certain types of skilled labour started to appear. Internal migration to the industrial centres started to increase rapidly as the word got around that there were plenty of jobs to be had in the factories.

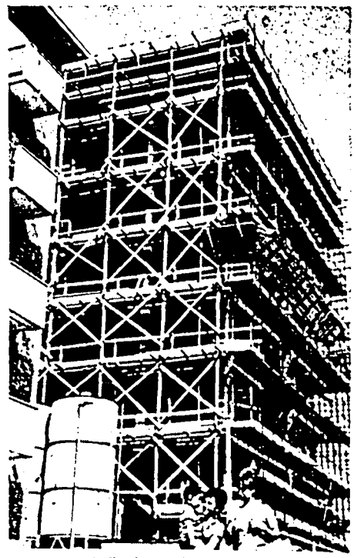
Although there was plenty of unemployment and above all under-employment left in Italy, particularly in the south, the fact that in the first three years of the 1960s employment in industry had grown by nearly 1m workers and that this had been over a decade when a large section of society had experienced steadily rising incomes caused a shift in priorities and expectations. As the American economist, Mr Charles Kindleberger has put it: "Full employment is the most important structural reform. When this is satisfied it is time to move to the next items on the list." And the next items were glaringly obvious. Put it another way, labour unit costs revealed in the Italian ministry of labour statistics, covering about half manufacturing industry, fell between 1953 and 1960 by 22 per cent. And the surplus was fed not to the consumer but to investment and the owners of capital. In the next three years, as the labour market in the north began to tighten and the unions began to feel the first stirrings of power, labour unit costs began to

rise at an increasingly rapid rate, until the increase reached 10 per cent in 1963. Industrial wages, it is worth remembering now in 1972, rose by 16 per cent in two successive years, and, moreover, differentials, between regions and between men and women, started to narrow.

The whole basis of the Italian miracle, in fact, was being called into question. And greater prosperity brought the economic and social inequalities more sharply into focus. Poverty remained deeply ingrained in the south. The dusty mummy which went by the name of Italian bureaucracy remained largely unreformed. A fairly large investment effort by the De Gasperi government in the early 1950s in agriculture had little impact. And the enormous social costs of migration, which might have seemed bearable when all around was lying in ruins, were now a startling contrast to the Alfa Romeos flashing by.

The change in the economic balance in the early 1960s, which included a shift into deficit on the balance of trade and a consumer-led, instead of export- and investment-led boom, was paralleled by a political change which led in 1963 to the first of the centre-left coalitions. The most interesting period of the Italian miracle, and the most instructive for the present time, is that from the 1963-64 recession until the hot autumn of 1969. There are both economic and political parallels. The opening to the left had been preceded by a shift to the right, the recession by a wage explosion, and in both cases some of the most important demands by the unions were political.

As so often it was the Bank of Italy which engineered the decisive shift in policy. As the current account plunged into a $1 billion deficit in 1963, so capital started to take flight, literally, across the Swiss border. The authorities had to repurchase $1.5 billion in bank notes. As a result of the combined pressures they started to tighten the monetary screws towards the end of 1963, by which time, as so frequently happens, the boom had already passed its peak. The net result of the credit squeeze, combined with a package of deflationary fiscal measures early in 1964 and the downturn already taking place in business expectations, was that industrial production fell appreciably, for the first time, in the middle six months of 1964. All this was accompanied by a decline of nearly 200,000 people in industrial employment. But then, as now, the unemployment statistics did not reflect this, or the continued rapid shift from the land. This



Not enough flesh on the skeleton

happened because, first, a lot of women left the labour force and second because 300,000 people went back to the service industries, easing the aches and pains of Italian urban life for others more fortunate than themselves.

In 1964, as in 1971, the surplus on current account helped to limit the recession. Then, the gloom continued until the middle of 1965, by which time an export boom had developed to pull the economy out of its malaise, although employment continued to fall and unemployment to grow until well into 1966. The surge in exports was followed by a recovery of investment, and in those simple days the revival of production was not hampered by "irresponsible groups of left wing extremists" in the factories. Gross national product recovered its pre-recession momentum with a sharp rise in industrial production. Profits rose. Prices remained stable. And life bloomed like a rose in the industrial centres of Milan and Turin. Over the three years 1966-68 real output rose by 6 per cent on average.

But there were several mildly disturbing points. First, factories were not hitting the capacity levels at which they had been running in the early stages of the miracle. Second, investment did not represent the same share of gnp it used to have (19 per cent, against 24-25 per cent in the old days), and although employment in industry was rising again, it was not enough to cope with the movement off the land. Third, a great deal of the expansion in final demand depended on Italy continuing to run a very large surplus on its current balance of payments.

Meanwhile the impact of public spending had actually tended to be deflationary, at least until 1968. And when expansionary it tended to be channelled through the salaries of the growing number of civil servants, not into the badly needed hardware on the ground. Allocations of many billions of lire for schools, houses, hospitals, sewage systems and the like tended to remain figures in some dusty ledger. This gave heart to the budding extra-parliamentary left.

Differing strategies

What was emerging was a new coalition against the status quo, if only in the sense that that was all most of the "antis" had in common. There were those who had suffered directly from the massive transformation which Italian society had undergone, the city immigrants. There were those who had suffered indirectly, through the pressure on inadequate social resources. There were the articulate members of the left who wanted to stoke the fires into a revolutionary bonfire. There were alarmed leaders of the union confederations who found that within their own organisations things were not what they used to be. And there were the politicians who, for two different sets of cogent reasons, were against the status quo.

One set was most eloquently put forward by the Republican party, which had been pulled back from the brink of extinction by Signor Ugo La Malfa who attracted what a few years ago would have been called the technocrats, decent university men and the younger and often American-educated business managers. What people like these hated above all was incompetence. On the one hand, there were over 9,000 state agencies which had been set up over the years to cope with one sort of problem or another and which not only did little or nothing but actually prevented any reforms taking place. On the other, state activity largely took the form of allocating funds for some specific and laudable purpose—and then not spending them.



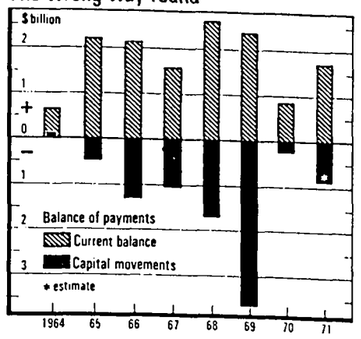
There was a famous example of this in 1969. Children, despite the loving attention devoted to them—and no one is more beautifully dressed than an Italian baby out with its parents for the evening air—are one of the most underprivileged groups in Italy. In the north the number of schoolrooms and teachers has not kept pace with the rise in population. In the south the word school is often a joke for the badly equipped shack into which children are herded. So the government set aside $1.1 billion for a schoolbuilding programme. Two years later only 10 school rooms had been built.

The problem to which middle-of-the-road critics addressed themselves, was how funds like these, allocated but not spent, could actually be used without causing chaos in the fiscal management of the country. By the end of last year the infamous residui passivi amounted to $12.8 billion. It is normal for the Italian public sector, central and local government, to run a substantial deficit. Only too often the sums allocated but not spent for capital investment turn up in the form of an increase in current spending, either in higher transfer payments or in higher salaries.

The Republican programme, therefore, would mean that some Caesar of the budget would have to bring in some pretty drastic administrative reforms. And this raises rather profound questions for Italian society as a whole. In Rome and places south the bureaucracy is one of the main sources of employment. And patronage over jobs is a key source of political power. To be made doorman in a regional office in Palermo is a political transaction. To reform the civil service is therefore a hard job indeed for any government—particularly one dominated by the Christian Demoorats, who have so much of their power-base in the south.

Related to the absolute size of current spending is not just the question of the bureaucracy but also the increasing degree to which the government has been handing out subsidies, for lowering the cost of credit, for baling out para-state institutions and so on. One of the most frequent complaints about government activity is strangely reminiscent of the "lame duck" controversy in Britain. It is that if cash from the state is used to shore up all the most feeble parts of the economy, the whole concept of financial responsibility and of individually accountable profit centres is blurred.

The wrong way round



And that this is likely to have profound and disastrous effects on the efficiency of the Italian economy.

By 1969 another attack was being launched by men of the traditional left, which had much more to do with one of the important parts of the structure of the economy. Put in the words of an OECD report it was this: "Economic expansion has continued to depend significantly on a sizeable current external surplus, entailing a transfer of real resources abroad, largely to advanced industrial countries with considerably higher levels of income per head than Italy."

Checking the outflow

The normal balance of payments structure of a country which is trying to catch up through fast growth with the rest of the industrialised world is that it runs a deficit on current account which is financed by a steady inflow on capital account. In other words it needs to have real resources moving in its direction, not away, in order to obtain extra growth.

Initially in the Italian miracle the United States acted as the rich uncle. But over the past decade it is Italy which has been lending not borrowing. It has been running a surplus on current account of around $1 billion, because the capital account has almost always been in the red over the past decade and deteriorating rapidly at that. The basic reason why the capital account is bad is that Italians do not like to invest in their own country. Many Italian companies are owned at least in part by a holding company in Switzerland or Luxemburg. More extraordinary still is the habit of Italians who are less than millionaires of driving north with large quantities of lire in their car boots. In 1969 this trade reached L2.25 billion (£150m).

It is related not so much to the underlying strength of the lira, which in many ways should have been one of Europe's strongest currencies over the past decade, as to the political barometer.

The left-wing parties have argued, with some plausibility, that the rich should not be allowed to penalise the fortunes of the poor in this way. Controls they say, should be imposed so that the capital account would reveal more clearly the steady net inflow of foreign capital and so that Italy could benefit from the enormous earnings of the tourist trade, which despite the growing number of Italians who spend their holidays abroad, brings at least $1 billion net a year on a conservative estimate. What needs to be done, according to this argument, is to bring about a structural shift in the trade account so that Italy moves from running what has become a rather regular trade surplus to a regular deficit.

The problem with this policy is that it is much easier to say that it should be done than to say how it should be done. One thing the Italian government is notoriously bad at is organising controls so that they are not systematically flouted. Most people from the centre rightwards would argue that the causes, not the effects, have to be tackled, and that the average Italian capitalist has to acquire a sense of confidence in his country, which the unions and the left are not doing anything to foster.

But even if controls were imposed—which arguably they could be—a further problem remains. How could the extra resources be shifted towards badly needed capital investment and not towards extra consumption? A more expansionary money supply would not itself distinguish between the two sectors. So one comes back to the question of administration.

A shift of real resources towards schools would inevitably have, for instance, an impact on the balance of payments, since in one form or another capital would tend to be shifted from the laying-down of another assembly-line for export towards building schools, which would not come into the balance of payments (except in terms of their import component). But, of course, the real resources available for any purpose will depend not just on the distribution of the gnp but its size and its rate of growth. A very hinder not help the shift of resources to social investment.

The unions flex their muscles

These kinds of arguments were what the hot autumn, at its most rational, was all about. The immediate reason for a large scale confrontation between unions and employers was that wage contracts in Italy for large sections of industry are renegotiated every three years, and in 1969, as this year, they had to be renewed for certain key sectors such as metal working. Industrial trouble had been building up since the early summer, particularly at the Fiat factories in Turin. It soon became clear that there was a new mood on the shop floor—a much more political attitude to disputes, to which employers were not accustomed. The demand for higher wages were certainly part of it.

But there were also two other important questions being raised for the first time. First came questions about the conditions of work. The "inhuman slavery of the production line" was the kind of phrase being bandied about. One of the reasons for this was that in terms of things like lunch-breaks and the length of the working-week Italians were feeling they had not caught up with northern Europe. They had some justice on their side, although practice in the larger international companies was as good as anything elsewhere.

A second important reason was the increasing proportion of the labour force at factories like Fiat's Mirafiore works that had emigrated from the south. First generation industrial workers would arrive in the north, get a job perhaps in building or construction, and then drift into assembly-line work because the wages were higher. But after a year or so many of them would begin to find the monotony and the discipline of working on the assembly-line intolerable. It was among these workers, who were often separated from their families and living in bad housing conditions, that the ultra-left groups, like Lotta Continua, found their working class recruits. The unions also found in regional differentials in wages ammunition to fire at the industrialists.

The other set of questions which the unions were raising were national political ones. As a result during the closing months of 1969 the unions were addressing themselves half to the employers across the table, half to the politicians. The main tactical needs were to win concessions across the board, to convince their workers that the unions were still relevant and to enable them to exert some leverage on the government in Rome. By using short but repeated strikes as a bargaining weapon, they were highly successful. Regional differentials were abolished; wage increases, together with cost of living adjustments, pushed up earnings in 1970 by over 20 per cent; and a whole package of measures to shorten the working week, reduce overtime and generally improve working conditions were agreed upon.

The immediate costs were nearly 38m working days directly lost in strikes, and rather over 1 per cent of gnp (over £330m). But in contrast to France, where the economic recovery from the events of May, 1968, was remarkably quick, the continued side-effects echoed heavily through 1970 and 1971. For one thing, there was a dramatic fall in the growth of productivity, down from nearly 10 per cent in 1969 to under 2 per cent in 1970. This was not only due to the once-and-for-all shift caused by shorter and more tolerable working hours. It also had something to do with the new labour laws passed in 1969, which in many ways tilted the balance in favour of employees against employers. For instance the rules applying to sick leave were changed so that it became easy for workers to take selective and awkwardly timed holidays.

At the same time work-stoppages, though not on the scale of the hot autumn, became endemic. There were further national contracts to be bargained over. And the implementation of the 1969 agreements at plant level led to a good deal of continued bitterness and strife. There were a good many complaints that employers were constantly trying to go back on what they had agreed. But the central point was that unions had to maintain the pressure they had built up in 1969, partly to reinforce their own control at factory level and partly to boost their political importance. Indeed political strikes becames increasingly frequent, even though these usually lasted only four hours or a day.

Disruptive tactics

One of the problems that the personnel officers of the main companies faced was that the disruptive tactics of their workers were subtle and it was not always easy to identify who was responsible. The unions have never been rich, for in contrast to other countries money has tended to move in



They were not just fighting Pirelli

Italy from the political parties towards the unions, where there are close political affiliations, and not the other way round. Nor do workers in Italy obtain much in the way of family benefits. So, with their usual ingenuity, Italians have worked out methods of selectively not working, like failing to work on every tenth car.

All this has suggested to the ambitious union leaders that they can force the government to do things in a way which no other pressure group can. They had a notable success in 1969, for instance, when they forced the Rumor government to take some hasty action on its pensions bill. Part of their political ambition is the move towards the unification of the three main confederations, CGIL, the largest, linked with the communist party and possessing around 3m members, CISL, at one time linked to the Christian Democrat party with 2m members, and UIL, which is roughly social democrat, with 800,000 members.

Talks have been going on since the unions found they could work together in 1969, and the first important joint initiative was in May last year when the metal working unions joined together in a new attack on Fiat. This time the basic theme was a change in the nature of work, highly philosophic in tone but with a practical side-dressing of shorter working hours and new manning procedures. Although the unions did not get very far in getting the traditional assembly-line changed, they built up enough enthusiasm for a joint congress held at Florence in November to decide that the confederations should merge. The theory was

that a joint union would be more effective and attract more members, perhaps a total of 6m-7m. The problem has always been that the confederations have very different political affiliations. But it was hoped that three years of militancy would have swept the differences away.

In practice, the likelihood of a new single confederation being set up on schedule next February gets slimmer each day. The original decision was pushed through by two leaders, Signor Luciano Lama of CGIL and Signor Storti of CISL. Signor Vanni of UIL and his men were always lukewarm, as was a big minority of the CISL hierarchy. The basic objection, strenuously denied by Signor Lama and Signor Storti, is that the new union will become the instrument of the communist party. In defence of unification, all senior members of the new union will have to give up their political affiliations. And in the united body the communists (who do not have an absolute majority in the CGIL) would be easily outvoted as a block. But the election and the question of the referendum on divorce (which would split catholics and communists) have aroused old antagonisms. The communists, after all, are by far the best organised political group. And no one quite trusts them.

When the new contracts come to be renegotiated in the autumn, therefore, the unions will not be as strong as they would like to be. Two years of stagnation, for which they have been partly responsible, is not a good position from which to bargain. And there is an increasingly powerful school of thought within Confindustria for standing up to the unions wherever they challenge.

This is coupled with a feeling that in the past the employers' organisation has been too dominated by the big industrial groups which find it easier than others to absorb steeply rising wages. This does not mean a return to the paternalist, sometimes contemptuous, attitude which employers used to have before 1969, but it shows a desire for less rhetoric and more hard bargaining. The employers, for example, held talks with the unions in February on the deteriorating economic situation. This suggests that there is still some willingness for a dialogue on both sides. How the bargaining in the autumn will turn out depends upon the tactics of the union leaders, still divided against each other. But it is hard to be optimistic about the chances of both sides of industry coming to a sensible compromise.

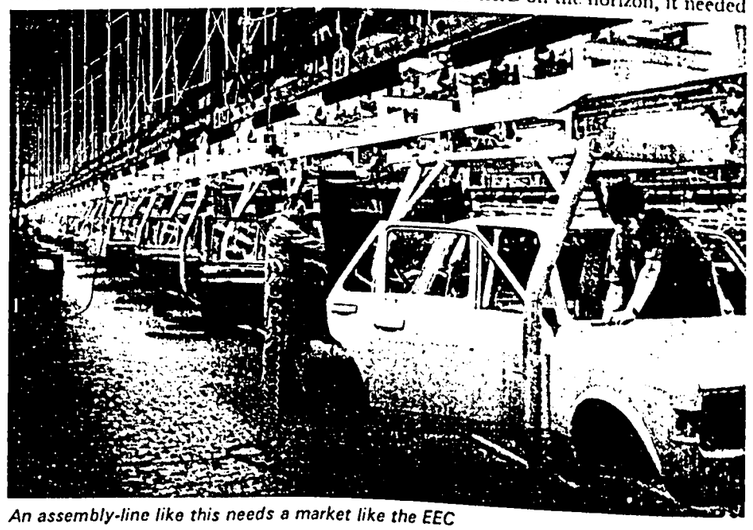
Wider frontiers

If the unions have seen their own involvement in politics as the solution to Italian problems, a good many Italians among the older establishment of industrialists and politicians have seen Italy as an insoluble logical puzzle which could only be resolved by altering the frame of reference for the broader one of Europe. By pressing for economic and political integration within the European community (and the larger it becomes the better) they believed that Italy by a process of osmosis would become like other nations in the north where things work better (the civilised virtues which Italian life possesses being always taken for granted).

What has the EEC done for Italy? The short answer is a good deal, despite the fact that Italy had previously been the country with the highest tariffs. There is no space here to go through the involved ritual of working out exactly what can be attributed to the formation of the EEC per se and what would have happened anyway. But one can affirm that Italy's is an example of export-led growth, that its sales of goods to the other members rose very rapidly, both absolutely and in terms of its share of total intra-community exports, and that its success within the community was paralleled in external markets. During the first 12 years of the community's life, Italy's share of intra-EEC trade in manufactures nearly doubled to around 15 per cent and outside the community it achieved a similar success, with its share rising from just over 3 per cent to 6 per cent.

But a cautionary note needs to be sounded here. While the increases have been dramatic, Italy's initial take-off point was very low. In 1958 Germany exported five times as many products within the EEC as Italy did, and France twice as many. What Italy has basically been doing, therefore, is moving nearer what its share should naturally be, given its size and population. A lot of Italy's economic development can be explained if one assumes that capital and know-how are quickly transmitted, and that given a roughly similar level of skills and culture, there is no reason why one country should be much richer or poorer than another. In other words, Italy has been catching up on its delayed development potential. The EEC hastened this process. There is no doubt in the minds of the leading manufacturers that Italy did not provide them with a large enough market for them to achieve parity with their European rivals. The EEC helped to provide this.

A perfect example is Fiat. Although even by European standards it was a relatively small producer until the mid-1950s, it has always had a policy of exporting at least 30 per cent of its production, on the basis that the Italian market, where Fiat was completely dominant, was too narrow. By the mid-1950s the Italian market was starting to grow rapidly, but Fiat still produced only around 250,000 cars. With the EEC on the horizon, it needed

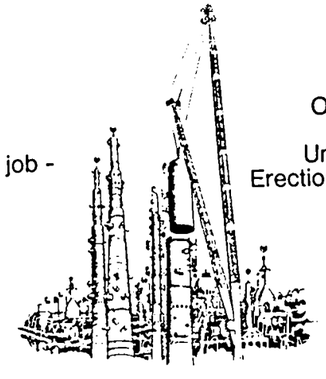


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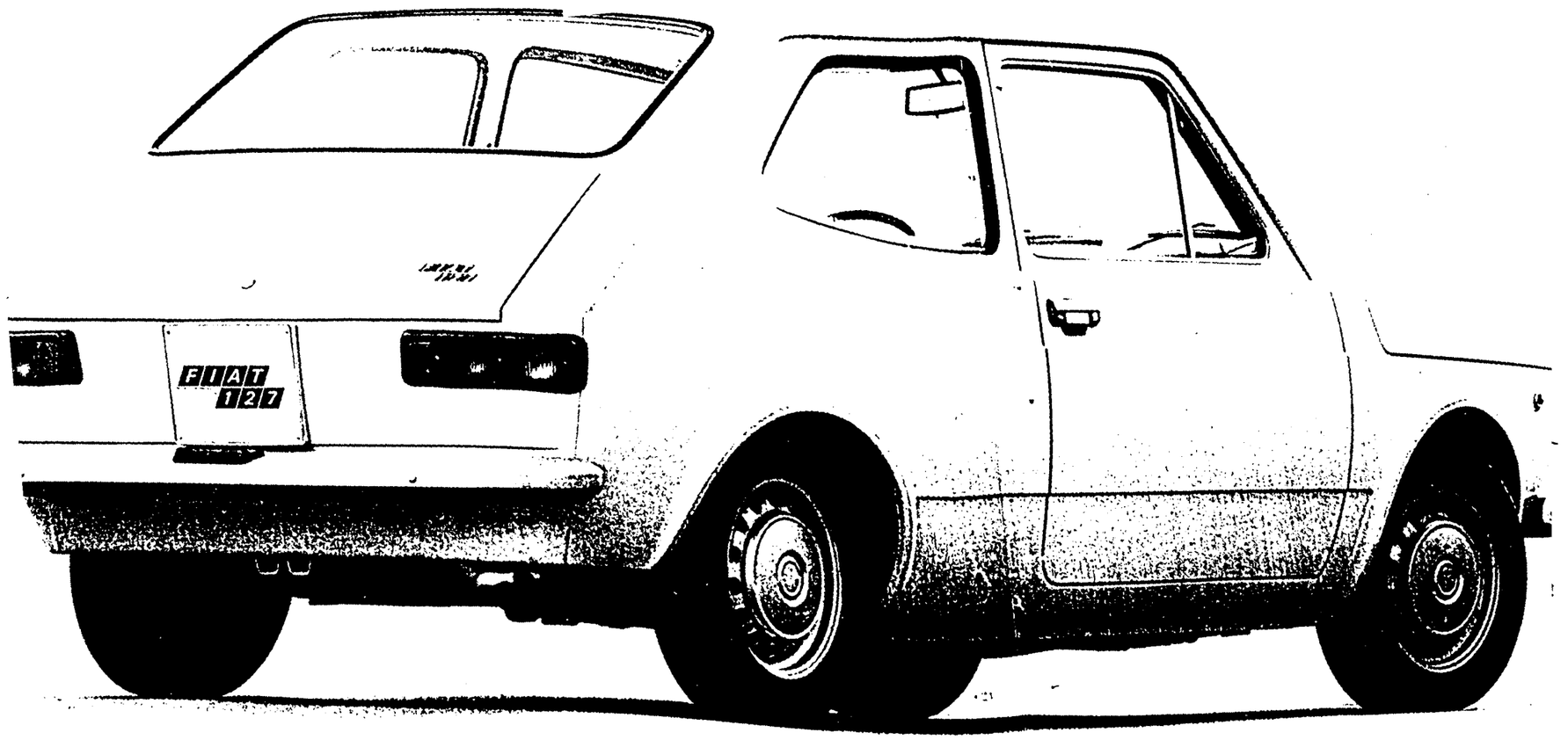


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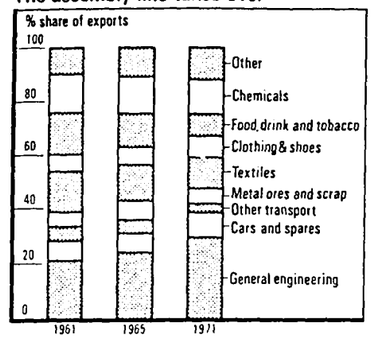
to obtain much bigger economies of scale if it was to withstand competition. Leaving the Fiat 500 aside since it is largely produced for the home market, about 50 per cent of Fiat's total output is now exported, four-fifths of it to Europe. It now produces about twice as many cars as the Italian market, which has been virtually static since 1966, can take. Its share of the European market, over 20 per cent, is nearly twice as large as that of its nearest rival, Volkswagen.

Fiat's international presence is in fact even more pervasive than these figures suggest. It accepted early on, with a good deal of political realism, that a large number of less developed countries would want to save imports and industrialise by making or assembling their own cars. In over 20 countries now, from Korea to Argentina, the local car of this sort is a Fiat. But the most interesting area where Fiat is involved is eastern Europe. There is the famous plant in Togliattigrad in Russia, scheduled to turn out 600,000 modified 124s. Some of the old 600s and 1300s are built in Jugoslavia, 124s in Bulgaria, tractors in Rumania, and there is now going to be a big expansion in the Polish plant for 125s. Fiat sees eastern Europe now much in the way it saw western Europe in the 1950s. In the short run there are considerable side benefits in being well entrenched in the east, particularly in terms of follow-up orders and other contracts (Fiat for example is helping to establish service organisations there).

But clearly Fiat hopes that the eastern European market will become increasingly integrated with that of western Europe. Some of the old east European hands think that this is being ridiculously optimistic. They argue that communist governments will either ignore the growing demand for cars rather than devote increasing resources to them, or—and this is the crucial question for Fiat—they will not be prepared to engage in a vigorous two-way trade. But, at least, Fiat in the east has a useful alternative source of supply for filling up its dealers' showrooms when they cannot get enough cars from Italy.

Fiat now has a large minority holding in Citroën, and the medium term plan is to dovetail all operations from research to production and sales, making the deal a full operating merger. Fiat's internationalism has made it the object of the accusation that it has been buying itself out of its labour troubles at home. This, with justice, it would strenuously deny, for easily its largest investment outside Turin in the past few years has been in southern Italy. But it is certainly acquiring the flexibility inherent in being a world-league company and this makes the union leaders uneasy.

The assembly line takes over



Nor is it the only one. Pirelli, the rubber and tyre group, merged two years ago with the British Dunlop, for reasons that are not completely clear but which seem primarily to have been defensive, to cope with the American giants and the fearsome technological record of Michelin in France. Olivetti has carried the worldwide rationalisation of its plants perhaps further than any other international company, producing for instance all its portable typewriters in Spain. Eni, the national oil concern, has pioneered joint production companies with the host country in several areas.

This flexibility works both ways. Italy is no Japan when it comes to letting in foreign investment, although one or two large deals have come unstuck (for the Italian way of business has its own conventions which can seem appallingly foreign to the Anglo-Saxon). Fiat for example sold out its ball-bearing company, RIV, to the Swedish SKF in 1965. The big companies, Zanussi and Ignis, in the highly successful domestic appliance industry have either close ties with or are owned by foreign companies. And recently there has been increasing foreign involvement in the Italian car component industry, notably by Lucas and International Telephone and Telegraph.

The big four

The Italian attitude towards foreign investment is in fact a key to understanding how its industry works. It is part of conventional wisdom in Italy to say that industry is basically run by four groups: Iri, Eni, Fiat and Montedison. In terms of their direct contribution to the country's added value, this is not strictly true (although between them they must contribute close to 10 per cent of the gnp). As was noted earlier, Italy is still very largely a country of small to medium sized firms. But the leverage the big firms possess is very large. They are giants among minnows. There are only six Italian firms among Fortune's top 200 outside the United States. (Iri as a unique type of holding company is not included, but Finsider which forms a major part of it, is.) Apart from the big four, the other two are Pirelli and Olivetti. The ramifications of these giants are almost endless. Between them they have a major part to play in almost all sectors of the economy.

Iri controls the three major commercial banks. It builds nearly half the autostrade and runs Alitalia and a good deal of the merchant shipping fleet. It has practically all the shipbuilding capacity, runs virtually all the telephone system and owns half the steel-making capacity. It is also important in cement, food products, cars (Alfa Romeo), and plays a key role in aeronautics and electronics. Eni, besides being an integrated petroleum company, dominates petro-chemicals through Anic, has got into textiles and runs some extraordinarily successful engineering and construction consortia (like Snam Progetti).

Montedison was the product of a merger in the middle of the 1960s between Montecatini, which before Anic was set up completely dominated the chemical industry and an ex-electricity company, Edison. Montedison then threatened to become a shambles, and the Italian chemical industry with it. With the Italian balance of trade on chemicals sliding into the red, Eni three years ago, with Iri, tried to take it over. For two years there was a vicious battle that involved most of the household names in the Italian industrial establishment, including Fiat and Pirelli. They were worried that with the inclusion of Montedison the state would become too dominant in industry. In the end a stalemate was called while everyone decided what to do next and the government drew up a plan for the chemical industry's future.



Between them they can get most things done . . . Fiat's Agnelli, Iri's Petrilli, Eni's Girotti, Montedison's Cefis

The dilemma was resolved in classic Italian style, not by altering the balance of shareholder power but by making the man who had been president of Eni since 1966, Signor Eugenio Cefis, head of Montedison. Cefis is not a man for personal publicity. But in many ways he is the most interesting industrialist on the Italian scene. In the year he has been at Montedison hardly a week has gone by without the company making a takeover bid or selling off a subsidiary. The biggest coup so far was Cefis's successful bid for Snia Viscosa, Italy's largest textile company. The effect was rather as if ICI in Britain had managed to buy up Courtaulds, and it has meant a battle with Eni, which also wanted to become the key textile producer to round off its petrochemical-synthetics interests.

Finally there is Fiat, the fief of the Agnelli family (which controls it through its financial holding company Ifi). Its power, political as well as industrial, has increased over the past decade in line with its extraordinary and highly profitable growth. Fiat, thanks to the historical lack of ancillary industries, probably buys in less and makes more of its end-products than any other European car maker. Apart from all kinds of vehicles, engines and a certain amount of vertically integrated activities like steel making, it owns part of the aircraft consortium and is in nuclear engineering.

Between them, the big four can put together almost any kind of deal that needs to be made and in the past few years there has been increasing cooperation between them to plug the gaps in Italy's industrial capacity. The fact is that, despite its dynamism, Italy's industrial structure is still rather thin compared with that of its main industrial neighbours, both in its range and in its management and technological capability. In aeronautics, electronics and in nuclear power it lags behind its main European neighbours. And it is painfully aware of its rather minor role in the various European consortia set up in these fields, although it is in the multi role combat aircraft and in the European airbus. As a result it has insisted very strictly on the principle of *juste retour*—in any multinational project you take out exactly what you put in—which has been a major barrier to the development of European technology.

The big gaps

In general Italy comes low on the research and development ratings. This makes some of the key people in its more advanced industries nervous about the future. Entwined with the theme of the technological gap is that of the management gap. Italian industry used to be run until a few years ago by a lot of old men with only a few young exceptions. By and large the 70- or 80-year-olds have been replaced by men in their 40s and 50s, and some younger ones like Umberto Agnelli. (On the other side of the glass door the leaders of the engineering unions are in their 30s, suave, articulate and indistinguishable from some of their brighter, opposite numbers in management.) But the roots of Italian industry are still the small family owned firms, run sometimes by an entrepreneur who knows how to make something but gets into trouble as soon as his firm grows beyond a certain size.

The pool of management is relatively small, especially since people do not move around much to gain experience. The movement tends to be at the top rather than in middle management. There is still rather the tendency to say once an Olivetti man always an Olivetti man. Iri, with its enormous diversity and a policy of letting the local man get on with it, is one of the best training grounds in Europe. And Iri men are sometimes loaned out when a company gets into trouble and has to be rescued by the usual consortia of the establishment. But they cannot cover the whole of the economy.

Despite two decades of growth there is therefore a lingering sense of insecurity and inferiority among Italians (although not, one feels, at the Bank of Italy) which reinforces the tendency to operate in alliances, industrially as well as politically, and to make sure that none of the key spokes in the wheel suffer disaster. The bankruptcy of Rolls-Royce and the loss in prestige which it caused would never have been allowed to happen in Italy. Some years ago a similar fate threatened Olivetti. It was rescued by a consortium which included the state medium term financing institute, Imi, Fiat, Pirelli, and one of the most interesting institutions in Italy, Mediobanca. This is a medium term credit institute set up by three of Iri's commercial banks to get round the fact that under the 1936 banking laws they are meant to be concerned with short term money only. In practice it has become the crucial arbitrator in any takeover deal which involves two or more powerful interests. It has, for instance, a 2 per cent stake

MONTEDISON:

STRUCTURE OF A GROUP

The Montedison Group was created in 1966 through the merger of two of the largest Italian industrial organisations, MONTECATINI and EDISON. The two groups, while working mainly in the field of large-scale chemicals (basic products, fertilizers, petrochemicals, plastics, and artificial and synthetic textile fibres) had widely diversified production structures and activities that gave them positions of considerable importance in other sectors, such as aluminium, department store and supermarket sales, the engineering industry, electronics, textiles etc.

At present, activities in the aluminium, chemical and petrochemical sectors are carried on directly by MONTEDISON, a minor role being played by a few important associate companies. Other sectors (fibres, textiles, department stores, food products, engineering, electronics) are operated exclusively by companies in which MONTEDISON SPA has shareholdings of varying size. Between 1971 and early 1972, two major events have occurred to strengthen the Group and shift the emphasis within it: firstly, Montedison has acquired a controlling share in a major pharmaceutical company, Carlo Erba; secondly, the Group has decisively increased its participation in the key textile group Snia Viscosa.

Thus, Montedison's textile side, already dominant, is further enhanced, while the pharmaceutical interest, hitherto relatively minor, now looms large.

Because of its size, its many associate companies, and the wide diversification of the products involved, the MONTEDISON Group is organised into divisions, which combine, as far as possible, all related activities, irrespective of whether they are carried out directly by MONTEDISON or by the associate companies.

The divisions, which are largely autonomous within the overall policy framework of the Group, are:

1) **The Petrochemical Division**, which operates in the field of basic chemicals (basic products, intermediate products, and plastics) and manages the petrol refineries. 2) **The Agricultural Products Division**, which is concerned mainly with fertilizers. 3) **The Industrial Products Division**, which supervises the production of basic inorganic chemicals, and production relating to the secondary chemicals industry (paint, explosives). 4) **The Minerals and Metals Division**, which is concerned with extracting operations and metallurgy. 5) **The Engineering Division**, which designs and manufactures plant both for the Group and for customers, and is responsible for associate companies in the electronics field. 6) **The Industrial Services Division**, which controls production installations and the distribution of electrical energy for the Group, and supervises the production and distribution of gas in Milan. 7) **The Miscellaneous Division**, which is concerned with the activity of a large number of associated companies, operating in a variety of fields, the chief ones being mechanical engineering and building construction. 8) **The Research and Patents Division**. The other main activities, carried out by the Group, but not supervised by single Montedison Divisions, are the following: 9) **Pharmaceutical industry**, in which operate two Groups, Farmitalia and Carlo Erba. 10) **Fibres and textiles**, which is concerned with the manufacture of chemical fibres and textiles 11) **Retailing trade**, in which an associate company, the STANDA, works in the field of department store and supermarket sales. 12) **Food production**, in which the Group operates almost totally through a single associate company.

The Group employs about 175,000 people, 164,000 of whom are employees of the Holding Company and associate companies working in Italy, and 11,000 of overseas associate companies.

About 70% of personnel in Italy work in the north, about 12% in Central Italy and 18% in the South, where most of the jobs have been created in the past twenty years as part of the policy to combat unemployment in that part of the country.

The industrial side of the MONTEDISON Group works through 193 factories, of which 170 are in Italy, and 23 abroad. The numerical distribution of these factories, by production sector, is: 73 in chemicals and petrochemicals; 19 in fibres; 28 in textiles (transformation) and clothing; 15 in minerals and metallurgy; 17 in food products; 41 in other miscellaneous sectors.

The production units of the Group are distributed throughout practically all the Italian Regions, with particular concentration in Veneto, especially in the Porto Marghera (Venice) area, in Lombardy, Piedmont, and in Sicily.

Industrial activity abroad is mostly in the chemical, petrochemical, and synthetic fibre sectors. There are production units in the Netherlands, France, Spain, Malta, the United States, Mexico and Brazil.

Montedison's activities have profound ramifications throughout the Italian economy. The Group sells basic and semi-finished materials to many other companies, as well as other products direct to the consumer.

These activities lack a uniform pattern. Yet, the priorities and choices established in defining the Group's growth strategy have to match Montedison's human, technical and financial resources, and productivity and profitability must achieve high levels while bearing in mind the Group's responsibilities to the community.

Moreover, to achieve these aims, major decisions need to be taken regarding the restructuring of the organisation.

Some of the most important sectors in Montedison's activities, such as chemicals and fibres, can compare for size with major international concerns. Other, more recent ones, such as retailing trade and food, have already attained significant proportions.

Others again, such as mining and electricity generation, make an important contribution to ensuring the steady growth of the chemical side of Montedison's operations, while certain small-scale sectors, including iron and steel, mechanical engineering, electrical engineering, the electronic and the building industries, were inherited through the diversification policies of the original Montecatini and Edison companies before they merged to form the Group.

Analysis of the Group's different areas of activity shows that a predominant role is played by chemicals and synthetic fibres, which together account for fixed assets worth 2,830 billion lire, or 92% of the Group total, and sales of 1,330 billion lire, or 65% of Group turnover. These sectors also employ 122,500 people, i.e., 70% of Montedison's total labour force.

These, therefore, are the Group's major activities. They are backed by a massive body of human resources, expertise and a vast technical and marketing organization.

The Group's large-scale retailing trade operations make up an area of primary interest too. Montedison owns Italy's largest department store and supermarket chain, whose turnover accounts for around 40% of the total national sales in this sector. Apart from purely profit-making considerations, the growth of this business has important social implications for the modernization of the Italian retailing system. It also effectively promotes the Group, since many Montedison products are sold at its outlets. At the same time, the retail division is in a position to make a direct assessment of the market on which to plan a production policy for the Group's manufacturing and base chemical operations.

In the food industry, Montedison is now engaged in a substantial reorganization with a view to achieving increased profitability.

Finally, the Group is in process of gradually withdrawing from other sectors such as the iron and steel engineering, mechanical and construction, electrical apparatus, electronic equipment and other industries, which are outside the scope of the main growth guidelines previously indicated. Despite traditional links with these industries, Montedison has to envisage the possibility of reducing its commitments in these areas to raise the funds required for major investments in chemicals and synthetic fibres.

The brief outline of the Group's activities and future strategy illustrates the importance of its role in the chemical industry in particular, and the Italian economy in general.

With its organisation, traditions and research potential, Montedison is the only Italian company in a position to compete with major international chemical and synthetic fibre groups on an equal footing. Yet, if it is to play this part to the full, considerable investments will be needed.

According to provisional figures, the Group's capital expenditure on new plant and equipment amounted to around 370 billions lire in 1971. Between 1972 and 1975, Montedison plans to spend around 500 billion lire to complete projects now in progress, and, in addition, there is a programme to expand the Group still further. An outlay of about 1,400 billion lire is likely to be needed for these projects between 1972 and 1975, and their completion during the subsequent three-year period will call for further investments of about 750 billion lire.

Over the four-year period from 1972 to 1975, the Group will therefore need to invest 1,950 billion lire in new plant and equipment to complete various projects in progress and initiate others now at the planning stage.

On this overall capital expenditure, 72% will represent investment in chemicals, 18% in fibres, 8% in retail distribution and the remaining 2% in other activities.

ADVERTISEMENT

autostrade spa (gruppo IRI)

At the end of 1971 the Italian motorway network totalled 4,300 km with a further 1,100 km in course of construction and 1,300 at the planning stage, totalling 6,700 km.

When this plan is finalised the Italian motorway system will be virtually completed. The main North/South highways (such as the Autostrada "del Sole" from Milan to Reggio Calabria and the Autostrada "Adriatica" from Bologna to Bari) will effectively bring the Mezzogiorno (Southern Italy) closer to the North of the country as well as to Northern Europe.

With the Italo/Swiss motorway link-up at Chiasso visitors and goods originating from Northern Europe will be able to reach the South/the East and West of Italy without leaving the motorway. From the Brenner Pass foreign visitors will be able to reach—by using the "Sole" and "Adriatica" interchange—the Southern tip of Italy (Ionian Coast) without leaving the motorway.

50% of this network is entrusted to the company "Autostrade" a wholly owned subsidiary of the public group I.R.I. Among the entrusted companies "Autostrade" is the only organisation operating an extensive North/South network stretching to 2,000 km at present, which will total 3,000 km when the plan is completed.

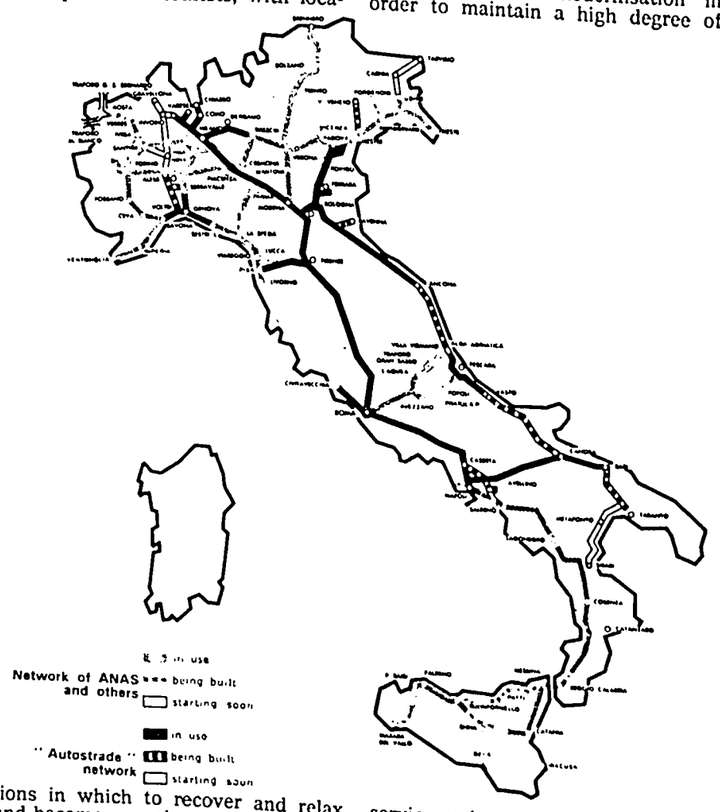
The plan put into operation by "Autostrade" has two fundamental objectives:

1. An improved link-up between the Italian motorway network and the surrounding European highway system by the construction of the Voltri-Alessandria-Sempione, the Udine-Tarvisio, and the Mestre-Vittorio Veneto motorways.

2. The completion of the motorway network for the South of the country by the construction of the Caserta-Salerno motorway (for a quicker link-up between the Autostrada "del Sole," Napoli-Bari and Salerno-Reggio Calabria) and the Bari-Taranto-Sibari which will be the extension of the "Adriatica" motorway along the Ionian Coast.

The availability of 4,300 km of motorways will offer the user not only the advantage of being able to travel from point A to point B with speed and safety, but will provide additional services not necessarily linked with transport. New needs arise for the motorway user such as fuel requirements, technical and sanitary facilities as well as rest centres; in addition, for tourists in particular, Information Offices as well as stopping places offering pleasant and interesting locations within the motorway complex.

A number of special projects are being studied by "Autostrade," including new service centres along the motorway providing travellers, and in particular tourists, with locations in which to recover and relax and become acquainted with the local characteristics of the region. These new centres will be built first in those areas which are considered of particular interest to tourists and in the initial stages primarily in the Mezzogiorno.



The Italian motorway network which consists of two parallel axes (the "Sole" motorway in the centre and the "Adriatica" along the coast) will help towards a shift of tourist migration to the South of the country. It represents an invitation extended by "Autostrade" to foreign tourists to discover the Mezzogiorno, especially for the 1973 holidays when the entire stretch of the "Adriatica" motorway will be open to the public. Our invitation to tourists should be even more attractive to visitors from other countries since cars bearing foreign number plates will pay the minimum motorway toll, regardless of engine size. This represents a reduction of 50% on the normal tariff.

Among the main priorities of the "Autostrade" company is also the improvement of older motorways so as to meet the increasing density of traffic. It is the company's responsibility to ensure an adequate rate of development and modernisation in order to maintain a high degree of service and guarantee a high level of safety. This is of particular importance as regards the motorways in the North of the country where the problems of an increase in the traffic density has developed at a rate far in excess of any provisions or forecasts. For the same reasons a study has been undertaken to modernise the extreme points of the Autostrada "del Sole" and in particular the stretch between Milan and Bologna where further motorways will be linked. The widening of the existing Milano-Bergamo motorway to six lanes as well as the improvement in certain steep parts of the Bologna-Firenze motorway are taking place now.



Other kinds of foreigners are welcome, too

in Olivetti. And thus it helps the different sectors of the establishment to work together.

But the policy of alliance does not just include domestic groups. Italy has some obvious parallels with Japan. But it does not possess the same insularity that has enabled Japan to keep out foreign capital while absorbing foreign technology. Iri, for instance, is quite prepared to yield control over a company to an outsider as the price for obtaining management and technological skills. It has for instance 50 per cent or less in Walworth Alloyco (which makes valves), Armco Finsider (structural steel) and Siemens Data (computer software) which are all controlled or run by foreign companies. And this process is likely to develop further. But the external connection is not going to remain just one way. It will not be surprising if Iri, as well as—or because of—its role as developer of the south and of advanced technology, becomes a European power as well. To paraphrase some recent remarks of Signor Petrilli, head of Iri, the industrial problems of Italy cannot be solved in Italy alone.

It is these kinds of weaknesses, as well as political ones, which have driven the Italians to espousing Europe as the solution to their problems. In some respects this is right. Brussels has a less favourable climate for southern politicians than Rome. And more southern workers are earning their pay packet outside Italy than in Milan and Turin. The prime customer for a European regional policy would be the Mezzogiorno. Italian fruit and vegetables have flooded Europe. And being on the right side of the common external tariff is a comfort for those who foresee Italy running into a second generation structural problem before it has finished solving the first.

This is that the kinds of industries which created the Italian miracle were based on artisan skills or rather simple assembly-line work which other southern Mediterranean countries and several in the developing world are rapidly acquiring. At the same time the Italians recognise that they do not have the big guns in advanced technology. A case in point is Olivetti, which is having its market in mechanical calculators eroded by cheap Japanese electronic ones, while it has failed to gain more than a fingerhold in computers. To some extent this is a problem for all European countries, but Italy is a particularly acute example. Once again the solution is European. But at the root of its industrial and economic difficulties lies its social and political failure. And only Italy can heal itself. What this means is first that Italy's entrepreneurs have to accept the trade unions as a new fourth estate here to stay, and second the government must outflank the unions' political demands by reforming itself.

Levers of power

For too long the Italian entrepreneur has been living in a capitalist's dream. The resources have been shifted towards those accumulating capital. They have had almost complete freedom to do what they want with it. This does not mean that there are few rules and regulations in Italian society. On the contrary, there are an enormous number. But equally for every rule there is a way of getting around it. In railway carriages, for example, there is a notice in non-smokers boldly telling people it is forbidden to smoke. Immediately below it there is always a large well-used ashtray.

The adventures of the trade unions have left a feeling of profound unease among the entrepreneurial class, an unease which is not exactly justified by the amount of damage which union activity has actually caused. There has been no equivalent, for instance, of the recent coal miners' strike, in Britain, or the long and bitter strike at the Girling brake factory a couple of years ago which brought virtually the whole of Britain's motor industry to a halt. And it is noticeable, in the north at least, that many of the people jumping onto the neo-fascist bandwagon are small entrepreneurs who cannot understand what is happening now and wish things were back as they used to be.

The big companies are more realistic, but even they are schizophrenic. They would like to encourage a single powerful union in the sense that they would then know who they were dealing with, and once they struck a bargain they could have some confidence in it being kept. On the other hand, even they find it difficult to resist a return to their sly old ways. In Turin at the moment, a number of senior Fiat managers have been brought to trial, accused of paying police officers and the local Carabinieri for helping Fiat against strikers and for keeping troublemakers under surveillance. And union leaders complain bitterly that even large companies do not keep faith with the small print of agreements. But the unions are also schizophrenic, divided between their industrial and political goals. They too, for political reasons, cannot help giving managers one in the eye. At the same time their aspirations cannot be met unless the industrialists and the employers have an equal political identity and force. It is noticeable that Confindustria nowadays bandies the same remarks about the need for social spending as the unions do.

What is really needed is a new concordat between employers and unions,



Bank of Italy's Caesar, Guido Carli



Union leaders: CGIL's Lama, VIL's Vanni, CISL's Storti (standing)

a commitment to a certain growth programme over the next few years which would leave room for both higher wages and higher social spending. The underlying potential for further gains in productivity in the Italian economy is still enormous, provided economic growth starts again soon. And it is only possible to have an ordered transfer of resources from exports, domestic consumption and, to a certain extent, from industrial investment towards social investment provided firms can use their existing equipment to maximum effect.

What the unions are also doing, curiously, is to set up a bias in the economy in favour of the large company. The larger companies are more likely to be in a semi-monopoly position in which they can pass on the higher cost of wages. They also have far greater internal resources with which to finance their future investment and are therefore far less affected by any monetary cycle, while the medium- to small-sized companies have to go to banks for much of their investment funds.

So a situation emerges in which these smaller companies are hit twice by a sharp increase in wages, first by the effect of the higher labour costs themselves and second by the credit squeeze which the Bank of Italy puts on when it thinks that wages are moving ahead too fast. And Italy is still a country of small businesses. Three-quarters of workers are in plants with a labour force of less than 500. More remarkable, over a third of them work in firms with less than 20 people on their staff.

If, as the average Italian entrepreneur believes, the workers are mainly to blame for the present depression, the Bank of Italy must share some of the responsibility too. Early in 1970, it started operating a restrictive monetary policy as a counter-weight to the 1969 wage contract. By the end of 1970, the need was for expansion and the Bank of Italy allowed a rise in the monetary base compatible with a 10-11 per cent increase in the national income. By the end of 1971, the monetary base had increased by L3,450 billion (£230m) compared with an increase of L2,000 billion (£133m) in 1970. And the banks were flush with liquidity. But for many credit was still hard to come by at the right price. This is because banks naturally prefer to lend to the surefire risks, the stateholding companies and the big international corporations. When it comes to a dynamic but less well known entrepreneur, the banks tend to take a rather jaundiced view about economic prospects and about the borrower's ability to repay, and insist on collateral which it might be difficult for the entrepreneur to provide.

Among the many special funds which provide subsidised credit for Italian industry, there is one for the small firm. But like the others it has limited cash, and it is not in the power of the banks to shift funds from one source to another. One answer suggested to this problem of Italy's Macmillan gap is for a national guarantee fund to be set up, held by the central institute for medium-term lending, Mediobanca. In fact, under an existing law, it is possible for the state to guarantee medium-term lending operations. But as usual in Italian life, the procedure for obtaining this guarantee is so complex, long-winded and exhausting that institutes have tended to shy away from operations where this kind of help would be necessary.

Boss bank

One thing that the heavy dependence of the medium and small sized firms on bank credit does is to make life a lot easier for the Bank of Italy. A credit squeeze in Italy, as in Japan or Germany, really bites hard. The Bank of Italy exercises control over the monetary system in three main ways: through its rediscount facilities; through compulsory reserve requirements; and through open market operations. The rediscount facility which enables banks to increase their liquidity and therefore their potential loan base, by discounting certain types of paper with the Bank of Italy, can be a useful way of restricting credit, both in terms of the type of paper which the Bank of Italy will accept and in terms of the rate of interest which it charges. But generally it is the least powerful of the three weapons. The system of requiring commercial banks to hold reserves in relation to their total outstanding deposits with the Bank of Italy was one of the key reforms brought in by the De Gasperi/Einaudi regime. At key moments an increase in the reserve requirement, or indeed a decrease, can have a powerful effect on the total liquidity available to the monetary system. But, in practice, by far the most useful and flexible weapon is the open market operation. The two large variables with which the Bank of Italy

TUSCANY – A LITTLE MIRACLE



Florence, Chief Town of the Region

Tuscany is one of the more outstanding of the twenty Italian regions which have had a legislative assembly and a government of their own since 1970. It is almost as big as Belgium and has a population close to that of Denmark. Its capital is Florence, a city which has emerged with difficulty from the destruction wrought by the great flood of 1966.

There are none of the big industrial complexes in Tuscany which are so characteristic of Northern Italy and a large portion of the industrialised part of Europe. Industry is small or medium-sized, and is very widely disseminated throughout the Region, with special concentrations in the valley of the Arno, Tuscany's biggest river.

The production of Tuscan companies is generally in the field of high quality goods, which have a variety and are kept up-to-date in a way that would be impossible in larger, highly mechanised plants. Tuscan products thus manage to maintain a personal note and close links with typical local traditions. There is the production of articles made from straw around Florence, for instance, and of goods made of hides and leather as well as furniture, furnishings and glass in the Arno valley; jewellery is made in Arezzo, alabaster ware in the ancient Etruscan city of Volterra, and marble goods in the mountains that separate Tuscany from Liguria. Finally there is wine-making, with an output topping all other regions of Italy and a product held internationally in the highest esteem (Chianti).

INDUSTRY AND TRADITION

This kind of production is largely intended for export, with an annual total of $800 m as against imports of $350 m. Only Lombardy, with its major industrial centres at Milan, does better than Tuscany.

The products peculiar to Tuscany have very frequently been the Region's messengers throughout the world, and have in certain cases given rise to a fresh influx of tourists.

Side by side with this business there is a flourishing precision engineering sector (the Galileo factory and the Nuovo Pignone works in Florence) and an advanced technology industry (the O.T.E. plant in Florence).

Particular importance attaches to the production of steel (Acciaierie di Piombino, one of Italy's biggest plants with an annual output of 1,379,300 tons) and motorcycles (the Piaggio company of Pontedera, the largest in its field in Italy).

In Tuscany, a region unique in Italy for its monuments, its cultural tradition and its natural beauty, the tourist industry is more important than almost anywhere else in Italy.

But if we really want to understand the Tuscany of today, we must remember that in these last ten years the Region has experienced a kind of little miracle on the Japanese pattern. There has been considerable industrial progress at the expense of agriculture (dropping from 50 per cent to 15 per cent of the labour force) as a result of a process which, taking advantage of low labour costs, gave a fresh impetus to a movement towards extensive industrialisation mainly geared to foreign markets. It follows that the repercussions of economic difficulties on a national plane were felt in Tuscany only at a time when foreign trade began to fall off and international demand dropped.

The Regional Government's main task at this moment is to maintain in being Tuscany's productive apparatus in order to overcome current economic difficulties.



President Lelio Lagorio

The Region of Tuscany in Figures

Area: 8,875 sq. miles (2,299,113 ha)

Population: 3,479,585 (1970)
Capital: Florence: Inh 460,944 (1970)

Working population: 1,303,000
Agriculture: labour force 184,000
Industry: labour force 638,000
Services etc. (tourism, handicrafts, commerce): labour force 481,000

Agriculture
Cultivated area: 426,278 acres (1,053,332 ha)
Production: cereals 685,800 tons (6,858,000 q.)
olives 76,200 tons (762,000 q.)
grapes 583,130 tons (5,831,300 q.)
fruit 57,890 tons (578,900 q.)
Agricultural machines: 80,781

Forests
Area: 351,487 acres (868,525 ha)

Hunting
Close area: 171,210 acres (423,059 ha)

Tourism
Hotel undertakings: 3,451; beds: 115,032

Hospitals
159; beds: 42,659

Education
Elementary schools: 3,122
Secondary schools: 541
Higher schools: 369
Universities: 3 (Florence, Pisa, Siena)

President of the Regional Government: LELIO LAGORIO (Socialist)

Monte dei Paschi di Siena, one of the main banks in Italy and, indeed, in Europe, in 1972 completes 500 years since its foundation.

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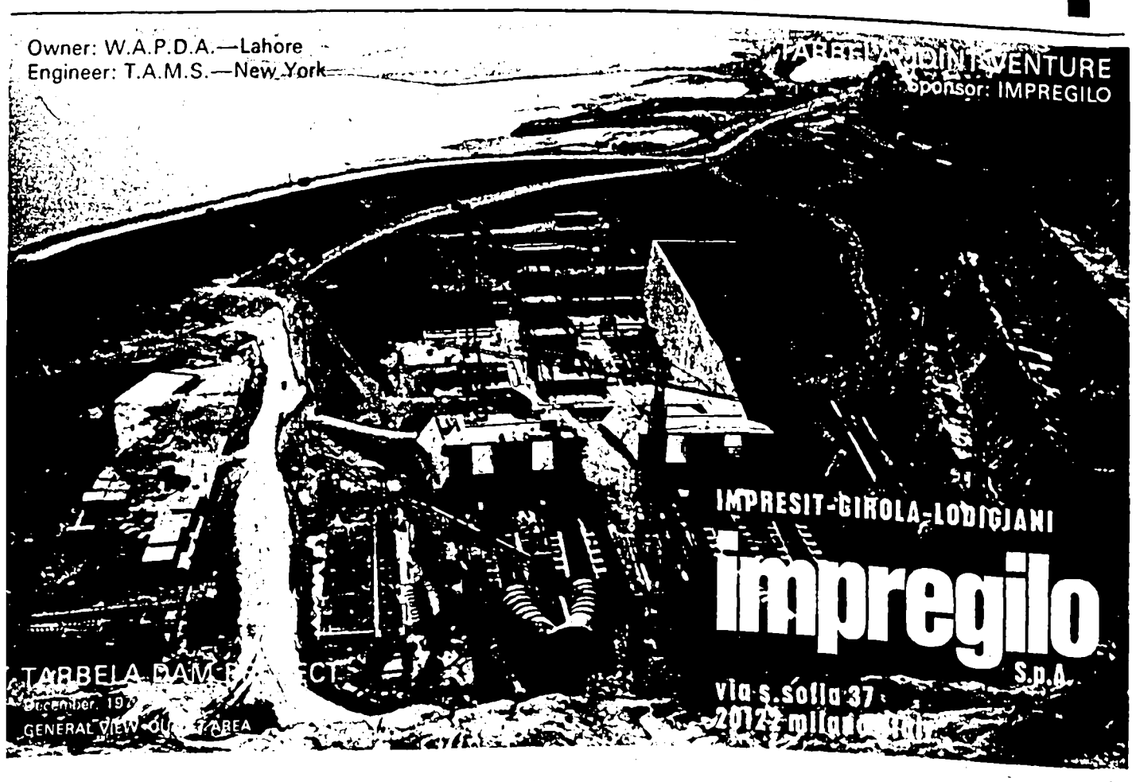
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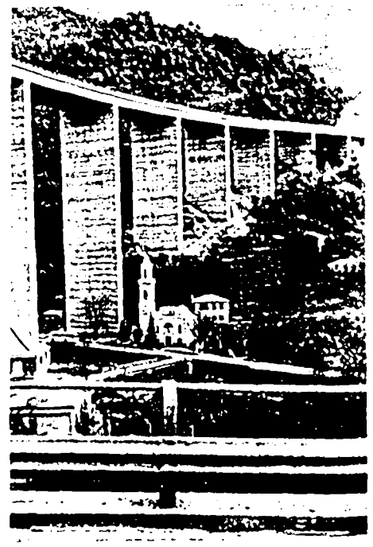


has to operate are the balance of payments effects and the treasury's financing requirement which results from government deficits. The impact of the treasury financing requirement depends to quite a large extent on who takes up treasury paper—the Bank of Italy itself, the commercial banks and other credit institutions or the public at large. So the central bank, which can neither predict nor control the absolute level of the government's deficit, has had at several crucial points to manipulate the balance of payments through borrowing or lending in the Eurodollar market.

Blunted weapons

These dry technical details are important. For there are few countries in the world where monetary policy is so important, simply because for several reasons the Italian government's budgeting is an intolerably clumsy weapon of economic control. First because with financial responsibility divided between three ministries, there is no economic supremo as there is in Britain or Germany. Although Signor Colombo achieved a certain pre-eminence during his long stint at the treasury he lacked the formal power or the apparatus to do the job properly (and it is significant that when the Andreotti government was being formed at the end of February he would only accept his old job on condition that he was effectively given control over the ministry of the economy as well). Second, owing to the incompetence of the bureaucratic machine the fact that money is allocated for a specific purpose does not mean that it is spent.

Third, Italy suffers from one of the most inefficient tax systems in Europe (as a result of which the government is permanently in deficit whether it likes it or *not*). And the central government has very inadequate control over the spending of local government, which is so up to its eyes in debt that the Bank of Italy in its last annual report sternly demanded a complete reform. Although tax receipts do have some counter-cyclical effect, going up when the economy is buoyant and down when it is in recession, the inadequacy of the tax base has often been a prime excuse in putting off urgently needed social spending. In principle Italy is about to undergo a sweeping tax reform, master-minded by the former finance minister, the tenacious Social Democrat, Signor Luigi Preti. It is hoped that the tax



The church came first

system will then have a larger, more equitable and more buoyant base, although the sceptics claim with some plausibility that the Italian nature is *too* incorrigible for it to work properly.

Up to now Italian taxation has been based on two principles, both baffling to Anglo-Saxons. The first, which the reform hopes to abolish, is the independent power of local authorities to assess income. Until now it has been possible for an Italian to have his income assessed by the state at one figure and by the local authorities at another, because they looked at his standard of living not his actual earnings (and the colour of his politics could make a significant difference too). Now only the state will tax, on the basis of earnings. And the method of assessing on the tax official's hunches —he does not have to prove that the taxpayer's declaration is wrong—is to go altogether. This has meant that the taxpayer declares a ludicrously small figure, knowing that it will be increased by the official, and then appeals against his assessment. With one third of taxpayers going to appeal, the drag on revenue is so desperate that an amnesty has to be granted and a compromise is made out of court.

Fighting the tax officials has become a national sport and the number of outright evaders is put as high as 8m people. The new deal is that the state will stick to what the taxpayer declares and a highly elaborate computerised tax register is to be introduced. Rates have been revised and there should be an important shift in the fiscal burden from the lower-middle to the upper-middle income groups. The American economist, Mr Franco Modigliani, has persuasively argued, however, that things will remain the same. Large capital incomes are taxed at such high rates, he says, that money will still be smuggled out of the country and the rich will continue to transfer their assets to some Swiss-based company to escape personal taxation. And since the officials will still be left with discretionary powers, tax will still be a matter of "bustarelle," the polite euphemism for civil service corruption.

The other main reform is that Italy will bring in a value added tax (Vat) instead of its current turnover tax. Under EEC rules it should have done so in 1971, but yet once again there has recently been a postponement. The problem is that with the turnover tax there has been widespread evasion by small firms and shopkeepers who often have secret stores of goods which they have not invoiced. Under Vat, also computer backed, they will find it hard to conceal their previous evasions and the cost of living is likely to be jolted upwards.

But the real problem is the organisation of the tax offices, a paradigm example of Italian bureaucracy. Most offices are short of adding-machines and it is normal for high level officials to have to do their typing and filing themselves. Most of their registers are, in fact, still handwritten. Typically, too, co-operation between tax offices at provincial or regional level is slight, which makes life a lot easier for the evader. Like all Italian reforms, it is hard to believe in Signor Preti's brain child until it is actually at work.

Sottogoverno

One compensating factor in terms of economic management is the huge state industrial sector. Around 55 per cent of the Italian economy is state controlled in one form or another. The long term investment programmes of the railways, Enel, the electricity company, Iri, Eni and so on do have some counter-cyclical effect. For instance, Iri's investment budget in bad years accounts for as much as 11 per cent of industrial investment, while in good years for the economy this falls to about 7 per cent. But even in these repositories of the Italian miracle the ways of the Roman system of government have their pervasive influence.



Way down south

Political power is used less to control the overall size of public funds than the use to which they are put. Jobs for the boys, the plums of large government contracts, licences, grants and subsidies, these are the things which take up political energy. The unification of Italy has not meant an outright victory for the north. Economic power may reside there, but increasingly political and bureaucratic power is in the hands of central and southern Italy. No one is more contemptuous of Rome than the straight-backed Piedmontese. What does the Roman do, they ask, but "intrallazza"—intrigue for personal gain? Nevertheless it is the northerners who have accepted the game which the "terroni"—anyone who comes from south of the Po valley—play with such passion.

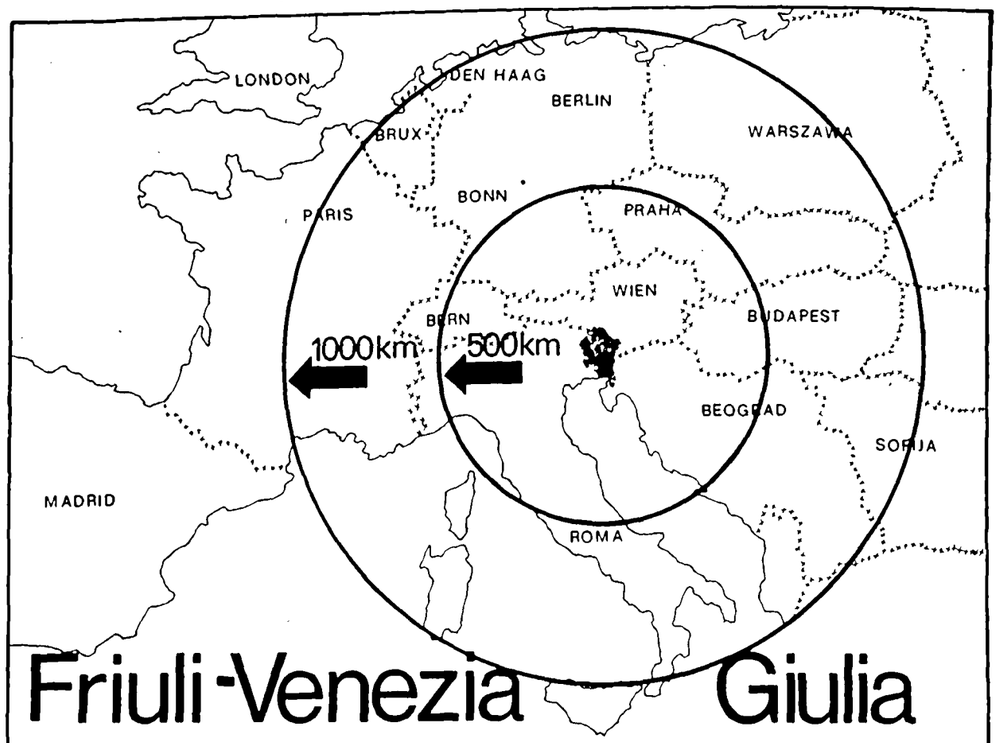
The game is Sottogoverno. It basically consists of the manipulation of patronage on a vast scale to provide money, jobs and votes for political parties and their allies. Parties and politicians need money (for under Italy's proportional representation system they have to field a lot of candidates). And with nine significant political parties, each split into rival factions, the fight for the powers of Sottogoverno is fierce. Political leaders, to retain power and the allegience of their best men, need access to a "Stanza dei Bottoni," a room where you can push the right buttons. And payment is their support for whatever measure or reform the unfortunate government of the day is trying to push through parliament. The best players are the Christian Democrats who have managed to pack most of the important posts. But the struggle when one of the posts comes up is always acute.

Recently there was a bonanza of vacant jobs, including the presidencies of Eni, Imi (the medium term credit institute), the Banco di Napoli, the Istituto Bancario San Paolo di Torino, the Banco di Sicilia and Rai, the state controlled radio and television service. Rai is one of the eldorados of the patronage system, employing thousands of unnecessary people, including over 20,000 "special contributors." A recent article in La Stampa described the head of Rai, Signor Barnabei, as an eastern potentate, surrounded whenever he goes to the house of parliament by a horde of supplicant MPs, asking him to employ their protégés.

At the regional and local level the system is much the same. As a result, the obstacles in the way of cutting down some of the useless bureaucracy and its agencies are enormous. Questions about economic management, the role of the unions, the banking system and the public sector are common to all modern industrial societies. And 20 years of rapid growth have made the bare statistics of the average Italian's life reasonably comparable with those of Europeans to the north. But in certain key ways life in Italy is still profoundly different. Talking to a wide range of Italians one still has the impression that society is still going through a traumatic shock, which in one way can be called the product of rapid development, but it is less the product of growth as the fact that Italy has been through an enormous structural change and still needs to go through another.

That agriculture now employs less than 20 per cent of the working population, compared to over 40 per cent in the early 1950s, has meant that over 6m people have moved from the land to the cities. This has happened throughout Italy and, indeed, the regional shift, from south to north, has not been all that enormous. The net shift of people from south to north after the war rose from less than 100,000 to just over 200,000 a year and it has since dropped again to between 50,000 and 150,000 a year. Thus over the past 20 years the total number of people leaving the south has been around 2½m. This, and the general move from the land common to all Italian regions, has been enough to cause acute problems in the northern cities. But it has not been enough to change the age-old imbalance between south and north.

This is the key problem in Italian society. The backwardness of the Mezzogiorno reaches far back into its history. And it has not been helped by the fact that so much of it is mountainous and unsuitable for anything but forestry or grazing. By the time of unification in 1861 the south was already behind the vigorous Piedmont and the north according to most indicators. It had a much higher illiteracy rate; only a small part of the railway system (which according to Cavour was going to sew up the Italian boot); and only a few commercial firms. But, at least, during the preceding years the Bourbon rulers of the Kingdom of the Two Sicilies had begun to do something. The first steamship in the Mediterranean was built in Naples in 1818. And at the Florence exhibition of 1861 the south showed that it had a stake in papermaking, marine and railway engines, shipbuilding, leather goods and textiles. But what it had laboriously built up was largely thrown away by open competition with the north, and although it initially received more than its fair share of public works, economic conditions generally became worse, aggravated by a high tariff commercial policy, which ruined its export trade while forcing it to take high cost import substitutes from the north.



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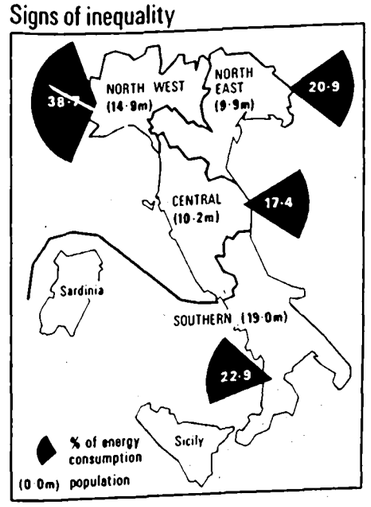
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Signs of inequality



The gap between north and south continued to widen under the fascists, who at least managed to drain 60,000 hectares of marshland in lower Lazio. The south was predominantly agricultural, in the worst possible way with either large and under-exploited or tiny landholdings. It lacked markets, it lacked capital, and it was forced to concentrate on the extensive production of high-cost grains. Between 1861 and 1936 the number of jobs available in industry and transport in the south actually declined by 100,000, while its total population rose by 5·7m. The gap in real incomes steadily widened in the decades before the introduction of the Cassa per il Mezzogiorno in 1950. Then, the south had 37 per cent of the population but less than 22 per cent of the national income. If one takes the poorest areas of the south, Calabria and Basilicata, and compares them with the richest areas of the north the contrast is far more startling. Real income per head was less than a third in these regions of what it was in Lombardy, Piedmont and Liguria.

In other words the south was similar in many respects to one of the better-off developing countries today, with the disadvantage that it was unable to manipulate its terms of trade with the rest of the world through a separate exchange rate. Much of it was also in the 19th century as far as communications were concerned. So was its social environment, often still feudal in tone. The Cassa was the first large scale attempt to redress the balance. It was set up at a time when development economics was still in a primitive state and when the success of the Marshall Plan tended to make people think that all that was needed to get an economy going was an injection of funds. Fortunately there were no such illusions about the south, and the Cassa was endowed both with what at the time seemed a very large amount of money and a long-term commitment that would continue whatever happened politically or economically in the rest of the country.

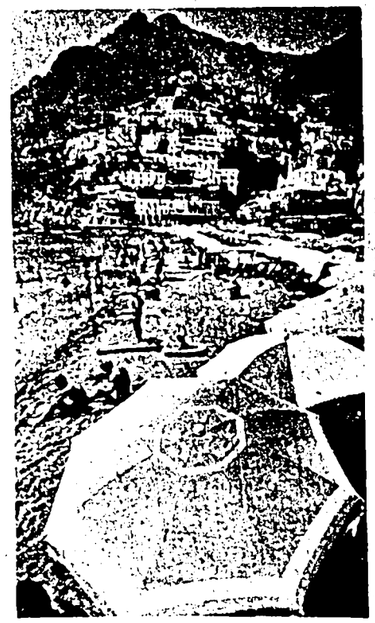
The first priority of the Cassa was rightly to provide a modern infrastructure and to try to do something about the south's largest employer, agriculture. The south was short of everything —roads, electricity, water. Out of the L.1,640 billion (£1.1 billion) spent in the first 10 years, half went on agriculture, a little less than a quarter on infrastructure and the rest mainly on subsidising industry. In the next decade, between 1961 and 1970 when the sums made available more than doubled, over two thirds of the money was used for industry. The attention of the Cassa had switched to jobs. Meanwhile Iri and other agencies were building up the road network, connecting the west side down to Reggio di Calabria with Rome and the north, and radically improving east-west communications with a motorway from Naples to Bari.

As the programme developed it revolved essentially round three prongs: making the south accessible to the rest of Italy and providing an adequate background for new industry; twisting the arm of state enterprises so that they pushed more and more of their new investment to the south; and providing a variety of incentives for private industry to set up new factories, of which the most important have been a tax free holiday and subsidised rates of interest for loans. Initially, it was hard to attract any sizeable private investment. The northern industrialists were quite happy where they were in the plain of Lombardy and although wage rates were initially lower in the south, there was still the problem of training workers and finding skilled men and management who often had to be brought down from the north. So too did the vast bulk of raw materials and semi-finished products. Basically the south was too underdeveloped to attract prosperous northerners. Foreign firms often grumbled too that when they came to set up a factory the services promised to them by local authorities, like roads, electricity and water supply, were just not there.

Cathedrals in the desert

In these circumstances, it was far easier and more spectacular to twist the arm of a state-owned enterprise into building some giant project which it was going to have to put up anyway. Sicily made sense for refineries since it was a short tanker ride from the Suez canal and other outlets for Middle East oil. But refineries provide few jobs. Their main attraction apart from the labour needed to build them is the downstream activity which might one day get tacked on. The largest single investment until recently has been the Finsider steel works at Taranto (part of the Iri group). The hope was that around the Finsider works would develop a host of factories using steel products. But nothing happened, largely because Taranto produced finished steel and none of the consumers of finished steel like the car assemblers were in the least anxious to end up at Taranto.

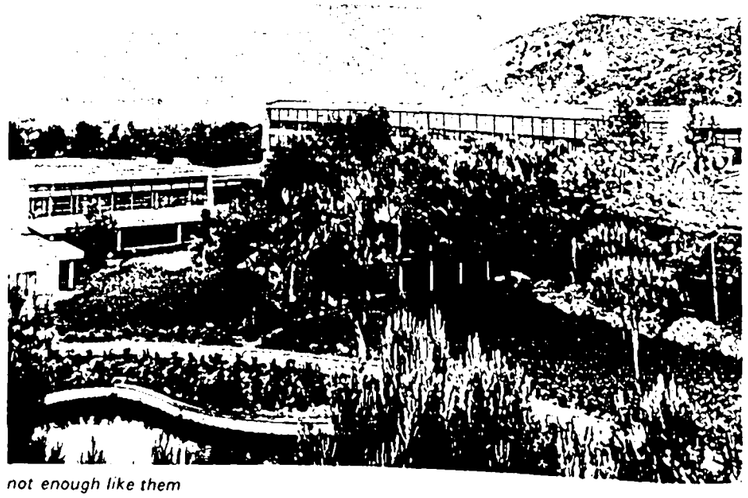
So the first decade or so of the Cassa became known for those cathedrals in the desert which look very good in the statistics but provide very few jobs. Much more important in practice was the pressure on state holding companies like Iri and the large private empires like Montecatini not to close down the industries they already had in the south. Thus Iri was landed with an expensive load of loss-making shipyards around Naples. And firms which



The south needs more than sunshine



Too many like him . . .



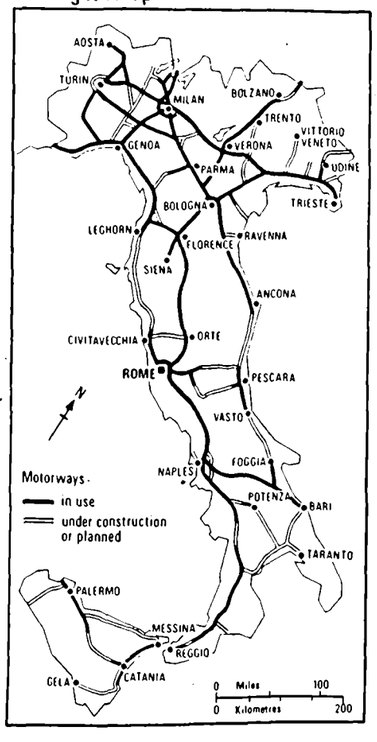
not enough like them

have accepted the generous incentives of the state find that they carry some heavy political obligations. Indeed, for this very reason, some foreign firms when they go south prefer not to accept state subsidies at all.

During the 1960s there was increasing criticism of the Cassa's management of its funds. First it appeared to be quite indescriminate in the way it encouraged little pockets of industry all round the south, thereby diluting the chances of any one place achieving self-sustained growth. Second, it was accused of replacing rather than supplementing the work of local and provincial authorities. Given the nature of southern politics, this was hardly surprising. Third, although there was an enormous improvement in the income per head of southerners from 1950 to 1970—it rose from $320 to $800—their relative position as compared with the northerners remained roughly the same.

In itself this was no mean achievement, since it required a remarkable rate of growth for the south to keep in step with the north at all. And the south was initially cursed with a far greater dependence on agriculture. But many respectable economists have argued that less money should be spent in the south not more, since the only realistic way of solving its problems is by encouraging a mass exodus of people. The fact is that despite the L7,770 billion (£5.2 billion) poured in by the Cassa, despite an increase in investment by state holding companies of nearly 600 per cent in the past decade, and despite the appearance of scores of foreign firms, the actual number of jobs available in the south has gone down. There are now only 1.8m people employed on the land, compared to double that number in 1951. But since 1960 a fourfold increase in industrial investment has added less than 160,000 extra jobs. Essentially it is the old leaky bucket problem. Too many industrial jobs in the south depend on declining industries.

Sewing it all up



Pouring money in

Despite the emigration of 5m people either abroad or to the north in the past 20 years, unemployment in the south remains just as intractable a problem as ever. Around Naples there are 100,000 unemployed out of a total population of 1.7m, and 15,000 jobs at least need to be provided each year just to keep that figure unchanged. It is little wonder that Italy's planning system is now virtually concerned only with the southern problem. Recently a series of measures has been passed to increase the rate of spending in the south.

The Cassa will have almost as much money in the next 10 years as it has had in the past 20, and the state holding companies which are responsible for around half Italy's industrial investment have now in principle at least to locate four-fifths of their new projects in the south. The level of incentives has been raised so that really big investments of over $8m (£3.3m) do not get such good terms as smaller projects (for which grants of up to 45 per cent will be available). In general, the incentive system has been made more flexible so that the government can give more money to the projects they really want and an attempt is being made to subsidise labour-intensive as much as capital-intensive schemes.

But more important than the extra money is the fact that very belatedly some of the big northern industrialists have got round to doing what Olivetti pioneered nearly 20 years ago, in locating part of their investment in the south as a matter of principle. And here southerners have the strikes and disturbances of the hot autumn to be

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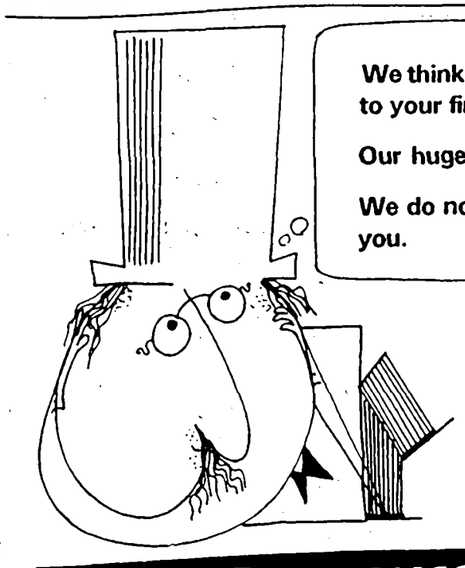
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thankful for, since it was apparently only then that companies like Fiat realised how much they had contributed to the social upheaval by concentrating their growth on one place. In the 1970-72 period Fiat will be spending over $300m in the south and in future will spend at least 50 per cent of its investment funds there.

Alfa Romeo is building a giant car plant outside Naples for its new Alfa Sud models. But this was a highly political act since the plant will more than double total output and no one knows whether the firm can sell the new cars. The hope was that the Alfa Sud factory, with the expanded Fiat investment in it, would act as the growth centre for a car component industry. Although over 20 component firms will eventually set up plants, the total scale is disappointing. The fact is that the big guns are still in the north and it will take a further large shift in the centre of gravity before it is worthwhile for a manufacturer to move so far from his traditional market.

But the south should not despair yet. Although the amount of jobs available will continue to be wholly inadequate for another decade, the combination of emigration, government money and pressure and the largest pool of surplus labour in Europe must eventually prove decisive. How quickly depends on the speed with which southerners themselves can shake off the apathy towards the blows that fate deals them, just as much as the amount of help which comes from outside.

Pessimism is never enough

Politically Italy has been one country for over 100 years. It will take another generation before it is one country economically. But at last it is on the road there. In every year since the war but the last, one out of every 100 Italian families leaves the land. By the end of the decade the 1 in 10 who remain will hopefully, primed with money from Brussels, be running more or less viable farms. For those who leave, the future is still in the balance. Whatever government is in power, there will be a deep commitment to see that the south gets more than its fair share of resources. But how soon will it be able to hold on to its sons, and not export most of them to the north and abroad ? And what will they find waiting for them when they do go ? The answers depend first on the vitality and dynamism of Europe as a whole and second on the ability of the men in Rome and Milan to resuscitate the miracle.

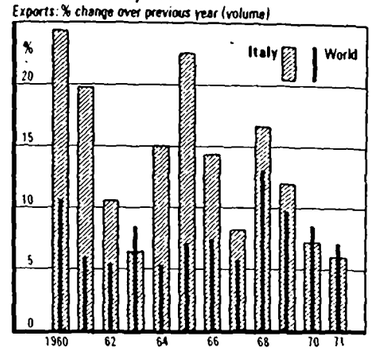
After passing through its most severe depression since the war, Italy today is a country full of pessimists. It is also a country where everyone appears to be in conflict with everyone else and where the capacity for compromise appears to be waning. There are economic forces working for a revival. The indicators which have been going down must at some point start moving up again and world trade should start growing faster again, too. But people are going to take some persuading that things can get better again. So there is going to be an ugly period of waiting for the next nine months or so.

There are two great hurdles to be overcome : the general elections and the formation of a new government after them ; and the renegotiation of long-term wage contracts in the autumn. The tone of the second will be set by the first. But there is certainly one possible scenario which does not lead to disaster. No government will survive which merely puts industrial peace at the top of its list. But, to put it bluntly, the new rulers will have to buy their way out of trouble. With a reasonable balance of payments and a stagnant economy, this is no time for financial masochism. Money must be spent, and be seen to be spent, first on housing, because that has the greatest economic impact and because there at least half a reform is already in being. Second, the government must actually start a dialogue going with the unions when it works out its programme of reforms. In other words the government must try to separate the political side from the economic side of the next hot autumn.

Third, and most daringly, Rome must recognise that its record in administration over the past 100 years has just not been good enough and abdicate some of its powers. What is potentially one of the most important reforms since the war has just come into operation. Italy now has, formally at least, a system of regional government. In principle at least many of the powers of Rome to conduct domestic affairs have now been delegated to the regional level. If Rome cannot get houses built, well perhaps the men in Bologna, Turin or Milan can. But they need money and the main financial powers will remain firmly with the central government, as they should. This means, however that if Rome wants

Not what they were

Exports: % change over previous year (volume)





Old style mayor, Darida of Rome



New style head of Emilia-Romagna, Fanti

to be obstructionist it can make a farce of regional government by not authorising the cash needed to activate laws at the regional level.

This would be a tragedy. It will also be a tragedy if some of the ministries in Rome are not now dismantled and their staff sent packing to the provinces or given large golden handshakes. The new regional authorities, in other words, offer a chance to alter the way in which Italy is ruled—and it is a chance which ought not to be missed.

Of course some regional governments will prove to be worse than the old system. Sicily has had regional status for years and Sicily, as everyone knows, is a mess of corruption and exploitation. Rome itself is one of the worst managed cities in the world. But at least regional devolution would give the north a chance to digest its immigrant load. The towns as they are now have the responsibility for what goes wrong—the houses which are not built, the schools which are overcrowded—but lack adequate powers to put them right. Now in principle their regional governments will.

The worst solution will be if Rome hangs on to what powers it already has and if the regions become just another arena for mixing delay, confusion and political manoeuvring together. Italy has always been a country of cities and their regions with a national bureaucracy imposed upon them. The bureaucracy has never worked. Now is the time to cut it down to size.

How is Italy likely to develop in face of all the problems which afflict it? One suspects that over the next 20 years it may have some striking advantages. It has large industries, but it also depends greatly on small ones. During the 1960s, when size seemed to be the main industrial virtue, this looked a disadvantage. But now there is a considerable disenchantment with the huge corporations. Italy's relatively immature industrial structure may lead it to some form of organisation more suited to the 1970s and 1980s. In the economy of the future, the south may have more advantages than appear now. Economic operations—not just industrial ones, which in any case will become relatively less important—will be more footloose as electronic communications really make their impact. The south has a great deal of easily accessible, relatively empty and very beautiful real estate. It might even become the last refuge for suburban European man towards the end of the century. If Venice is sinking, some 21st century equivalent may rise south of Eboli.

And this in turn leads to another question. Should Italy see itself as the southern leg of a united Europe as its place in the EEC suggests, or should it equally consider itself the focal point of the Mediterranean? The enlarged community is a creature of two seas and it would be natural for it to have two centres of gravity, not one. The special arrangements the EEC has already forged with the countries lining the southern shore of the Mediterranean and the commercial relations which Fiat and Eni have been so keen to pursue there could be the first strands in a system which is likely to become ever more interdependent. The essence of Italian life is to ensure that no commitment is so deep that it excludes other options. Italy's fortune as a country is that looking beyond the present impasse the options are still there.



The sons of the church still have their say



. . . but those with the duty of forming governments



. . . must also pay heed to the sons of revolution

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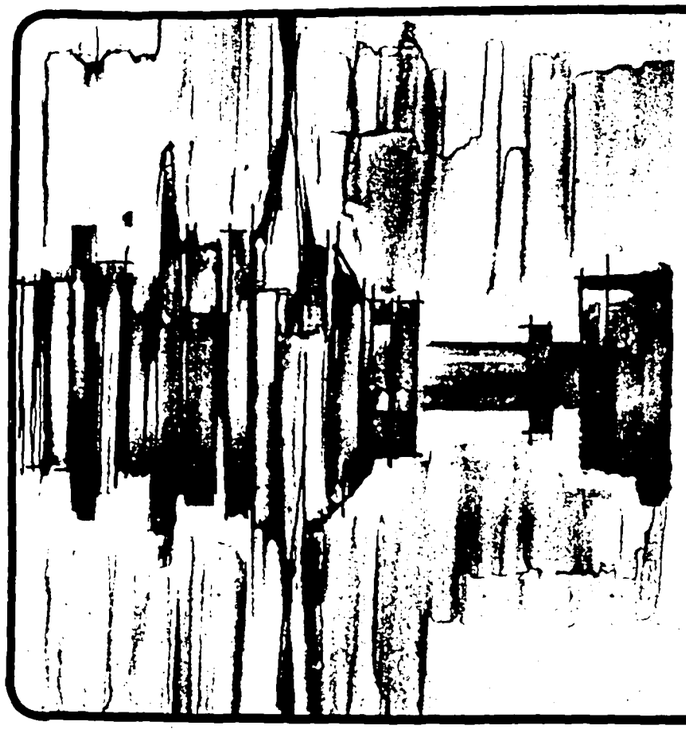
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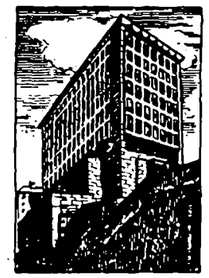
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STET

SOCIETÀ FINANZIARIA TELEFONICA p.A.

STET—Società Finanziaria Telefonica p.A. is one of the holding companies belonging to IRI—Istituto per la Ricostruzione Industriale—and operates in the field of telecommunications and electronics. The activity of the IRI group on the whole is delineated in three different stages: at the lowest level there are the operating companies which produce goods or services: these companies are gathered in groups of similar activities and depend on the Financial agencies that are controlled by IRI.

Amongst the branches of activity of the STET group, which are more direotly conneoted with telecommunications, there is SIP—Società Italiana per l'Esercizio Telefonico p.A.—which assumes exclusively and by state grant the whole national territory and partially the extra-urban telephone service. One of the main goals reached by SIP is the extension of teleselection by user over all of the national territory which was completed in October, 1970; an achievement that very few countries in the world are able to boast. On December 31, 1971 the number of subscribers exceeded 900,000, while the telephone density has increased from seven (7) telephones per hundred (100) inhabitants in ten years to almost nineteen (19); the number of individual telephones in service has more than surpassed ten million (10,000,000).

Moreover SIP has the responsibility of supervising the relationship with the users and providing with its own means and the means of other firms of the telecommunication system to the extent to which it is necessary for the service of data transmission.

Besides SIP, there is another grantee for telecommunication service, the ITALCABLE—Servizi Cablografici Radiotelegrafici Radioelettrici S.p.A.—which assumes the intercontinental telephone services by means of very modern cablephonic and radioelectric plants among which can be found one of the most recent and important accomplishments in the field of world telecommunications: the underwater cablephonic system TAT 5/MAT 1 which crosses the Atlantic and directly connects the Mediterranean area to North America. It is the fifth transatlantic cable and the first Atlantic-Mediterranean cable.

Dialling the number "170" the Italian user can easily communicate from anywhere in the nation with the Intercontinental Telephone Center Italcable of Rome, where automatic apparatus carries the telephone traffic to all the world along the communication lines which the company uses. In the international field the company also manages telegraph service and telex service utilizing for its communications connections by satellite provided by the associate TELESPAZIO—Società per Azioni per le Comunicazioni Spaziali, which is a grantee for the plants and services in Italy of the systems which utilize artificial satellites. This company, using the earth station of Fucino "Piero Fanti" has acquired in a short period fame and prestige throughout the world of telecommunications via satellite. Its very modern equipment allows direct connections with almost all the nations of the world. The TELESPAZIO station of Fucino is the only one in Europe which is able to offer with its antennae and equipment the telemetric and telecommand services and the control of all the satellites in orbit on the Atlantic Ocean and Indian Ocean for INTELSAT—Consorzio Internazionale per le Telecomunicazioni via Satellite. The completion of the Antenna "C" of Fucino, which consists of an antenna 29.56 meters in diameter, has been undertaken by another division of the STET group, the STS—S.p.A. Consorzio per Sistemi di Telecommunicazioni via Satelliti, which also installed the earth stations of Balcarce (Argentina) and Tanum (Sweden).

In the area of telecommunication production and research the Società Italiana Telecomunicazioni SIEMENS S.p.A. is particularly conspicuous; it is the main manufacturing firm of the group and the most important one for telecommunications and electronics in Italy with over 16,000 people employed in the production of telephonic, telegraphic stations, transmission installations, radio bridges, systems for satellites, installations for radio-television studies.

SIT SIEMENS is particularly active in the south of Italy, where in its installations in Aquila and Santa Maria Capu Vetere, more than one-third (1/3) of the active force is installed and where the new productive units which are being built demonstrate how the programme for the south is continually developing.

SIRTI—Società Italiana Reti Telefoniche Interurbane S.p.A.—which is engaged in the study, projection, installation, and maintenance of systems of telecommunications by using underground and above ground cables, satellite communication systems, radio bridges, underwater telegraph cables, and electric lines is the company which operates specifically in Italy, Spain and Brazil, and is today in Italy the main company for installations and one of the most important in Europe in the field of telecommunications.

The production and research activity in the field of electronic components is being borne not only by ATES Componenti elettronici S.p.A.—which is connected with "Ates Electronics Ltd." of London which co-ordinates the distribution of the products on the English market, but also by the SGS Società Generale Semiconduttori S.p.A. which was recently acquired and is established in Italy, Great Britain (Falkirk), France and Singapore.

SELENIA—Industrie Elettroniche Associate S.p.A.—operates in wide fields of activity which include everything from radar and missiles to aeronautics, from the advanced systems of telecommunication and space activities to data elaboration and automation. The notable development of the company is testified to by the numerous affirmations obtained by Selenia in the international field; above all in the space field: telecommand and telemetric equipment for the satellites ESRO IV and SIRIO, telecommunication antennae for INTELSAT IV satellite, visual apparatus for the European aerial defence system NADGE. The company is also active in the field of engineering systems through its associate Vitroselenia.

Elettronica San Giorgio—ELSAG S.p.A. carries on its own activity in the field of armament direction systems, postal systems, service systems, and systems for control of implement machinery.

The activity of research and development, given over to specialized sectors of numerous firms of the group, is considerable inasmuch as the major part of the material is produced by various sectors "to specification" for the client.

SEAT—Società Elenchi Ufficiali degli Abbonati al Telefono p.a.—operates in the field of auxiliary and complementary activities of telecommunication and among other things cares for editing of telephone books which are printed by means of the most modern electronic and photocopying techniques by ILTE—Industria Libreria Tipografica Editrice S.p.S.—besides telephone book printing, is active in the graphic arts and produces for outside customers, using the most up to date typograhpic techniques, the finest printing work available anywhere.

The personnel of STET had exceeded 94,000 by December 31, 1971; the initiatives connected with professional training and preparation of workers are numerous and important; other initiatives are continually promoted in the social, recreational and cultural field.

In 1971 the investments of the group amounted to over 350 billion Lire, of which a large part was invested in Southern Italy following the line which the group had undertaken years ago to promote and integrate the constructive effort of the Mezzogiorno of Italy.

OFFICIAL CALENDAR FOR APRIL-DECEMBER, 1972 OF THE INTERNATIONAL FAIRS AND EXHIBITIONS IN ITALY

Approved by the Minister for Industry, Trade and Handicrafts

Exhibitions organised by Public Fair Societies

International General Trade Samples Fairs

BARI	XXXVI Levante Fair	8–19 September
BOLOGNA	XXXVI Bologna Fair	24 May–4 June
BOLZANO	XXV Bolzano Fair	16–25 September
MESSINA	XXXIII Messina Fair	5–20 August
MILANO	L Milan Fair	14–25 April
PADOVA	L Padua Fair	25 May–5 June
PALERMO	XXVII Mediterranean Fair	27 May–11 June
TRIESTE	XXIV Trieste Fair	17–29 June

International Specialised Fairs and Exhibitions

ANCONA	XXXII Ancona Fair—International Trade Mart of Fishery, Nautical Sports and related activities	24 June–2 July
BARI	II EXPORT LEVANTE—International Trade Fair of Sports and Hobbies	30 April–8 May
BARI	IV MOBIL-LEVANTE. International Furniture and Home Furnishing Fair	31 May–5 June
BOLOGNA	V International Show of Perfumery and Cosmetics	28 April–2 May
BOLOGNA	XV International Foodstuffs Exhibition—SIA	24 May–4 June
BOLOGNA	VIII SAIE International Show of Industrialisation in Building Techniques	7–15 October
CREMONA	XXVII International Fair of Milk-Cows	8–17 September
FIRENZE	XXXVI International Handicrafts Trade Mart	22 April–7 May
FOGGIA	XXIII International Agricultural and Zootechnics Fair	30 April–7 May
GENOVA	IX TECNHOTEL. International Hotel and Tourist Equipment Exhibition	28 October–5 November
NAPOLI	V SIR International Gift Show	31 May–5 June
NAPOLI	XV Housing, Building, Home Furnishing, Clothing and Food Supply Fair	21 June–2 July
PADOVA	IV International Exhibition of public services "SEP '72"	3–7 May
PADOVA	"POLLUTION '72." International Exhibition of anti-pollution technology and equipment	3–7 May
PADOVA	X TRAMAG '72. International Exhibition of mechanical handling and storage, plant maintenance	4–8 October
PADOVA	XI MAV '72. International Exhibition of selected quality Poultry and Rabbits for Consumption. Cattle Market and Competition	7–10 December
PARMA	XXVII International Exhibition of Canning and Allied Packaging, Machinery and Equipment for canned food industry	23 September–1 October
PIACENZA	SIBA. Italian Buttons and Allied Products Show	21–25 April
RIMINI (Forlì)	XXXII International Hotel and Tourism Techniques Show and Convention	1–10 December
TRIESTE	XXI International specialised Exhibition of Timber	17–29 June
VERONA	IV EUROCARNE. International Exhibition of Animal Husbandry	4–8 October

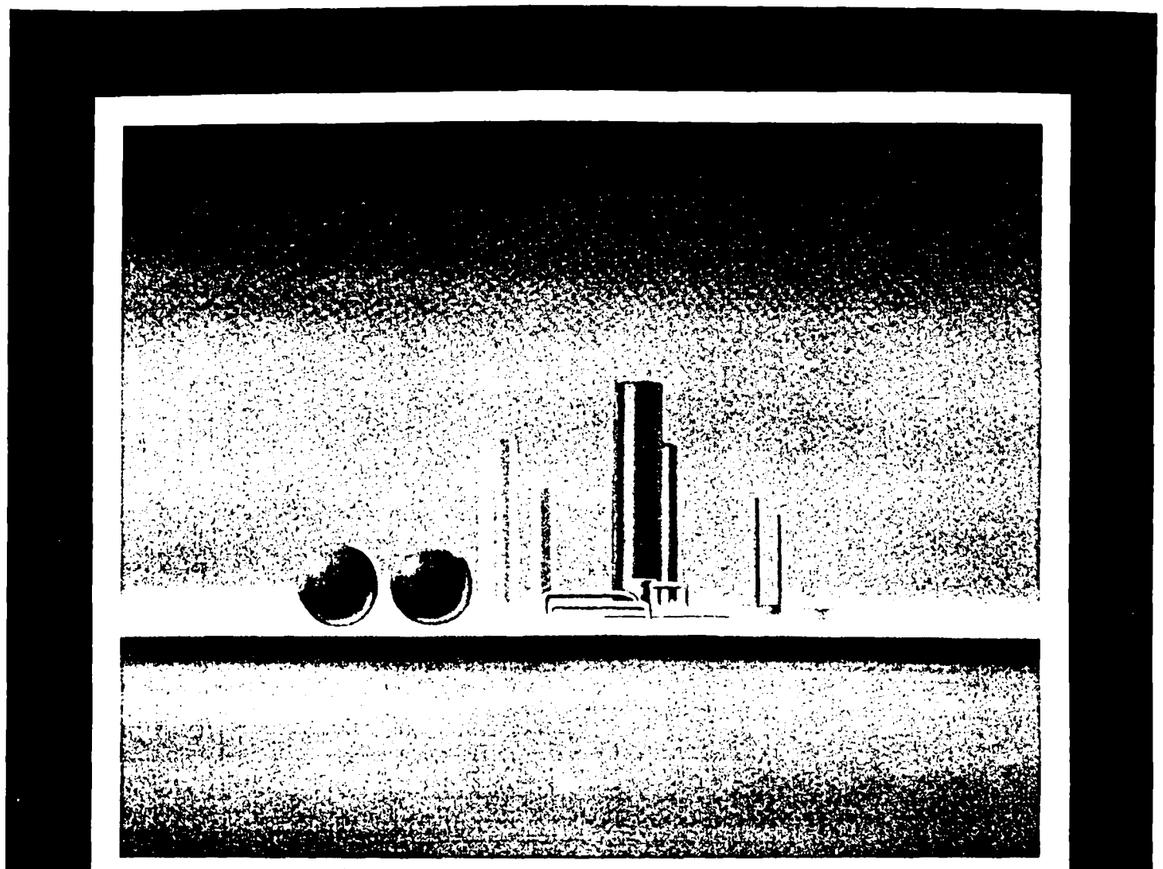
Exhibitions promoted by other Societies or Committees

International Specialised Fairs and Exhibitions

BUSTO ARSIZIO (Varese)	XV International Textile, Machines, Equipments and Accessories Show	30 September–9 October
BUSTO ARSIZIO (Varese)	XVI SINCAS. International Sport and Camping Articles Exhibition	27–31 October
BUSTO ARSIZIO (Varese)	XII International Fair of Camping Trailers	27–31 October
ERBA (Como)	III International Rabbit Breeding Show. MIC '72	8–11 September
FIRENZE	XII Footwear, Leather Goods & Leather Samples Show	2–6 September
FORLI	XI International Trade Mart of Bird Rearing Activities	20–25 September
GUALDO TADINO (Perugia)	XIV International Ceramics Show	25 July–31 August
MILANO	MITAM STAR Carpet and Upholstery Fabrics	19–23 May
MILANO	III INTERBIMALL International Biennial Exhibition of Timber- and Wood-Working Machinery	20–28 May
MILANO	III SASMIL International Exhibition of Semi-finished Products and Accessories for the Manufacture of Furniture, Upholstery and Wooden Articles	20–28 May
MILANO	MIDO '72 International Fair of Spectacles and Optical Goods	26–30 May
MILANO	II European Radio and Television Show	27 May–2 June
MILANO	IX International Exhibition of Electronic Components, Measuring Instruments and Accessories	27 May–2 June
MILANO	XXI MIPEL International Leather Goods Trade Market	10–14 June
MILANO	XXVIII COMIS-TRICOT International Knitwear and Hosiery Trade Market	20–23 June
MILANO	XXXII MITAM International Market for Clothing Textiles and Furnishing Fabrics	30 August–2 September
MILANO	VI SIM International Show of Music	7–11 September
MILANO	IV MICAM—XXXVI International Exhibition of Footwear, Leather and Accessories and of related Machinery	8–11 September
MILANO	X MACEF International Trade Mart of Household Goods, Glass and Chinaware, Hardware, Ironmongery and Tools	9–12 September
MILANO	IX European Exhibition of Electrical Household Appliances	9–12 September
MILANO	IX SMAU International Exhibition of Office Equipment and Machinery	23–28 September
MILANO	MIAS International Sports Goods Market	30 September–2 October
MILANO	PLAST '72 Plastics International Fair	8–15 October
MILANO	VII EXPO-CT '72 International Exhibition of Trade and Tourist Facilities and Equipment	15–22 October
MILANO	XII MAC '72 International Chemical Equipment Exhibition	25–31 October
MILANO	IV Chemical International Meeting	25–31 October
MILANO	Antiquinamento '72 Exhibition of Technical Equipment and Machinery for Water, Air and Soil Decontamination and Waste Disposal	15–19 November
MILANO	SECURIT '72—VI Exhibition of security products, working conditions and II Anti-fire devices and first-aid Exhibition	15–19 November
MILANO	XII Automation and Instrumentation Exhibition and Convention	22–28 November
MONZA (Milano)	XXVII International Interior Decoration Exhibition	9–24 September
REGGIO EMILIA	International Review of Pig Rearing and Pig Production	28 April–1 May
RICCIONE (Forlì)	XXVI International Postage Stamp Fair	26–29 August
ROMA	XIII "Christmas Today" Trade Market	2–17 December
S. AMBROGIO DI VALPOLICELLA (Verona)	X International Exhibition of Marble and related Machinery	9–17 September
TORINO	XXXV SAMIA International Fashion Trade Fair	7–11 September
TORINO	VIII "MODA SELEZIONE" Selected Fashion Trade Fair	7–11 September
TORINO	EURODOMUS 4	18–28 May
TORINO	V Space and Aeronautics International Show	1–11 June
TORINO	XXII International Technical Exhibition and IX Mountain Equipment Exhibition	23 September–2 October
TORINO	LIV International Motor Show	1–12 November
VARESE	XIX International Poultry and Rabbits Exhibition	1–5 June
VENEZIA	XIV Aeronautics International Show	1–5 June

Fashion Shows

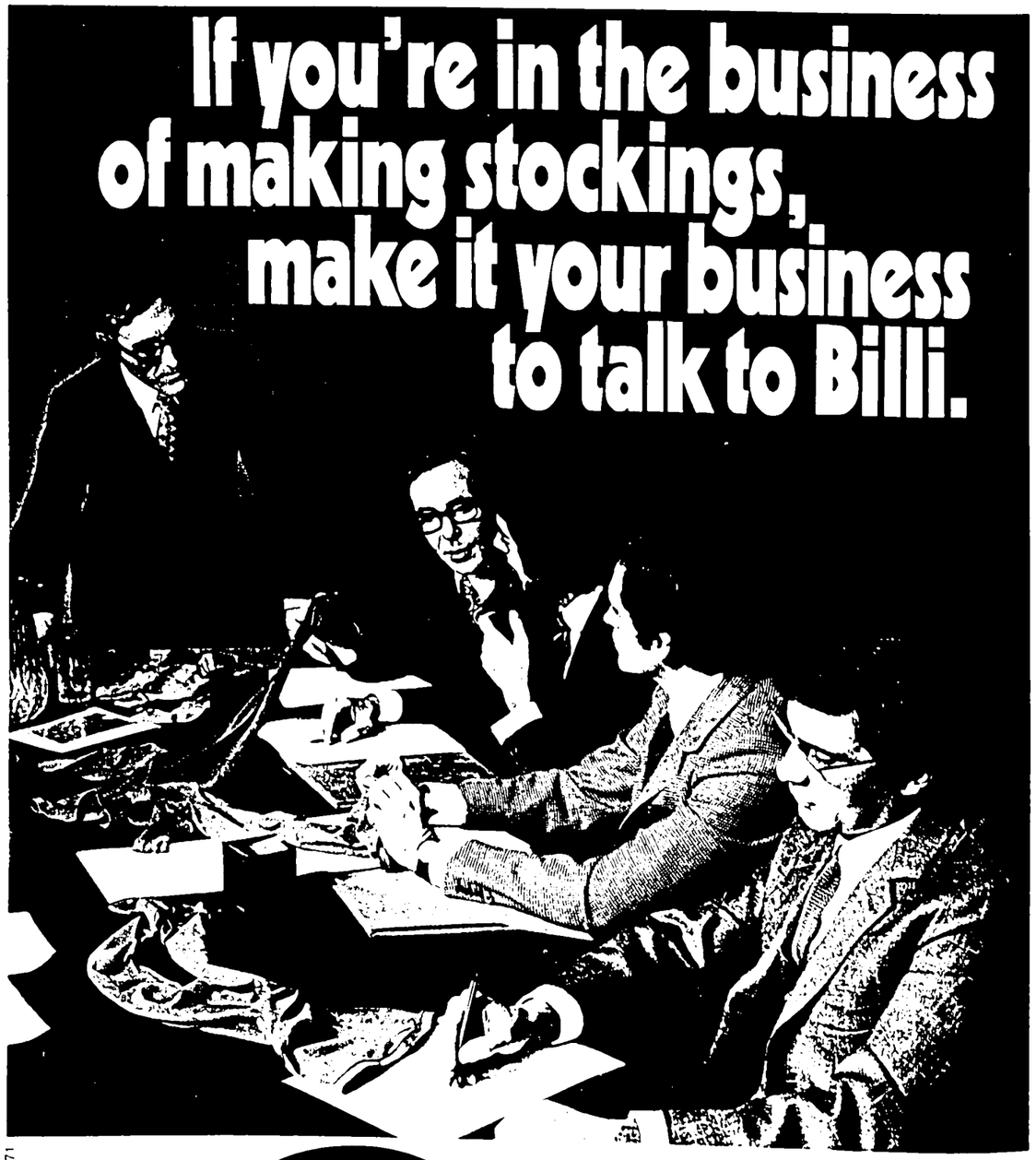
FIRENZE	High Fashion Ready-to-Wear, Boutique and Knitwear Parades	10–14 April
ROMA	Official presentation Autumn-Winter 1972-73. Italian High Fashion Collections. Fashion Accessories Exhibition	16–20 October 14–20 July



THE GREAT OIL ROADWAY
IN THE HEART OF THE MEDITERRANEAN

There is a spot in the Mediterranean where, in 1971, over 12 million tons of crude oil were refined, creating an absolute record in Italy. This happened at the Saras Refinery, located in Sarroch (near Cagliari in Sardinia) where every day oil tankers from all over the world unload crude oil of every type, and load finished and semi-finished products. For the still young industry of Sardinia, this is a promising success soundly based on modern business principles and on technical efficiency in all steps of production processes, from the arrival of the crude tankers in port to the shipping of finished product. At Sarroch, the tankers are welcomed at Porto Foxi, and are berthed at the marine terminal, which consists of a jetty and a steel platform, the so called "crude oil island". The complex has been designed so that loading and unloading operations are carried out in the least possible time. Saras' productive capacity consisting of two atmospheric distillation units (160,000 and 200,000 BPSD, equal to 18,000,000 tons per annum), nine further process units, and a tank farm with a total capacity of approximately 3,000,000 cubic meters, makes this refinery one of the most important in the Mediterranean. This explains why this young Sardinian industrial centre succeeded to reach, in such a short time, a leading position both nationally and internationally. Such a position can but commit and stimulate to strive for further improvement in the service of the Italian oil industry of tomorrow.

SARAS



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Books

The Un-Americans

THIRTY YEARS OF TREASON
Edited by Eric Bentley.
Thames and Hudson. 1019 pages. £5.

The Un-American Activities Committee of the House of Representatives is not dead. Under a less tarnished name, the Internal Security Committee, it continues to hunt out Americans whose actions and thoughts seem subversive to its preponderantly conservative members ; it still receives a great deal of money, over half a million dollars in the present financial year. But when a Republican President holds out the hand of friendship to Peking and China a communist-hunting committee must feel itself in a sort of limbo.

Mr Bentley is concerned with the committee's heyday. The record which he presents is far from complete (for it to be complete would take several dozen volumes of this giant size) and he omits the Hiss case, the panel's most sensational and satisfying hour, concentrating instead on artists and writers. But the hearings which Mr Bentley does give he gives virtually in full. Almost every page is compulsively readable, whether it is Mrs Hallie Flanagan giving as good as she got as she defended the Federal Theatre project in 1938 (skating with poker-faced dexterity over the nature of some of the plays which it sponsored) or the pitiful Mr Larry Parks struggling not to become the Judas of the Hollywood scene in 1951. At that time the cold war was going full blast and many people who had been sucked into the communist fold during the great depression of the 1930s and the era of good feeling towards Russia during the war wanted desperately to conceal their past.

Most readers would probably benefit from more guidance through the hearings than Mr Bentley vouchsafes, while excerpts from the hearings into communist influence in the trade unions would give a fairer picture of the committee's work. But a most striking lesson emerges from the comparison between earlier witnesses, who played into the committee's hands by refusing to answer its questions, and the representatives of today's radical youth who are only too happy to monopolise the floor and to tell the committee everything it wants to hear and a great deal that it does not. The Hollywood 10 went to jail for contempt of Congress (the only punishment which the committee can inflict) but their real suffering was inflicted by Hollywood's blacklist, which blasted many promising careers and even led to some suicides. Today's radicals have nothing material to lose and, faced with them, it was the committee which backed down, declaring, in an extraordinary reversal, that it would try henceforth to avoid publicity.

In his interesting afterword Mr Bentley considers some questions of conscience (not all the silent witnesses were simply bent on saving their own skins) and also the discreditable part played by the relatively few hard-core members of the communist party. Even where they are concerned Mr Bentley does not subscribe to Mr Richard Rovere's verdict : "The investigators and the investigated seem to have deserved each other." But, as a radical himself, Mr Bentley is revolted by the communists' passion for intrigue and secrecy, their lack of candour, the way they hoodwinked well-meaning liberals about the nature of stalinism and tried to blur the distinctions on the political left to their own advantage. In his eyes the communists betrayed their own revolution and discredited the whole radical movement ; this was their real sin Incidentally, he does not subscribe to the popular idea that the committee was a ridiculous side-show : "HUAC was usually the reverse of stupid. . . . These men had their ears closer to the ground than any of your bland, clever, literate liberals."

Earlier tragedies

PASSAGE TO AMERICA
By Terry Coleman.
Hutchinson. 317 pages. £3.90.

Think of a typical immigrant to America. Andrew Carnegie ? Julie Andrews ? John Kennedy's ancestors ? And think of the Statue of Liberty. Does it not invite "the huddled masses" of tired Europe to American shores ? This moving book by Mr Terry



Reception committee, New York style

Coleman reveals our lamentable dependence on myth rather than history for knowledge of the past. While the United States did turn out to be the promised land for many newcomers, it did so particularly for those who arrived with some cash and physical strength and who came after the advent of the steamship which cut the length of the journey to less than a fortnight after 1850.

Most of the Irish exodus in the wake of the potato famine lacked these advantages. Mr Coleman has chosen to concentrate his attention on the years from 1846 to 1855 and on the emigration to America from Ireland and Great Britain. The conditions under which the steerage passengers made the journey were no better than those of a concentration camp, and with typhus, malnutrition and the Atlantic itself there was no need of gas chambers. The passengers were beaten by the crew, starved by the captain and then if they survived—as many did not—to reach New York, Boston or Philadelphia, they were robbed of money, luggage and even their children by the porters, travel agents and bureaucrats who were waiting for them to leave their ship. The length of the journey itself doomed many of the weak and aged; the old brigs and sailing packets took more than a month to cross the ocean, hardly less time than it took Columbus.

This is a worthy, readable book that misses being a major one. The author has failed to encompass his subject and to set the heart-rending stories, meticulously dredged out of the documents of the period, into a solid historical

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matrix. The conditions described by Mr Coleman were so harrowing that one wonders how any emigrants at all managed to survive. What percentage did make the grade and what kinds of jobs saw them through? How did paupers scrape up the few pounds needed for steerage passage? And what ever did happen to wretched John Williams who, broke, jobless and foodless for five days, had no money even to return to England and was advised by a sympathetic immigration clerk to commit suicide? The author leaves him weeping.

In spite of the weight of anecdote, however, three general facts stand out. One is that the horrors of the potato famine must include the deaths of thousands of Irish who were forced to emigrate when in no physical condition to survive the voyage. Another is that many of the supposedly new problems of American port cities were just as recognisable a century ago—the seediness of Boston and the corruption of New York City's police, for example. But what is most overwhelming of all is the steadfastness of the American governmental establishment in holding to the country's traditional philosophy of welcoming all immigrants who chose to come, even though that meant accepting infirm paupers of a religion which at that time seemed alien to American tradition.

Anatomy of wartime collaboration

THE PATRIOTIC TRAITORS
By David Littlejohn.
Heinemann. 406 pages. £3.90.

"Hitler's war," pronounced the Cardinal Archbishop of Paris on July 30, 1941, "is a noble undertaking in defence of European culture." He really meant it. Cardinal Baudrillart let it be known that he kept on his desk a facsimile in miniature of the banner of the *Légion des volontaires français contre le Bolchévisme*; and he commended the volunteers serving with the Wehrmacht in Russia as "the finest sons of France." As prime minister, Pierre Laval—whether or not he really meant it—disgusted most of his compatriots by declaring flatly on June 22, 1942, "I hope for a German victory," and subsequently urging French workers to respond to Gauleiter Sauckel's demand for 350,000 Frenchmen to replace Germans conscripted from factories. Cardinal Baudrillart had the good fortune to die naturally before the liberation. In October, 1945, M. Laval, half dead from self-administered poison, "was able to stand on his feet to face the firing squad. He met his end with courage and dignity."

Mr Littlejohn notes that after the humiliations of occupation the mass of the French people itched with vengeance, not so much against the foreign enemy as against those in their own country who had helped him. The "purge" lasted from 1944 to the end of 1949. In the courts 2,071 persons were sentenced to death, excluding some 4,400 who had been tried in absentia. Of the 2,071 capital sentences only 768 were carried out. But in the heady free-for-all of the first days of liberation summary executions disposed of at least 10,000 collaborators. In addition 1,325 executions (according to restrained official sources) were carried out by ad hoc tribunals composed of members of the resistance. (During the occupation over 5,000 collaborators had already been assassinated.) In the armed forces 3,035 officers were discharged with dishonour and 2,635 involuntarily retired. About 5,000 civil servants, including 18 magistrates, were dismissed. In all some 39,000 prison sentences were imposed for various acts of collaboration. Mr Littlejohn remarks that the French purge does not seem to be excessively severe when compared with similar proceedings in Belgium and Holland, each of which brought some 50,000 collaborators to trial, although their combined population was less than half that of France.

Who were they all? And why on earth were they ready to ally themselves with Hitler's tyranny? Mr Littlejohn writes objectively, compassionately and always interestingly of the muddled yet not always wholly despicable individuals and political groups that developed more or less willy-nilly into the wartime collaborators of Norway, Denmark, Holland, Belgium, France and the Soviet Union. His longest chapter is devoted to France. There, he points out, "collaboration" had two meanings. To the majority of collaborators it signified only the minimum of co-operation with the occupying power deemed necessary to secure for France a tolerable place in the nazis' projected new order. To a small minority it meant working actively, and even soldiering, for a German victory.

Roughly the same distinction applied elsewhere in Europe. Mr Littlejohn deals with each country in turn and the character and fate of its salient collaborators. Of the notorious only Léon Degrelle of Belgium escaped the harsh end of such "patriotic traitors" as Laval, Quisling, Mussert, and Vlasov. Mr Littlejohn's book breaks new ground to good effect.

Work, work, work

MUNBY, MAN OF TWO WORLDS
Edited by Derek Hudson.
John Murray. 471 pages. £5.

Why does one feel such gloom, even repugnance, in the face of a character who obviously had good brains, good manners and, after his own peculiar fashion, a good heart? It is not that the life and diaries of A. J. Munby are uninteresting—far from it. He could well become one of the most famous diarists of the nineteenth century; it is excellent that his papers have been unearthed and published. And the high level of Mr Hudson's industry and intelligence is everywhere in evidence. But one is overwhelmed, at the end, by feelings of helplessness and hopelessness. Part of the reason is the curious unreality of it all—it is as though Mr Pooter and Gladstone had agreed to play out an elaborate charade, only Munby's obsession was not with "unfortunates." In his eyes, the only unfortunates were those females bidden by misguided politicians and trade unions to absent themselves from the felicity of hard manual labour in the coal mines.

Munby, the friend of such diverse men as F. D. Maurice, Millais, Thackeray and Rossetti, a barrister, a minor poet and a social figure somewhat on the edge of things, was simultaneously and secretly living out another life, below—very much below—stairs, in pursuit of his ideal female. To suit his peculiar tastes, she had not merely to be a servant, but one blackened with coal-dust and with coarse, red hands eloquent of endless slavery in kitchen and scullery. Not that domestic servants really lived up to his conception of feminine perfection. They did not wield shovels or go about in clogs. Wigan was his spiritual home, and to that paradise, and others like it, he would constantly repair to interview, sketch, photograph and question iron-muscled women, dirty all over for preference, and engaged in work arduous and unremitting enough to make any member of the women's liberation movement foam at the mouth.

And yet the fantastic paradox was that Munby would regard himself as a fully paid-up member of the movement; his idea of liberation would be to allow women to put in a 14-hour day of hard, physical toil. The trouble was that this paradox intruded into his private life. He found in Hannah Cullwick a woman who, to a great extent, shared his views on the virtues of physical work. For many years she was his servant, content to blacken his grate and his boots, and then, although not without hesitation, misgivings and much secrecy, he married her. She continued to clean and polish on her hands and knees, but the major paradox bred a number of minor ones and Munby, to his own consternation, would occasionally find himself wishing that Hannah had pale hands that could hover above the drawing room tea-table, instead of ones grimy from the coal-hole. Hannah shows herself to have been sensible, equable and intelligent in her letters—her education at Munby's hands was considerable—which are happily included, and Mr Hudson's comments endorse this impression. But even she felt the strain of their unnatural relationship, and the marriage, although it never entirely broke down, came perilously close to it.

It is not Mr Hudson's fault that his admirable book is enough to put anyone off the Victorian age. In its own way, it does so even more effectively than Mayhew, though Munby was in some lights a philanthropic character, and can be acquitted of some of the nauseating hypocrisy of his time. Rather, in his curious neurosis or perversion, he was its victim.



Munby's feminine ideal

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Remote control

THE CONTROLLED ECONOMY: VOLUME 3
By J. E. Meade.
Allen and Unwin. 382 pages. £7 cloth, £2.95 paperbound.

This is the third in Professor Meade's series of volumes on the principles of political economy in which he is engaged in setting out his own version of recent advances in economic theory. He is, of course, too creative to do no more than synthesise and simplify the work of other authors, but that is nonetheless his central purpose. Here he is concerned with dynamic macro-economics and uncertainty. With his customary clarity he has explained parts of control theory without recourse to elaborate mathematics. Some readers will share his enjoyment in the resulting intellectual edifice, but others will feel that he has helped them to see how useless it all still is. What he calls "governmental control planning" can "theoretically" be optimised. The prerequisites are merely a complete econometric model of the economy; both a description and a probability of each of all possible future combinations of outward circumstances; and, on top of all that, some principle for measuring the social welfare arising under all possible states of the economy.

Part one of this book is a brilliantly simple introduction to period analysis of the Stockholm school type. Part two shows, in effect, that we cannot actually apply such analysis. Part three is about the ideal removal of uncertainty by contingent forward markets or by an all-embracing indicative plan. Part four deals with the governmental control planning mentioned above and part five brings in a residual uncertainty explanation of the demand for money. It ends with Professor Meade's proposals for an incomes policy.

In the preface, Professor Meade notes that it was impossible to acknowledge the sources of all the ideas in the book. He mentions the names of a dozen or so friends with whom he has discussed things. This is apparently his excuse for refraining from acknowledging any sources whatever in the body of the book, a feature which seriously detracts from its value.

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Short list

An Insight into Management Accounting by John Sizer (Penguin, 40p). The gap which Dr Batty's book "Accountancy for Managers" was intended to fill no longer exists. Mr Sizer covers the field of accountancy for management in a much more comprehensive and integrated fashion. He deals with both financial and cost accountancy and integrates these areas with the total corporate planning process. Its coverage is superior and its price advantage significant.

Trade Unions edited by W. E. J. McCarthy (Penguin, 60p). This is a collection of 22 essays on this and that about unions. Nearly all of them have been published elsewhere before—three being straight out of the evidence and report of the Donovan commission. There are a few good ones on democracy and the lack of it in unions, and the economic conditions for union growth. But it would be a hardy reader who got from cover to cover.

Payment Systems edited by Tom Lupton (Penguin, 60p). If you are a harried personnel manager, beset by strikes, low productivity and constant labour disputes, what you may need is a new payment system, such as measured daywork. This book is a series of essays about this and other new pay systems, including profit sharing. Sadly, most are a little too academic and rather out of date. But this is a useful primer on the subject.

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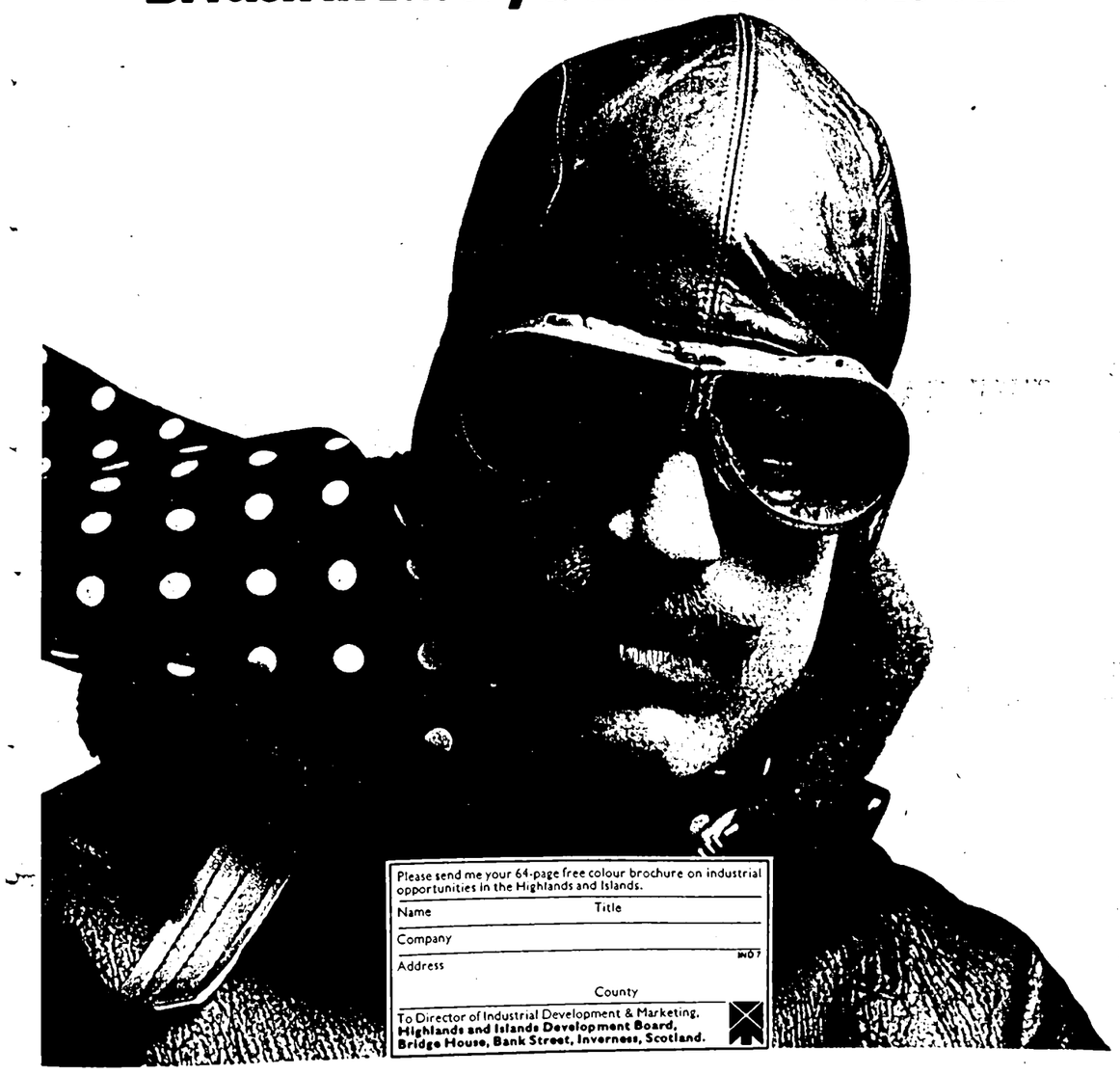
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Business Brief

Shopping goes out-of-town

There were 368 hypermarkets in west Germany by the middle of last year; France had 128 and even Belgium had 34. Britain had none, less from an innate preference for the corner shop than from the exceptional stickiness of British planning authorities about permission to develop out-of-town shopping sites. A report* on these "superstores, published on Tuesday, argues that Britain ought to have some of its own because the consumer would benefit from the competition.

A hypermarket, on the most common definition, is a store with at least 25,000 sq ft of selling area, often a good deal more (a good-sized supermarket would have around 10,000 sq ft). It is likely to be on the edge of a town, if not farther out, because sites of this size rarely exist in town centres, or not at an economic price. A hypermarket also needs extra car parks probably equal to at least three times its selling area, so that customers can conveniently (and without charge) part next to the store.

Hypermarkets sell a good selection of food at prices probably lower than in the town centre, and a fairly large range of other goods as well. They are always self-service, and, in contrast to department stores, the selling area is usually on one level.

On the face of it, Britain now looks ripe for the introduction of hypermarkets. The British do spend a smaller proportion of their income on food and drink than the French or the Germans, but this reflects lower food prices rather than more frugal tastes, and the differences are marginal. Car ownership is essential and here Britain is slightly ahead of Germany, although a bit behind France. Proportions of households owning one or more cars in 1969 were, respectively, 58%, 55% and 63%.

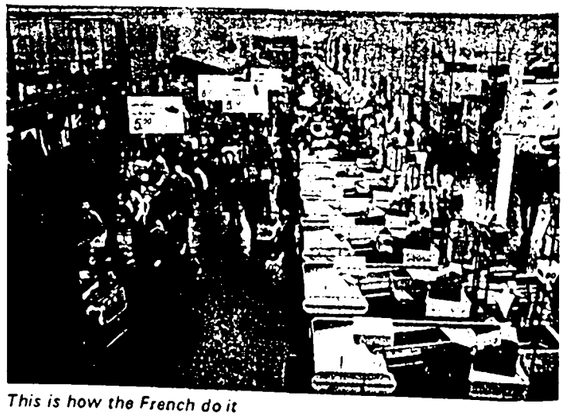
*Superstores in the 70s. By Jennifer Tanburn. *Lintas, London*. £3.

Working against hypermarkets is the present state of British retailing. Britain took to supermarkets earlier than most, helped along by a number of large and effective multiples. Supermarkets developed here at a cracking pace throughout the 1960s. France, meanwhile, remained stuck at the corner shop stage. When pressures for innovation finally built up, France went straight for the more radical option of hypermarkets, uninhibited by any feelings about protecting past supermarket investments.

In Britain, however, inhibitions have been at work from the planning stage downwards. Where local authorities have recently spent heavily on town shopping centres, there is understandably little enthusiasm for putting this business in jeopardy. The Department of the Environment sits on the fence. It issued draft guidelines last May which said that

> development of out-of-town shopping sites may be encouraged if they are sites which offer good access, which are appropriate for the full range of commercial and social provision of a district centre, and which are open to no major objection on amenity or other grounds.

This more or less left the way open for every planning authority to draw up its own rules. The final, definitive guidelines, eventually published in February, added only one new factor: that Mr Peter Walker, Secretary of State for the Environment, will have to be notified of all planning applications for out-of-town shopping developments of more than 50,000 sq ft. If neighbouring local authorities cannot agree, he may make the decision himself.



This is how the French do it

Advantages

The three-pronged argument for hypermarkets depends on lower prices, more convenience and relief of town centre congestion. **Prices** can be kept down because site costs are lower out of town, and the size of the operation allows a fairly low staff-to-customer ratio. Hypermarket Holdings, a subsidiary of Wheatsheaf Distribution and Trading in which the French hypermarket pioneer, Carrefour, has a stake, reckons that its gross margin on food will average 12½% when it opens its first British hypermarket in the autumn. The late Prices and Incomes Board, in its 1971 report on food distribution margins, worked out an average margin of just over 19% for its sample of grocers.

On the non-food side, the picture is more varied. Wheatsheaf/Carrefour will work on 21%; multiples generally work on a little over 23% and department stores on 28%-33%. All in all, the hypermarket should be about 8%-9% cheaper, but French experience suggests that other stores in the neighbourhood are likely to drop their prices by 1%-2% once a hypermarket opens. Anti-hypermarketeers claim that although operators start by cutting prices, these creep up once the store has become established.

For **convenience**, hypermarkets have the edge over High Street shops that were never built with the motor car in mind Sainsbury reckons that a customer averages 40lb of shopping a week, which only a fairly sturdy lady could carry in one go. A hypermarket shopper has this transferred straight from trolley to car.

Cars are used for a minority of all shopping trips in Britain but only because many housewives are still in the habit of daily shopping; the average is two to four shopping trips a week. But this is declining all the time. The little Neddy for the distributive trades, in a study on the future pattern of shopping, thought that the weekly shopping trip would be the norm in future. As the proportion of married women at work rises—it is now 37% and going up by 2%-3% a year—there will be extra pressure for more convenient and efficient shopping.

Easing **congestion in town centres** is a double-edged sword. Traders argue that they could cope with all the demand if shoppers would only spread the peak. The Department of the Environment's policy note is particularly anxious about the effect of out-of-town shopping on historic towns, where the loss of income available to maintain the historic buildings could outweigh the advantages of reduced congestion.

Drawbacks

The main drawbacks, as the anti-hypermarketeers see them, are the threat to trade in existing centres, the prospect of traffic problems on approach roads to out-of-town shops, and the look of the thing. There is much talk about eroding green belts and creating eyesores in otherwise unspoilt countryside. Much of this is directed against plans for greenfield sites away from existing towns, drawing customers from a wide radius. But greenfield sites are, in the words of one retail executive, a bit of a red herring.

Most of the sites are at the edge of towns, on derelict or semi-industrial land, or even near existing suburban centres.

Traffic problems on access roads to hypermarkets could be a nuisance, but can be solved by proper planning, and

operators will usually offer to contribute to the cost of what they call "off-site works"—road improvements and the like. If American experience is anything to go by, the sheer size of the car parks creates its own major drainage problems.

By far the most serious objection to hypermarket development is the potential loss of trade to existing centres. Such trade losses are extremely difficult to quantify. French studies suggest that the effect of a new hypermarket on town centre trading can range from a 5% gain to a 30% loss. An inquiry by Manchester University in 1964 into a proposed shopping centre at Haydock, between Manchester and Liverpool, put the long-run loss of trade for these two towns at 12%. But Wigan would lose 41% and Warrington as much as 46%. Accordingly, the application was refused. Sunderland Corporation commissioned two studies last year on the potential effect of a proposed 100,000 sq ft shopping centre at Doxford Park, at the edge of the town, which found that the effect of this on trade in the central areas would be negligible. Even so planning permission was eventually refused.

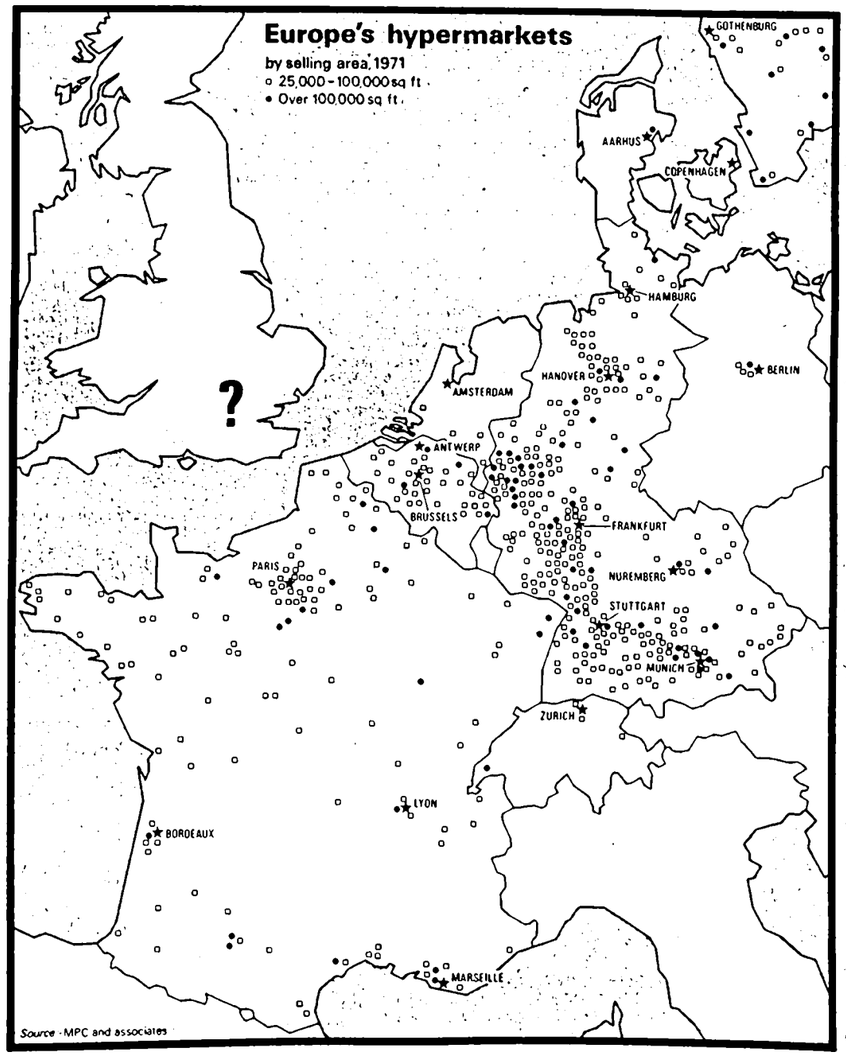
Traders like to believe that the extra business for out-of-town shopping developments could come entirely from the natural growth in consumer spending, even though, in real terms, the volume of trade in shops has risen only by 5% in the past five years. But even if town centre trading suffers a bit, there is now a strong feeling that the out-of-town bandwagon must not be missed. The Co-op, which still has plenty of town shops that it ought to close, is pushing strongly for a number of "superstores" of between 25,000 and 50,00 sq ft away from town centres. One, at Cardiff, is already in operation.

If all big off-centre shopping developments are included, almost every major retailing group in Britain is trying to diversify away from the High Street. Tesco has already looked at more than a dozen possible hypermarket sites, though it has had no encouragement at all from the planning authorities as yet. Associated Dairies and Fine Fare have some superstores going. Sainsbury is opening a 25,000 sq ft supermarket (hypermarket?) at the edge of Peterborough later this month. Wheatsheaf/Carrefour has finally got planning permission for two hypermarkets, at Telford new town and at Caerphilly; the Caerphilly one will open later this year. Appeals for several other applications are pending.

Groups like the John Lewis partnership and British Home Stores are getting interested. John Lewis is hoping to open a store in the new Brent Cross development in North London, Britain's first regional shopping centre. After endless delays work is expected to start in the autumn. Woolworth has five "Woolco" stores—a kind of free-standing out-of-town department store—which now seem to be picking up business after a slow start. Marks and Spencer, however, leans more towards improving existing High Street locations than starting from scratch on a new site.

Pressure from retailers for out-of-town planning permission is bound to mount. But will Britain be overrun with hypermarkets a decade or two from now? Wheatsheaf/Carrefour forecasts 37 hypermarkets in Britain by 1978, turning over £200m a year—still a minute proportion of what is estimated will be a total retail turnover of £15 billion. More pessimistic forecasters say that Britain cannot comfortably support more than 20 hypermarkets without serious damage to existing shopping facilities.

This would be fewer than a country as small as Belgium has now, but, if it should be true, then planning decisions should not be left to individual local authorities to take according to their own priorities. The Government would do well to follow the industry's little Neddy's suggestion for a strategic plan drawn up on a regional basis; but there is nothing to suggest that the Department of the Environment is thinking that way.



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"...during the 'seventies the extent of our success will depend substantially on the progress of these two major ventures. We are confident that in both of them we shall achieve our objectives..." Sir Eric Drake, Chairman

The Chairman's Statement circulated with the Report and Accounts for 1971 is as follows:—

I deeply regret to record the death in May 1971, of Mr R P Smith. Mr Smith served on the Board of this Company for 15 years and he is greatly missed. Marshal of the Royal Air Force Sir Charles Elworthy, formerly Chief of the Defence Staff, was nominated a Director early in May, 1971. Mr D W K. Barker, who joined the the Company in 1929, is retiring as a Managing Director on 31 March 1972 and I must express my thanks for all he has done for the Company over the past 43 years. To fill the vacancy caused by Mr Barker's retirement it is intended to appoint Mr M.M Pennell a Managing Director from 1 April next. Mr Pennell, who is 55 years of age, has been with the Company since 1946 and has been engaged mainly in exploration and production.

Importance of Forties Field

You know how much importance we attach to our activities in Alaska and in North America. In 1971 it became clear that we had another development of outstanding importance in our North Sea Forties field, and during the 'seventies the extent of our success will depend substantially on the progress of these two major ventures. We are confident that in both of them we shall achieve our objectives, although it is discouraging that another year has passed without a permit to proceed with the Alaska pipeline. With regard to the Forties field, this discovery and its development are likely to be of the utmost importance for the British economy and we are doing everything possible to speed this development consistent with a sensible approach to technical and environmental problems.

The expense of developing these two fields is very large. The cost of Alaska falls, in the first instance, not on BP but on our partners, Sohio. That of developing the Forties field will be a direct charge on BP, and the cost of the first phase, designed to produce oil by 1974, is likely to be of the order of £175 million. It is accordingly satisfactory to record the success of our rights issue of last September, realising some £120 million of new money. In this operation we were able to pass on directly to the stockholders of The Burmah Oil Company the rights in BP in which they were beneficially interested, and thus acquired some 50,000 new stockholders. We warmly welcome these new stockholders, and are grateful to them for the confidence they have shown in us by deciding to invest directly in BP, and also to Burmah for their help, without which these arrangements would not have been possible.

Current Results Disappointing

Since the autumn of last year mild European weather, coupled with a trading recession in Western Europe, has resulted in a worsening in our trading results. The third and fourth quarters were increasingly disappointing and the present prospects for 1972 are extremely discouraging.

Despite the disappointing results of the last months of 1971, the net income of £148·6 million could, if looked at alone, have justified an increase in the distribution to ordinary stockholders, but the trading conditions and the need to conserve our resources for capital expenditure requirements make it inadvisable to recommend any increase at this time.

Need for Higher Margins

I cannot believe that margins will remain for long at such a low level if the industry is to play its part in meeting the increasing energy demand in the years ahead. Our experience in Alaska and the North Sea shows the high costs, considerable risks, and frustrating delays that can be associated with new production schemes. Development of other major energy sources appears to be no less costly.

Demands by OPEC Countries

In the second half of 1971 fresh demands on the oil industry were made by OPEC. The first of these was for the adjustment of the US dollar value of oil revenues of OPEC countries to reflect the decline in value of the dollar. After the general realignment of currency exchange rates in December the industry agreed to negotiate an adjustment, and a settlement was reached in January which increased the dollar posted price of Middle Eastern crude oils by 8·49 per cent, with the result that their oil revenues remained approximately unchanged in sterling terms. The second demand was for "participation" by OPEC governments in the existing major concessions in their countries. Talks on this question have not yet been concluded but at this stage three things can be said: first, that the price that OPEC countries are suggesting they pay to acquire their interest does not remotely approach the true commercial value of these concessions; second, that anything which effectively increases the financial burden must also increase the future costs of Middle East oil and, therefore, its price; and third, that substantial new investment will be required to maintain and increase the oil revenues of the Middle East and elsewhere, and anything which raises doubts in the minds of those expected to find the money would, in the long run, be contrary to the best interests of the producing countries.

Libya

An additional complication has been the action of the Government of Libya in purporting to nationalise our interest in Concession 65 – our principal investment in Libya. This measure was admitted by the Libyan Government to be a purely political action and unconnected with the normal considerations governing relations between an oil company and a host government. The Company's reaction to the Libyan measures has been, and will continue to be, prompt and vigorous. We immediately called for arbitration under the Concession and will press forward with this. We have made it clear to the Libyan Government and the oil industry generally that we regard the Libyan measures as a breach of international law and as being without international validity. We shall therefore sue any person who purchases from the Libyan authorities any oil derived from our concession areas. We have already commenced one action in Italy and, if occasion requires, we will not hesitate to commence others.

Protection of Environment

We have taken important steps to ensure that the environment suffers as little as possible from our operations. This is something we all feel strongly about. The oil industry already invests large sums on the protection of the environment and we hope we may be regarded as an important part of the environmental movement itself.

The Staff

During the year our staff throughout the world have responded well to the very heavy demands made on them and I cannot do better than to conclude by expressing my thanks for the excellent work they have done.

FIVE YEAR SUMMARY

	1967	1968	1969	1970	1971
Group sales in millions of tons	128	142	162	190	207
Gross income—£ million	1,727	2,124	2,287	2,659	3,194
Overseas tax as a percentage of income before tax	73%	70%	73%	79%	78%
Net income—£ million	64	101	97	91	149
Distribution per ordinary stock unit—gross	18·43p	19·85p	21·27p	20·64p	20·64p
Return, being income after tax but before interest on average capital employed	5·9%	7·8%	7·2%	6·7%	9·0%
Middle East, Libya and Nigeria taxation and royalties—£ million	244	330	363	465	727
Capital expenditure—£ million	211	213	244	322	375
Cash flow—£ million	184	227	229	247	275

The following are extracts from the Report of the Directors.

Trading Conditions

The year 1971 has seen the substantial initial impact of the increased taxation and royalties paid to the governments of producing countries under the five-year agreements signed during the first half of the year. In regard to crude oil sales the higher amounts paid were offset almost entirely by the co-operation and goodwill of our crude oil customers who accepted increases in contract prices. Product prices showed some increase in the early months of the year, these being offset by the higher taxation and royalties which increased progressively during the year. The full effect of the higher taxation and royalties did not therefore occur in the first six months during which a net income of £86·2 million was achieved, over half of which was in the first quarter.

The continuation of a reasonable income level based on estimated sales quantities appeared likely but from September onwards oil demand, particularly in Europe, reduced unexpectedly because of the slow-down in the rate of industrial expansion and an unusually mild spell of weather in the northern hemisphere. Sales were therefore lower than expected and there was a weakening of prices in certain products, particularly fuel oil. As a result the net income for the second half of the year at £62·4 million was less than it had seemed reasonable to expect when the first half-year's figures were issued to stockholders in September.

Capital Expenditure and Finance

Capital expenditure by group companies in 1971 amounted to £255·7 million and the group's proportion of capital expenditure by associated companies was £118·8 million, a total of £374·5 million (£322·4 million in 1970). Cash flow including investment grants was £275·6 million (£247·1 million in 1970).

Group borrowing outside the US amounted to £122·4 million, most of which was short-term and acceptances in respect of oil movements.

Standby facilities, currently unused, amount to approximately £100 million. These have a duration of more than 12 months and are renewable.

Progress is being made with arrangements to finance the substantial capital expenditure in respect of the development of the Forties field in the North Sea.

Receipts from Iranian Consortium Members

£6·4 million was received in 1971 and represents the final amount due from the Iranian consortium members under the terms of the 1954 agreement. This amount has been credited direct to reserve by the parent company.

Contribution to UK Balance of Payments

The group's UK exports consisted of approximately 9 million tons of oil products, the value of which was £97·5 million. The value of chemical exports was £20·0 million.

Over 90 per cent of the group's trade of 207·4 million tons was carried on overseas and the majority of the crude oil and products was neither imported into nor exported from the UK. The oil export figure given above is therefore not indicative of the group's contribution from oil activities to the UK balance of payments which for 1971 is estimated at £170 million.

£140 million of this contribution arises from overseas trade (including sales of quantities exported from the UK) less capital investment abroad, to which is added £30 million representing the estimated saving to the country by reason of the group importing oil to the UK for consumption as compared with the foreign exchange cost of buying the same quantity from a foreign based oil company.

Developments in the USA

Development of the Prudhoe Bay leases continued during the year, although permits for the construction of the trans-Alaska pipeline have still not been issued.

On the marketing side, economies were achieved during 1971 by combining Sohio and BP Oil Corporation activities and reorganising BP's marketing operations. BP Oil's profitability is expected to improve still further by concentrating market development in those areas where prospects are promising and by withdrawing from others.

In February this year Northern Natural Gas Company of Omaha agreed to commit US $20 million to an exploration programme to be conducted by BP Alaska in east coast US and Alaska offshore areas and to make a prepayment of US $30 million against the supply of 1·5 trillion cubic feet of BP Alaska's North Slope Alaskan gas when it becomes available. In return, Northern will have the first option to purchase any gas discovered and the right to participate in all BP Alaska's lease acquisitions in the areas of interest. BP Alaska will retain the right to any oil found.

Group Sales

Sales by the group of crude oil, refined products and chemicals rose by 9·3 per cent to a total of 207·4 million tons.

In 1971 sales of crude oil topped 100 million tons for the first time. Sixty-seven customers were supplied with a total of 104·6 million tons, which represents a 24·8 per cent increase on 1970.

Mainly because of substantially reduced industrial activity both in Europe and Japan, product sales including those to associated chemical companies were 2·9 per cent below the level achieved in 1970. Natural gas sales amounted to 125,511 million cubic feet, compared with 91,690 million cubic feet in 1970.

Marketing

BP continues to up-date its filling station network, especially in Europe. We are introducing Autocenters, large sites with comprehensive modern facilities for the motorist. There are now more than 5,000 Autoshops which offer customers a widening range of items.

BP Canada (now BP Canadian Holdings) acquired a controlling interest in Supertest Petroleum (renamed BP Canada) in a merger which added 1,400 retail outlets to BP's network in Ontario and Quebec.

Since the announcement last year that the marketing of BP and Shell products in the UK would be progressively developed in separate brand organisations over the next four to five years, we have been studying how this can best be done with minimum disturbance to our customers and normal business. It is expected that the first stages of implementation will begin very shortly.

Production and Exploration

In 1971 the group lifted 208 million tons from its resources of crude oil, an increase of 11·8 per cent over the 1970 total of 186 million tons. The Middle East provided 170 million tons, African countries 36 million tons, and 2 million tons came from other areas. The group stopped lifting its Libyan crude oil on 7 December 1971.

In the UK appraisal drilling has confirmed the Forties oil discovery 110 miles off Aberdeen as a major field. Plans are well advanced to bring the field into production by the end of 1974. Surveys were carried out in several other offshore areas and additional licences were obtained. Onshore, surveys and drilling proceeded.

Sea Transport

At the end of 1971 BP's fleet and those of its subsidiary and associated companies totalled 130 ships of 5·6 million deadweight tons (dwt) compared with 127 of 4·5 million dwt at the end of 1970. During the year, six vessels totalling 1·2 million dwt came into service and three totalling 69,000 dwt were sold. We also had long-term charters amounting to 13·3 million dwt, with other vessels on short-term charter.

Refining

During 1971 the crude oil processed on our account in our wholly and partly-owned refineries was 100 million tons. A further nine million tons were processed for us by other refiners. The total of 109 million tons compares with 113 million tons in 1970.

Outside the US the group has 14 wholly-owned refineries, a majority holding in six refineries with 100 per cent processing availability, and part ownership of 21 refineries. In the US, four refineries are operated by Sohio.

Chemicals

The group's main consolidated investments in chemicals are in the UK where demand was more disappointing and cost inflation greater than in most other parts of Europe. Various remedial measures to improve the company's position were taken in 1971. The benefit from these measures and from new plant coming on stream will become progressively more significant as trading conditions improve.

BP Chemicals International was honoured to receive The Queen's Award To Industry in April 1971 for its development of a process for producing chloroprene from butadiene.

Proteins

Work has continued on the commissioning of our protein demonstration unit at Grangemouth which has a capacity to manufacture 4,000 tons a year of high-protein yeast, and the first sale from this plant was made at the end of the year.

Research and Engineering

Since 1964, BP has operated a process to isolate normal paraffins, which constitute important raw materials for the chemical industry and in protein manufacture. During 1971 an improved version of this process was brought into operation in our Dinslaken refinery.

The first plant licensed in the US for the operation of the BP isomerisation process was successfully put on stream by Atlantic Richfield in 1971.

In the continued search for more economic bulk storage of oil, we have completed a programme of development of the use of high strength steels which will permit an increase in the maximum size of tanks and reduce their construction costs.

Environmental Control Centre

Protection of the environment continues to play an important role in our operations and accounts for a growing proportion of our expenditure on refinery plant and facilities. Our Environmental Control Centre, created in 1970, and a high level Environmental Policy committee, set up in 1971, co-ordinate these activities throughout the group.

Copies of the Annual Report and Accounts for 1971 may be obtained from the Secretary, The British Petroleum Company Limited, Britannic House, Moor Lane, London, EC2Y 9BU

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John Hunter (Motors) Ltd., 01 254 0031
MLG Motors Ltd., 01 995 1663
Chipstead of Kensington, 01-727 0611
Motortune Ltd., 01-561 1234
Taylor & Crawley (Service) Ltd., 01 352 5758/9
Hexagon of Highgate, 01 340 3431
Solcars Garages Ltd., 01 978 6393/5
BEDFORDSHIRE IVOR HOLMES LTD., Luton 58672
Ashburnham Motors Ltd., Bedford 50901
Fitzroy House, Leighton Buzzard 2041
BERKSHIRE All Saints Service Station, Faringdon 3214
Mike Spence Ltd. (Sales), Maidenhead 21511
Mike Spence Ltd. (Service), Maidenhead 30555
Riseley Garage, Reading 863147
Vincents of Reading Ltd., Reading 54204
BRISTOL WESTERN COUNTIES AUTOMOBILE CO. LTD., Bristol 45461
DISTRIBUTORS FOR SOMERSET, WILTS AND SOUTH WALES
BUCKINGHAMSHIRE Haymill Motors, Farnham Common 2301
Hughendon Motors Ltd., Hanhill 2662
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CHESHIRE Church Lane Garage, Macclesfield 20631
Davenport Garage Ltd., Stockport Shopping Hall 2745
Red Rose Motors (Chester) Ltd. Chester 23286/23175
Parkside Garage (Mere) Ltd. Buckley Hill 830151
Yellowstone Garage Ltd., Northwich 67013
CORNWALL Taylors (Truro) Ltd., Truro 3154/5/6
CUMBERLAND Davidson's Garage, Carlisle 25051
DERBYSHIRE O.V.A.R. Motors Ltd. Derby 32421
DEVONSHIRE CHENHALL'S GARAGES (S.W.) LTD., Paignton 5054/
DISTRIBUTORS FOR DEVON AND CORNWALL
Livery Dole Garages, Exeter 73874
Salcombe Road Garage, Galmpton 333
Waterfield Garages Ltd., Plymouth 52786, 52213
F. R. Northcott Ltd., Sidmouth 3433
Tempelton Motors Ltd., Horrabridge 5012
DORSET KEYSTONE GARAGES LTD Bournemouth 24433
DURHAM MILL GARAGES (SUNDERLAND) LTD., Sunderland 51631
ESSEX RELIANCE OF CHINGFORD LTD., 01 527 5067
DISTRIBUTORS FOR E. ANGLIA.
Bates Motors (Belcher) Ltd. Maldon 2131/2
Chelmsford Service Station, Chelmsford 61414
Halstead (Essex) Motor Co. Halstead 2012/2137
A. R. Sewell & Sons Ltd., Gt. Dunmow 2884
GLOUCESTERSHIRE Cotswold Service Station, Gloucester 25999 & 21456
Victoria Motors (Cirencester) Ltd. Cirencester 4301/2
Wredesan Motors Ltd., Colnford 2066
HAMPSHIRE KEYSTONE GARAGES LTD Bournemouth 24431
DISTRIBUTORS FOR HAMPSHIRE AND DORSET
George Clark (Motors) Ltd., Portsmouth 60281
Kingsworthy Motors, Winchester 2981
Frosfield Service Station, Hawkley 200
R. F. Seward Ltd., Southampton 72431
Green Garage (South Warnborough), Nr. Basingstoke, Long Sutton 249
Blackwater Service Station, I.O.W. Newport 3044
HEREFORDSHIRE Westland Motor Co. Ltd Hereford 2039
HERTFORDSHIRE AUTOPORT (RADLETT), Radlett 4851
Alford & Alder Ltd. Watford 26339
HUNTINGDONSHIRE RELIANCE OF CHINGFORD LTD., 01 527 5067
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Kingsdown Motors Ltd., Whitstable 3261
L. & C. Auto Services, Tonbridge 63520
Wolfe Garage (Braested) Ltd. Westerham 3484
LANCASHIRE WILLIAMS MOTOR CO. (MANCHESTER) LTD. Deansgate 8781/6
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Liverpool Royal 1966/7
Westwood Garage Ltd. Great Harwood 2092 & 2744
Kindere Service Station, Broughton 3032
Newlands Motor Co. (Bolton) Ltd. Bolton 33941
The Vale Motor Co. "Rose" Ltd., Rossendale 5175
Motor Repairers (Rochdale) Ltd. Rochdale 44575/6/7
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NORTHUMBERLAND Fawdingtons Garage Ltd., Great Whittington 216 John Rutherford & Sons Ltd. Coldstream 2146
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B. Shipside Ltd., Worksop 3484
OXFORDSHIRE Mike Spence Ltd. Henley on Thames 4115 or 3219
Haynes of Thame, Thame 2001
SHROPSHIRE A. Beauclerk & Son, Oswestry 2413
George Oatley's Garage, Shrewsbury 3250
Worfield Garages (Salop) Ltd. Worfield 203
SOMERSET Rowcliffe of Taunton Ltd. Taunton 83555/6
G. E. Fry & Son, Combe Down 3042
STAFFORDSHIRE Parade Service Garage (Wolverhampton) Ltd. Wolverhampton 26465
Harishill Autos, Stoke on Trent 35119
Walton Garage (Stafford) Ltd. Stafford 81293
SUFFOLK Cars Continental (Buffolk) Ltd. Ipswich 52221
St. Christopher's Service Station, Hapland 235
Waterne (Oulton Broad) Ltd., Lowestoft 4404
SURREY Langley Motors of Thames Ditton Ltd. 01 398 3415
Central Garage (Surrey) Ltd. Cobham 42823
Chris Williams Shere Garage Ltd., Shere 2041
Cronk Garages (Chipstead) Ltd. Downland 52337
Ayebridges Garage Ltd. Staines 56100
Voller & Co. Ltd. South Godstone 3234
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Downland Service Station, Worthing 37487
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Toll House Garage (Stinfold) Ltd. Stinfold 479
Framfield Road Garage, Uckfield 2771
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Ryde Cars Ltd., Birmingham, 021 643 0621/2
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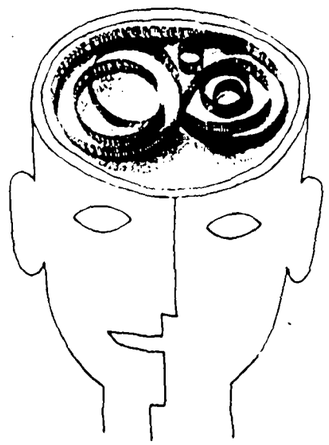
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Hindhead Engineering Co. Ltd. Tel: Hindhead 5000
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BUSINESS

They're not special

Railway workers are not underpaid; British Rail's 11 per cent offer is more than generous

The pressure is now on the railway unions to take their claim for an extra 16 per cent to arbitration, which on all past evidence is as good as a guarantee of an offer larger than anything that British Rail is voluntarily prepared to put up. The ritual comings and goings began at the Department of Employment on Thursday afternoon, the day after the unions had voted to start an official go-slow from Sunday. Although the men left Mr Maurice Macmillan, who was having his first taste of the bed-of-nails side of his new job, reporting that they had been offered no more money, the normally militant train drivers' Mr Ray Buckton was still saying that the gap was "not wide." The unions were not expected to say before Friday whether they would accept arbitration ; nonetheless, Mr Macmillan had the chairman of British Rail round immediately afterwards.

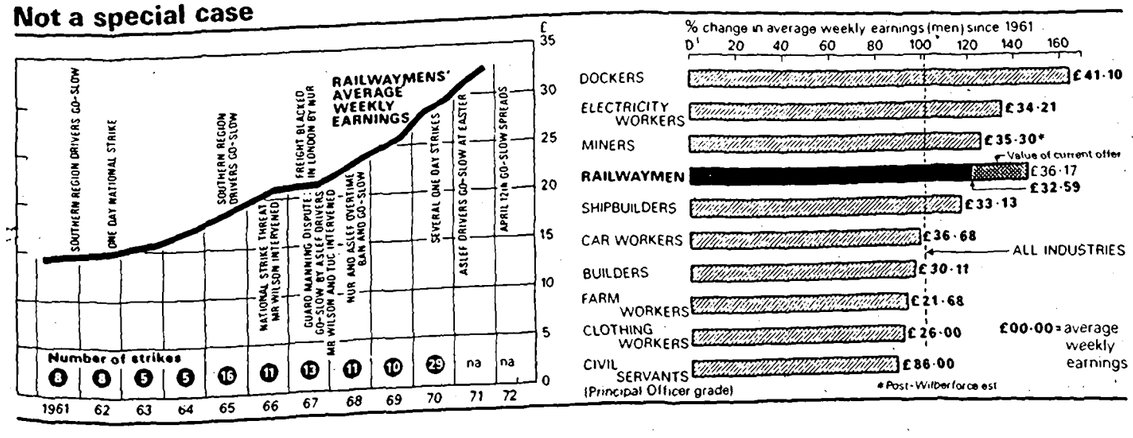
The Government should not feel that it has to conciliate the railwaymen. Mr Buckton himself was worried enough about public reaction to trouble on the trains to have asked the militant southern region train drivers to call off their unofficial work to rule until the starting date for the official, country-wide one. He failed, of course. But it showed his awareness of the need to have the public on his side if the necessary pressure was to be put on the Government to increase what Mr Heath had called a generous wage offer. And the way to make the public love you is not by leaving it fuming at Charing Cross in the Thursday rush-hour home, while local drivers go off to hold a meeting.

The railwaymen claim that, like the miners, they are a special case. The Associated Society of Locomotive Engineers and Firemen which is the only one to put this on paper, argues that :

- Other workers have got bigger rises,
- The railwaymen have co-operated to reduce BR's labour force,
- Productivity has risen sharply,
- Modernisation has made the work tougher,
- Prices have risen fast and will go on doing so.

The first point is simply not true. Although the Guillebaud committee back in 1960 could report that railwaymen were paid 10 per cent less than most comparable jobs, their wages since have improved faster than most. Their earnings have gone up by 122 per cent in the past decade, or a fifth more than the average for all industries. Were the latest offer accepted, earnings would have risen by 146 per cent since 1961. The miners' earnings rose by 81 per cent in the same period, although if the Wilberforce award is included the increase has been 126 per cent.

Not a special case



Even in the past few years the railwaymen have done pretty well. In 1970 they got 13 per cent and in 1971 11 per cent, both about the going rate at the time. Where the militant Aslef train drivers are right is in claiming that the differential between their pay and that of porters, signalmen and other grades has narrowed. Drivers' pay in the past decade has risen by 101 per cent, almost the average for all industries.

Against this, the drivers work shorter hours than most railwaymen, usually a 44-hour week, including overtime. Most railwaymen work nearly 50 hours a week, around 10 hours of which is at overtime rates. Signalmen put in nearly 52 hours, and their average pay packet is worth £36.60, compared with the drivers' averae of £35.57. Porters and other manual workers take home about £28.

The pay structure is complicated by a muddled system of productivity bonuses, which BR is trying to end. The main bonus is related to miles driven by drivers. The aim is to reward those who do a lot of work in a short space of time, so that a driver, working on what is called a "long link," may collect £60 in a week, but not many do. A driver who takes a train from Euston to Edinburgh, and thence to Manchester and down to Penzance, will collect a hefty bonus. But since the timetable is not up to the driver, there are not that many options open for high bonus-earnings. And although there are complex adjustments for drivers on suburban services, they do not do as well as the drivers of the fast Inter-City trains. This is partly the reason why BR proposed consolidating bonus payments into basic pay, a move that would have made the 11 per cent offer worth, for some men, 15 per cent.

Claims to have co-operated willingly with BR's labour-slimming plans do not bear too close inspection. Railwaymen have fought redundancy at every stage and the industrial relations record of the railways is poor. Other than occasional one-day affairs, there has been no national strike since 1955, and the union leadership has never shown much stomach for one. But there has been no end of go-slows and unofficial strikes up and down the country which effectively disrupt the transport system without obliging the unions to give strike pay.

Of course productivity has improved, but, given the scale of new investment in the railways, it would have been remarkable if it had not. Passenger journeys per man employed have gone up by 61 per cent in a decade, but where this cannot be explained by the introduction of faster trains on newly-electrified lines, it is likely to be the result of the steady axing of branch lines. Both BR and the unions still boast of the productivity deal struck in 1968 at Penzance, which introduced, among other things, more single manning of trains, but no one has yet succeeded in quantifying any of the benefits claimed for it. As for working conditions, better signalling systems have offset any strain in driving the faster trains, and railway work cannot now be called dangerous.

The railwaymen are, in short, a slightly-above-average bunch of men. Until the miners got their extra 25 per cent, wages on the railways were rising faster than in the pits; they would outstrip them substantially again if the present offer was accepted. And there is nothing in a railwayman's working environment to tug at the public's heart strings in the way that the miners did.

The trouble that the Government has created both for itself and for British Rail is that it is now subsidising the nationalised industries so much that, although the unions might not dispute Mr Richard Marsh's contention that there are limits to how big a wage increase he can pass on in prices to rail users, they see no reason why the Government should not toss in the few million pounds that would bridge the gap for him. The Government has, after all, done this for the coal board in face of the obvious impossibility of passing on the whole of the miners' increase to consumers. But if the railwaymen then get the sort of inflationary settlement that radically alters their place in the wages league table all those other industries with wages under negotiation are going to have something to say about it.

How not to depreciate

The Finance Bill provides that all investment this year will be depreciated at 40 per cent, while the profit from it will be taxed at 50 per cent. This could mean a bad setback to investment in 1972-73. And that's not all

The Government's hopes of stimulating that lifeblood surge of industrial investment this year will be badly jeopardised if clause 65 of the Finance Bill is allowed to go through. This clause provides that there shall be 100 per cent first-year depreciation (for tax purposes) of all plant and machinery bought after March 21, 1972. When we discussed the problem last week (April 8th, page 72), we did not actually believe that the Government would go for this form of depreciation. Now that it has, we must say again how damaging the consequences could be.

The effect of the proposal is that, in the year before the new corporation tax system is introduced in April, 1973, when the rate of corporation tax will go up from 40 per cent to 50 per cent, the depreciation of new assets will occur at the 40 per cent rate of tax, while the taxable profit deriving from them in later years, both for amortisation and actual profit, will be taxable at 50 per cent. But for investments after next April both depreciation and profit will have the same 50 per cent rate applied. The incentive to delay is obvious.

It is true that it is not absolutely necessary to take 100 per cent in the first year: the bill provides for the right to do so to be waived. But it will then only be possible to depreciate 25 per cent of the reducing (undepreciated) balance of the expenditure in each successive year, start-

Atlas Copco.

Group's profit up 6%.

Sales

The year 1971 was characterised by a receding market trend in most industrial countries. Anti-inflationary measures initiated during the latter part of 1970 were accentuated by an increasing imbalance on the international foreign exchange market. As a result falling mineral prices and, in consequence, sharply reduced demand for industrial products was experienced in many sectors. These factors influenced Atlas Copco Group sales.

In many countries, price control measures, combined with increased competition, made it more difficult for the Group to recover continued increases in costs of production and distribution.

For 1971, the Atlas Copco Group reports total invoicing of Sw. Kr. 1,696 million (1970: 1,542). Group sales were Sw. Kr. 1,704 million (1970: 1,566).

90% (89%) of the Group sales went to foreign markets. Sweden remained the largest individual market.

Among overseas markets, sales were particularly satisfactory in Argentina, Australia, Brazil and India. A gradually more expansive economic policy was pursued in the U.S. and Canada. Nevertheless, the Group's sales on these markets were slightly below those of 1970.

Sales of heavy rock drilling equipment showed a marked improvement. Deliveries were primarily made to civil engineering underground operations, and several orders were received in connection with large international projects. Crawler drills for contractors also enjoyed a reassuring increase in sales.

The low activity of the contracting industry in a number of areas in 1971 resulted in a decreasing market for portable compressors. However, a slight upward trend was noted towards the end of the year.

Stationary compressor sales remained high during the first half of the year, but fell during the second half. The prevailing monetary situation is considered to have influenced larger investments. Nevertheless, the order book for large capacity compressors remains at a substantial level.

Increases were recorded in pneumatic components, which have now been introduced onto all European markets.

For industrial tools there was a marked increase in competition on price, particularly for impact wrenches. The multiple nut runners introduced during the year were well received on the market.

Investments

Investments in production equipment remained at the same high level as during the two previous years. The utilisation of the total production capacity was reasonably good.

The biggest investment for production facilities, both in buildings and machinery, was made at the Arpic works in Belgium. In Sweden the Avos Workshop is being extended. The new forging shop at Smedjebacken was put into operation.

New sales centres are under construction in the U.K., Denmark and New Zealand. In Brazil a new office was completed. New branch offices were established in a number of markets.

The building work for the first stage of the research institute CERAC in Switzerland was completed.

The number of employees in the Group at the end of 1971 was 13,706 (13,764).

Results

Group invoiced sales increased during 1971 by Sw. Kr. 155 million or US $32.0 million, and exceeded the 1970 figure by 10%. The operating profit for 1971 of Sw. Kr. 252 million, or US $51.9 million, showed an increase of slightly more than 8% over the previous year. Profits on sales were reduced from 15.1% in 1970 to 14.8%. Considerable rises in wages and salaries, together with currency exchange losses of some Sw. Kr. 8 million were the main causes of this reduction.

Group profits before appropriations and taxes rose to Sw. Kr. 171 (161) million, or US $35.2 million, an increase of approximately 6%.

The consolidated balance sheet shows an unappropriated profit of Sw. Kr. 220.8 million, or US $45.5 million.

The Board proposes a dividend of Sw. Kr. 5 per share, including shares from last year's new issue.

The Annual General Meeting of Atlas Copco AB was held on April 12th, 1972.

Atlas Copco

GROUP HEADQUARTERS: ATLAS COPCO AB, S-105 23 STOCKHOLM, SWEDEN. IN THE UK: ATLAS COPCO (GREAT BRITAIN) LIMITED, MAYLANDS AVENUE, HEMEL HEMPSTEAD, HERTS.

ing with the second year. Even this could be better (although not necessarily so) than taking 100 per cent in the first year at 40 per cent. Whether it is or not, investment in 1972-73 will still be at a great disadvantage compared with investment in April, 1973, and after. Indeed, that is putting it mildly. There will be no reason to expect British investment in plant and machinery between next October and next April other than that essential for the preservation of a business or that which promises vast, quick returns. And this as Britain moves into the common market.

We had thought the Government would probably adopt the free depreciation that exists for ships, whereby the 100 per cent allowance can be taken at the owner's convenience. Had it done so, businesses that invested in 1972-73 would generally have done without any depreciation this year and taken their full 100 per cent in the second year, at the 50 per cent tax rate. Even if the Government changes its mind and does go for this kind of depreciation, investment in 1972-73 would still be hampered, but it would be a mild disincentive compared with the one proposed.

There are at least two amendments the Government could make to rectify the situation (apart from suddenly deciding to bring in the new corporation tax this year instead of next). One is to allow free depreciation and accelerate all capital allowances for 1972-73 expenditure by a year. Thus businesses would take their depreciation for 1972-73 expenditure in the second year, at 50 per cent, but would get the cash flow as if they had taken it in the first. The other scheme would be to allow businesses to depreciate more than 100 per cent of their 1972-73 spending on plant and machinery. The first scheme is conceptually nearly perfect, but could be administratively tricky. The second scheme would be easy to administer. The investment allowance needed would be 25 per cent, making a total depreciation of 125 per cent allowed on 1972-73 spending. In fact, this would introduce a slight bias in favour of investment done well before April next, but there is no harm in that, since the more investment the sooner, the better.

Also new in the Finance Bill are the rules for share incentive and stock option schemes. *The Economist* explained on January 15th why it is unnecessary to introduce statutory restrictions for share schemes : our fears of meddling were all too justified. Schemes that do not conform to the rules will have all the benefit from them taxed to income tax and surtax (rather than capital gains tax), thus killing them off.

The first rule, that shares issued under schemes must mature fully into ordinary shares of the class in question within 10 years, is reasonable. But to stipulate that only full-time directors or employees may participate is not. Part-timers, often working, say, three days a week, ought to be included. A further bad rule says that the shares issued under a scheme should be a minority of issued shares of that class. This apparently rules out schemes of the Cunard type, under which participants buy incentive shares that entitle them to scrip issues of ordinary shares, in proportion to their holding of incentive shares, when profits exceed a certain level : in the Cunard scheme itself, 5 per cent of the excess profit was so distributable as scrip issue. Unfortunately, such incentive shares are only held by the participants, thus putting them in the majority. Another rule also destroys the Cunard-type scheme : it says that shares issued outside the scheme to participants must bear the same restrictions. So, if a participant owned other ordinary shares in the company, he could not benefit from scrip issues to holders of the ordinary shares. The Cunard scheme was one of the best, because benefit was linked to higher profits.

It is reasonable to limit, as the bill does, any particular person's involvement in shares to a value not greater than 40 per cent of his salary. This makes anybody who wants a large participation spread it out over the years —and, therefore, also maintains the incentive. But the limit over the years is to shares of a value not exceeding twice his salary. This is unreasonable, because above about £15,000 a year salaries cease to be a reliable guide to a man's worth. An adequate limit to the amount of shares that may be issued under schemes is provided by the fact that not more than 5 per cent of the ordinary share capital may be issued in the aggregate of such schemes in a company.

No incentive shares under a scheme may be priced at less than 80 per cent of the shares they mature into. This is bad because there are a few, fierce schemes under which such maturity occurs only after the fulfilment of difficult conditions, usually involving profit targets. Such conditions genuinely depress the value of incentive shares by more than 20 per cent. These schemes are in many ways the best kind, because they balance a maximum of stick with a maximum of carrot. The Inland Revenue has been quite capable in the past of preventing schemes that involved too much discount in relation to the conditions on the incentive shares. That should be sufficient.

By contrast with all this, the new rules for stock options may over-encourage them. This is because the exercise price of the option has to be only 100 per cent of the share price at the time of issue for it to escape income tax and surtax. An option will be exercised if the share price goes up, and not if it goes down, so the owner of it should always be made to pay for it, as he is if he buys it in the market. The only companies that will prefer the more bracing atmosphere of a share-incentive scheme are those that want a high-risk situation, or those that have shareholders who insist on it. The former are probably not all that common, and the vigilance of shareholders is likely to be small, now that the Government has taken over the job of regulating schemes.

There is a major break with tradition under clause 116 to provide for the Customs and Excise and the Inland Revenue to exchange information with one another. But there is no hint that this co-operation will reduce duplication in the demands of the separate departments for the same information on different tax forms. However, confidentiality towards other departments will, happily, continue : there was one case of a betting shop allowed to count as an expense (wholly and exclusively incurred) the bribes paid to named police officers. The Home Office never got to know. Presumably, the officers had to be named so that income tax could be collected.

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What shall we do with Concorde . . .

Another of those meetings at which ministers routinely discuss the rising cost of Concorde, and whether they will authorise the necessary design changes that will put the cost up another few million (they always do), took place at Bristol on Thursday with Mr John Davies batting for Britain and M. Jean Chamant for France. But cost is no longer a material issue; governments are not concerned with whether the bill now stands at £900m or at £1 billion, compared with the £170m estimate put forward 11 years ago when the project was launched. Their immediate worry is with which airlines will buy it, and in what numbers. They have now authorised the building of 16 aircraft; 10 were already on the stocks and a further 6 were approved at the meeting.

They can safely assume that, provided Air France and the British Overseas Airways Corporation put Concorde into service—a matter that the governments can settle between them—some other airlines will do the same. But it is impossible at this stage to deduce how many; published order lists are meaningless because they do not commit the airlines. The usual assumption is that a Concorde service cannot be efficiently operated with fewer than six aircraft, which suggests immediate sales of 30-40 aircraft.

But it is also argued that individual airlines could get by with as few as two, which could bring the order book down to 10-12. It would be even smaller if American airlines were allowed by their Administration to join a pooled, North Atlantic Concorde fleet. Studies done for the British Government show that such a fleet, operating about six aircraft, could pay its own way although it would play havoc with the economics of some of the other services. The Americans are not, at the moment, allowed to join. But the only way of testing these figures is to see what a last, officially backed sales drive will produce in orders that are signed and sealed with money down. The drive starts this summer.

Granting a certificate of airworthiness for Concorde has not become a serious issue yet, but Americans are waiting with some interest to see the standards the British and French will prescribe for it. Many Americans assume that Concorde, with its present handling properties, could not get a British certificate unless new rules are laid down for supersonic airliners that are less stringent than those applied to ordinary jets. But as the Americans consider British requirements are unnecessarily strict, they are not scandalised by the thought that this might happen. Under the existing American licensing rules, Concorde would have less difficulty getting by.

. . . now we've settled RB 211?

The British Government may have thought that at least one incubus was off its hands when Rolls-Royce began delivering production jets to Lockheed, and Lockheed turned the first completed Tristars over to the first customer, Eastern Airlines, which intends, very cautiously, to start flying the aircraft next month. Other customers are going slower and postponing the introduction of their Tristars until the middle of the summer, but at least the worst looks over, and all those sharp-toothed arguments with the airlines are no longer over whether the engine will work, but over the old routine doubts about whether Rolls-



Tinkering gets expensive

Royce can put some more of its old, bad habits behind it and provide airlines with the technical back-up of spares and servicing that they regard as theirs by right.

But you do not get shot of so enormous a crack-up as Rolls-Royce's quite so easily. Back to London after Easter came Mr Dan Haughton with a request that the British Government help him out yet again. Mr Haughton wants a bigger RB 211 so that he can develop a longer range Tristar that will compete with the long-range DC 10 that McDonnell Douglas is already selling (both jets started as short- to medium-range aircraft but are being talked of for flights from London to Los Angeles). The engine can be built, but it could cost the British Government at least £20m and possibly a good deal more. There is some tinkering that can be done to the existing RB 211 which will put its power up to close on 45,000lb of thrust; this tinkering has to be done anyway in order to get it up to to its original, promised performance under all weather conditions. Beyond that, the work and the sums get bigger.

Rolls-Royce could make the RB 211 into an engine that gave close on

50,000lb under ideal (ie, not very hot weather) conditions, and around 46,000lb-47,000lb in all weathers, if the basic engine remained much the same, but the fans that shift the air through it are enlarged at the front. This would mean a bigger diameter engine, hung from the aircraft on bigger diameter pods. It is a large engineering job but not a complicated one. The Government will almost certainly put up the money.

There remains the problem of who will buy the bigger Tristar, and here Mr Haughton is looking yet again for British help in the form of an order from either or both British air corporations. British European Airways is the obvious customer, but BEA does not want to commit itself to ordering anything for another 12 to 18 months. Mr Haughton wants his order now, in order to impress other customers and make it easier to raise the $75m he needs to develop his end of the long-range Tristar. The British Government shows signs of thinking that in salvaging the RB 211 for him it has done all that conscience required. It probably has.

Steel

New broom, new plan?

One victim of the Government reshuffle is the master plan for the steel industry which was to have been announced this week but which has now been put off until the new Minister for Industry, Mr Tom Boardman, has had time to learn his brief. This is the fourth plan for the industry's long-term reconstruction that has been prepared since steel was renationalised and it has already gone through several drafts. The British Steel Corporation probably welcomes this opportunity to put it through at least one more draft because with each round the corporation is convinced that it manages to extract a little more autonomy, and the civil service gives a little more ground. And when the chairman of a nationalised industry is as subject to day-to-day intervention from Whitehall as Lord Melchett even the littlest helps.

Not all the recent interference can be laid at the door of the departing Minister for Industry, Sir John Eden, although the corporation cannot be sorry to see him go. Any hope that the Government would authorise the construction of a green-field, deep-water, showplace of a steel site has been given up long ago, but this still leaves a huge area over which the corporation thinks it should have more autonomy and a large section of Whitehall does not. The two biggest points of controversy are over Whitehall's suspicions that the corporation is abusing its monopoly powers—this explains some recent Government decisions about steel prices—and issues that involve the closing down of uneconomic plants. At the present rate of unemployment, the Government is unlikely to allow any closures for the next 18 months, for a start. And at the same time Whitehall's attitude to foreign investment is notably friendly. Local reports have it that the Norwegian Christiania Stiververk company, which was first refused permission to put a mini-mill in the west Midlands, now has the go-ahead.

Strikes

In the hot seat

The unions gave the new Secretary of State for Employment, Mr Maurice Macmillan, a right royal welcome in his first week of office. While the railwaymen were deciding how best to disrupt the railways, engineers in Manchester continued their three-week-old campaign of strikes and sit-ins, dockers in Liverpool decided to ignore the National Industrial Relations Court order to stop blacking lorries, and the first major confrontation under the new Industrial Relations Act was only temporarily shelved by a studied display of moderation by the Heaton haulage company, which decided to hold up its action against the transport workers for £400 damages by at least a week. The British European Airways pilots continued their go-slow, to very little, if any, effect.

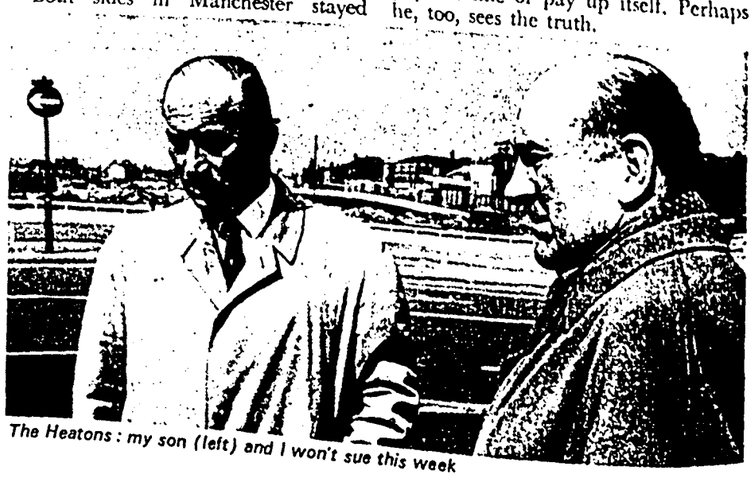
Both sides in Manchester stayed poker-faced this week, although there were a few signs of restlessness. The local employers began privately asking the national Engineering Employers' Federation to try to get national talks going again. But the EEF wants the unions to sweat it out.

At the last count there were 19 sit-ins, six lockouts and two strikes. Over 90 per cent of firms are still unaffected. But the sit-ins are gaining momentum. British Leyland workers at Cowley thought it might be fun to give the sit-in a try when 2,850 of them were sent home because they were disrupting production to push a claim.

At Liverpool's docks, the men voted to go on blacking lorries, as part of a campaign to save their jobs, although the local Transport and General Workers' official had advised them to stop the blacking. Had the TGWU swallowed its pride and sent a spokesman to the NIRC, it could have argued that because it had tried to stop the blacking it was not responsible for the men refusing to obey the court order. If so, the court could even have thought again about the £5,000 fine.

On Wednesday the court confirmed the fine. If it is not paid within three weeks, the fun will really begin. The NIRC is legally bound to issue a writ of sequestration, which will confiscate everything that the TGWU owns right down to Mr Jones's desk. The commissioners of sequestration, which would be appointed by the court, then decide what to do with it all. Most of it would be only temporarily confiscated, but it would show that the law has teeth.

Mr Jones decided on the same day to seek advice from the Trades Union Congress. It looks as if he hopes that the TUC will accept that Mersey is a special issue and either allow him to pay the fine or pay up itself. Perhaps he, too, sees the truth.



The Heatons : my son (left) and I won't sue this week

NATIONAL AND GRINDLAYS HOLDINGS LIMITED

National and Grindlays Holdings is the vehicle through which the public can participate in the activities of the National and Grindlays Bank Group; the shares of which are held as to 60% by National and Grindlays Holdings Limited and 40% by First National City Bank—New York. The Directors have proposed the payment of a final dividend of 9% making with the interim dividend of 7½% a total dividend payment for 1971 of 16½% (1970 15%).

Reporting from the world

National and Grindlays Bank Group

Geographical distribution of profits

	% 1967	% 1968	% 1969	% 1970	% 1971
United Kingdom	59	56	56	61	55
Asia	30	31	24	25*	27*
Africa	11	13	11	12	18
Mediterranean and Middle East	–	–	9	2	–
	100	100	100	100	100
In £000's	£1,390	£1,502	£2,101	£2,948	£4,161

*Including Group Interests in the Far East.

Results	1971	1970
Capital and reserves (including loan stock)	£53m.	£50m.
Shareholders' Funds	£38·6m.	£38·1m.
Deposits	£850m. (£884m.*)	£817m.
Advances	£454m. (£476m.*)	£478m.
Cash—short term funds and at Bankers	£273m.	£227m.
Consolidated Profit after Tax before exceptional items	£4,161,000	£2,948,000
Increase in general provision for doubtful debts	£2·5m.	Nil

*The equivalent amount at the 1970 rate of exchange.

In his Statement to the Shareholders of National and Grindlays Bank Limited the Chairman, Lord Aldington, said:

Progress in 1971

The principal reason for the sharp increase in the trading profit between the two years was the steady improvement in management efficiency, which enabled us better to respond to market conditions and so to secure better margins in most areas of the Group's banking business.

The return after tax on shareholders' funds has now increased to 10.8% compared with 7.7% last year. The overall rate of taxation paid on the Group's trading profit remained around 52%.

As our business has expanded, and the type of facility granted within the Group has been extended from those traditional to the old exchange banks, so the risks have altered. By increasing the geographic area of our operations, we have tended to broaden our base and to reduce the threat to our profits from a disturbance, whether economic or political or both, in any one country. But some aspects of the various types of business introduced into the Group in recent years have increased our risk—and more so than we had anticipated when we established the basic provision for bad and doubtful debts on the adoption of the principles of disclosure for the 1970 accounts. The Profit and Loss Account for 1971 has borne substantially larger charges for bad and doubtful debts than either 1970 or any of the previous years. These charges were calculated on the average of the experience in the current year and the preceding four years.

Last year I indicated that the amount of advances as shown in our Consolidated Balance Sheet was the total of our advances reduced by an amount which we thought adequate on the basis of past experience to provide for bad and doubtful debts. This general provision was established out of formerly undisclosed reserves. After a further careful review we have decided to increase that provision by £2.5 million. This now requires a transfer from our disclosed reserves which, together with other charges to our reserves is recorded in our Consolidated Profit and Loss Account statement in accordance with modern practice. With this significant topping-up the general provision will cater for the steady increase in advances and other risk assets for which we plan. Measures are in hand better to control the risk. The uncertainties which are bound to attach to any bank whether national or international following upheavals such as have been experienced in Bangladesh are well covered by the earlier provisions and the Bank's reserves.

Asia
The Bank's business in India and with India has been well maintained and well run
Our branches in Pakistan continue to be managed efficiently and I am glad to report that there has been some increase in our business
The Merchant Banking Division started operating in Karachi in May 1971.
I expect to be able to include in my statement for 1972 an encouraging report on the progress of the Bank's business in Bangladesh

Africa
Both Kenya Commercial Bank and Grindlays Bank International (Kenya) had good results to show in their first year.
Grindlays Bank (Uganda) is now again a subsidiary of the Bank, with 51% of its shares owned by us and 49% by the Government of Uganda. Grindlays Bank International (Uganda) has just started in business
Grindlays Bank International (Zambia) Ltd was incorporated towards the end of 1971.
In Nigeria we watched with special interest the success of Nigerian Acceptances Ltd., which is now part of Financial Holdings (Nigeria) Ltd
We have 30% of the shares of the National Finance and Merchant Bank Limited in Ghana

Middle East
1971 was a year of considerable consolidation within our organisation throughout the Gulf.
Our associate, the Bank of Bahrain, had a satisfactory year and another associate, the National Bank of Dubai, is building up a strong banking position
Our associated bank in the Lebanon, the Société Nouvelle de la Banque de Syrie et du Liban, continues to occupy a predominant place in a very large banking community

The Far East
Dao Heng Bank, in Hong Kong, has had a splendid year.
We received permission in the latter part of 1971 to establish a Representative Office in Tokyo. I expect this office to be opened shortly

Europe
Banque Grindlay Ottomane S.A. has a good base for expanding business

United Kingdom
The sterling lending business in London has been able to grow healthily. Our Eurocurrency operations continued at a high level.
In merchant banking, both the Company Finance Department and the Industrial Department increased their activity
Good work has been done in reorganising Cox & Kings Limited and rationalising the travel business of the Group

Our Principal Asset—Men
We have in the Group, a variety of skills, attitudes, temperaments and experiences. We are now tackling the problem of how best to prepare the right men for the many different new jobs which we know we shall have to fill in the next few years
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Electronics

Indoor sports

Philips and Motorola may give the British video cassette market the jolt needed to get it off the ground this year. Launched initially by the Columbia Broadcasting System in 1967 as electronic video recording, the cassette system has been a near-flop even in industrial and educational markets, and a total flop in home entertainment.

The CBS announcement was followed fairly quickly by claims from other companies that they were developing similar but more advanced systems. Some of these announcements were overhasty, and technical problems led to many proposed launch dates being passed, with customers still waiting in the wings. Most manufacturers had high hopes of a vast consumer market, but fate decided otherwise. The original EVR system is based on an instrument which can play back specially prepared cassettes on an ordinary television set, but cannot record material itself. The cost of the teleplayer, at nearly £400, has kept it well outside the mass consumer bracket.

In America Motorola was granted an exclusive licence to manufacture the CBS equipment and started delivering sets in the middle of last year. To date it has invested about $50m and delivered about 1,800 systems, nearly half of them exported.

The original British licensee, Rank Bush Murphy, only started delivering in January of this year and so far has sold only about 100 sets. Production is running at about 20 a week and the company cannot even guess when its planned 200 a week will be reached. Meanwhile the Motorola system will be in British shops by August.

Competition may well bring prices down, especially as Japanese manufacturers are expected in Europe soon. But the problems of EVR do not end with the price of the teleplayer. Last December, CBS decided to close its programme-making facility at Rockleigh, New Jersey. From next July the only place in the world recording programmes will be at Basildon, a partnership between Imperial Chemical Industries and CIBA-Geigy. CBS's decision did nothing to boost confidence in the future of the EVR system.

At this point, a do-it-yourself cassette system is being put on the market next month by Philips. The main advantage claimed against the EVR system is that it makes its own direct recordings from a television set on to ½-hour, ¾-hour or 1-hour magnetic tapes, with playback in colour or monochrome. Agreement has been reached with the major television set manufacturers throughout Europe to incorporate plugs for it in their sets.

This Philips package consists of the recording mechanism, a tuner and a clock for robot recording. Since it was announced, the price has gone up, but at £298 it is still in the consumer bracket. The three cassettes cost £11, £14 and £17, but the tapes can be reused for up to 500 programmes. At least for the present, Philips appears to have the best prospects of getting the market to take off.

House prices

How much higher?

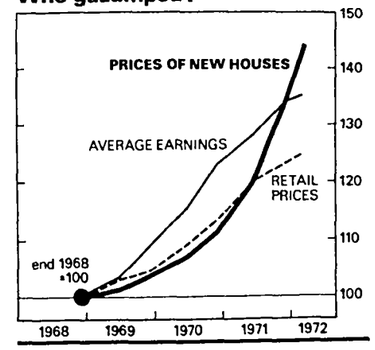
New planning procedures were announced on Wednesday that will speed up the release of building land, the price of which is being blamed for the rocketing prices of houses. These rose by 7 per cent in the first three months of this year, according to the latest figures from the Nationwide building society, a further acceleration after the 6 per cent increases in the two previous quarters and nearly twice as much as in the early part of last year. In some areas, reality is much more depressing than the Nationwide figures suggest. In London and the south-east, the average new house now costs over £10,000. Late in 1970, it could still be had for just over £6,500.

What has risen sky-high is the cost of land. The site value of that same imaginary average London and south-east house late in 1970 was 28 per cent of the total price; by early this year the proportion had risen to a full third.

How much longer can prices keep shooting up at this rate? One theory is that house prices took their time to react to the large increases in earnings of the past couple of years, and are now catching up with a vengeance. They will not be able to run ahead of earnings indefinitely, and so should eventually level out again. This assumes a fairly rigid relationship between earnings and the amount of mortgage credit a housebuyer can raise. But for the past year or so such credit has been very easy to get, and remarkably flexible.

But there are now warning signals that building societies may become less generous. First returns for the January-March quarter suggest that, although investors' money is still rolling in at a fairly heavy rate, withdrawals are sharply rising, too, so that net receipts are well down. Although the societies continue to lend at record levels and carry heavy forward commitments, they will clearly have to cut back soon.

Who gazumped?



Key indicators: British economy

	Month	Index 1963 = 100	Percentage change on previous month	three months	one year
Industrial production*	January	124.4	+0.4	−0.2	−1.9
employment*	January	89.8	−0.1	−1.1	−4.7
productivity*	January	138.5	+0.5	+0.9	+2.9
Export trade*‡	February	148	+1	+5	+7
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	February	112.1	−0.9	−0.7	+6.2
Unemployment*	March	176.6	+1.6	+3.7	+33.2
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	February	154.2	+0.5	+1.6	+8.1
Export prices	January	148	nil	+2	+7½
Import prices	January	135	+1½	+1½	+7

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *International*

Currencies, SDRs and all that under a Chilean sky

Santiago's hotels and much else besides are bursting unceremoniously at the seams. For Chile's capital has been invaded by battalions of delegates from 135 countries, United Nations officials and countless hangers-on—perhaps 3,000 all told—settling in for the five-week United Nations Conference on Trade and Development which started on Thursday.

What can this assembly hope to achieve ? It is true that Unctad offers the less-developed world its best opportunity of presenting a united front to the rich countries, see *The Economist*, March 18th (Business Brief, page 72). But the 2 billion people who live in the 96 developing countries represented in Santiago this week do not speak with one voice. The poorest among them are sharing only to a very limited extent in economic growth and, although a score of countries are doing relatively quite well, their own poorest parts are not. If the have-nots are now divided among themselves, on the other side even the International Development Association, the World Bank's soft-loan agency, could be in danger of letting the least-developed down ; deplorably, the United States has not yet ratified its key contributions to the new replenishment of funds: $320m out of the proposed total of $813m a year.

The developing countries do seem agreed to a man on one grievance: that whenever the world's money system gets rejigged they get hurt. Their reserves were hit by last December's dollar devaluation and they are hugely suspicious of the wider band adopted for currencies, which requires, they say, an expertise in foreign exchange dealing which they lack. They are clamouring, therefore, for a say in the promised long-term reforms of the system. More down to earth, they will press at Santiago for a link between the International Monetary Fund's special drawing rights (SDRs) and development finance, and nothing short of a formalised link, which would require changes in the IMF's articles of agreement, seems to their taste.

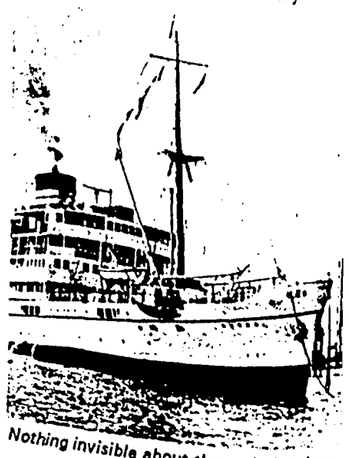
It is ironic that the developing countries are now pushing for the International Monetary Fund, long thought of as the rich countries' club. But everything in this life is relative ; the Group of Ten industrial countries dominates the world's financial system and it is this select club that the developing world wants to get at by building up again the IMF's much-diminished authority. Equally ironically, the developing countries seem to have an ally in the Americans, in at least wanting to enlarge the Group of Ten (although not to build up the IMF) ; for since the British changed their spots the Group of Ten is dominated by the Europeans.

Undismayed by all this jockeying, the Group of Ten expects to go on as before. A meeting of the deputies seems likely in June, in Paris. Its first priority will be to agree on the next allocation of SDRs, due on January 1, 1973. This allocation will probably be no more than a token one, perhaps $750m a year ; at the same time, some way *might* be found of shelling out these SDRs to the benefit of the less-developed, perhaps giving them proportionately more than average, or perhaps even the lot. As to longer-term reforms, maybe even these officials feel that it is not their lengthy deliberations that will secure them, but the breakdown of the December 18th agreement in the market place. Although currencies have quietened under the yoke of exchange controls, the yen, for one, was 2 per cent above its central rate this week.

In the meantime, in the midst of the Santiago meeting, the common market countries will introduce, on April 24th, the narrower band for their currencies against one another, the "snake within the tunnel." To the outside world, looking beyond the technicalities, it will be seen as a move towards a European regional system, for it is quite likely that other continental countries will eventually join in. The less-developed world can only feel more out in the cold.

Battle at sea

Much will be heard, among other things, about those two old favourites of Unctad—shipping and insurance—and the active head of its invisibles division, Mr W. R. Malinowski. Unctad discussions about insurance have progressed a good way from the fantasy world in which they were originally conducted, with many developing countries complaining that it represented a huge and unnecessary outflow of funds, and the rich countries (and Britain and America in particular) insisting that everything their insurers did was in the best interests of the developing world, so that they must



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enjoy total freedom of action there—although insurers have anything but freedom in developed countries.

The developing countries now recognise that their best bet is to develop their own local insurance markets and set up their own reinsurance companies to exchange business among themselves and eventually to cover risks in rich countries. For this they need technical help, which they are getting from or via the Unctad secretariat. Argument still rages on small points of ludicrous obscurity, but on the big issues Unctad has produced something of a consensus.

Yet shipping looks like being the subject of a quite needless confrontation. Controversy has centred on the liner trades, where crucial decisions on freight rates and the sharing of business are taken within the conference system, which is dominated by the lines of the traditional maritime countries. Developing countries have complained loudly that the structure of freight rates discriminates against their exports, that they are not consulted when changes are made or, indeed, regarded as having a right to be consulted, and above all that their lines are shut out of much of the trade by the conference system, leaving them about 8 per cent of world seaborne trade in their ships (excluding Liberia and Panama), even though 40 per cent of it involves them.

Since the early 1960s, when these charges were first levelled, the conference system has been reformed considerably, thanks mainly to the pressure exerted by the American Federal Maritime Commission. Governments are now consulted over freight rates, less is heard of charges of discrimination against exports, and the national lines of the developing countries now belong to most conferences. Nevertheless considerable discontent remains. Admission to conferences is still often refused on grounds that may be justified, but may not. Within conferences a developing country's line may be allowed to share in the trade to and from its own ports but not the cross-trade between other countries covered by that conference. Above all, the conferences still insist that their affairs are their own, that disputes over admission, sharing the trade, and over freight rates should be settled in cosy discussions with "leading" shippers (ie, those in industrialised countries). It is this philosophy that is enshrined in the code of practice for conferences, belatedly drawn up by the Committee of European Shipowners' Associations, and officially endorsed last winter.

Irish power strike

Black Wednesday

Dublin

The Irish government is now giving a lesson to London and other places on the right way to handle a power strike. An unofficial strike of 650 key generating station workers is causing the worst power crisis since the state electricity supply board was set up in 1927. The 820,000 electricity consumers have been rationed to 10 per cent of normal requirements and power is available for only 3 hours out of every 24. By the end of the first day it was estimated that 95 per cent of industry had closed down and tens of thousands of workers were sent home. Thousands of telephones were cut off, city traffic was jammed as traffic lights went out, highrise flat-dwellers had to walk up stairs.

The electricity supply board is feeding available supplies to key services and then to each area of the country on a rotating pattern. The country has been divided into 36 districts and, so far as possible, advance warning of cuts is given on special radio bulletins.

The strike is organised by the unofficial shiftworkers' association, whose members look after the boilers and turbines in the republic's 28 generating stations. The men also belong to five different unions, all of which officially oppose the strike. The strikers are seeking status increases of £3-£4 a week and the replacement of the present weekly wage by an incremental salary scale. The claim has failed at all levels of negotiation, the industrial council for the industry having proposed that incremental scales for the electricity board's 12,000 workers be introduced on April 1st next year.

The ESB has a poor history of industrial relations, but many improvements were introduced after a committee of inquiry's recommendations last year. The strike is in breach of a domestic agreement within the ESB and also of the national wage agreement. Coming on top of the present tourist debacle and a rapidly worsening economic situation, a protracted strike would cause very severe damage to the economy. But the government cannot afford to capitulate without the whole concept of the national wage agreement being discredited. It is therefore not likely to intervene as a peacemaker. It fears that such action would inevitably blow up all future disputes to the point at which they would all refuse to settle without government action. What it may do is to bring in the army to operate the boilers and turbines, although the British view has always been that the damage to power stations and soldiers alike would be worse than the blackout. The Irish TUC may, however, have saved the government the trouble since it instructed trade unionists on Thursday afternoon to be ready to go in and run the generators if the strikers had not gone back to work by 4 pm. No one took a blind bit of notice, neither the strikers nor the other engineers, but Ireland is not a country where this sort of thing is likely to be done in a hurry.

A Japanese broker's report chose this, of all weeks, to say that it was the best Western country to invest in.

Computers

What hurts IBM

The day that customers throw out equipment supplied by American International Business Machines and replace it with plant manufactured by relatively small independent suppliers is not quite as rare as it was. A big London computer installation has discarded £1m worth of ancillary IBM equipment and replaced it with technically more advanced (and probably cheaper) plant from an

Key indicators: world commodity prices

Sugar

The world price of raw sugar on the London market has tumbled to £65 a ton from £90 only 5 weeks ago. Speculative buying which, together with large block deals with Russia and China, had helped to push the price earlier to dizzy heights, has largely died away. Brokers are now cautious: the price could settle at an even lower level.

	Index 1963=100 Apr 5	Apr 12	Percentage change on one month	one year
All items	129.7	128.1*	− 2.0	+ 4.2
Food	142.7	139.1*	− 4.6	+ 5.1
Fibres	98.7	99.0*	− 0.3	+24.2
Metals	188.1	187.7	+ 0.6	−11.4
Misc	112.2	112.3*	+ 4.2	+ 5.3

**provisional*

independent manufacturer, the biggest throw-out of its kind to take place in Britain. The growing power of these independent equipment makers, who do not manufacture computers but specialise in the peripheral equipment that works with them, is beginning to worry the big manufacturers, and IBM is feeling the results first because it is the biggest.

When they were really small and lived mainly by undercutting IBM with equipment that was a replica of the standard IBM design, the independents only made inroads that could be shrugged off. But they have proved a tough breed, and many of them are now technically ahead of IBM in their chosen fields. Some, like Potter Data Systems, have successfully sued IBM for infringing their patents, while others are beginning to tamper with the roots of the whole IBM marketing structure.

All IBM's computers have limits to the amount of work they can do, and these limits are fixed in such a way that, once beyond a certain point, the whole installation has to be replaced by the next up the scale. If, by adding on attachments here and there, customers can get one or two years of extra work out of an installation, the effects on IBM's cash flow would be dramatic. And the development of add-on memories by a number of independent manufacturers is threatening to do just this. IBM had threatened to boycott customers who buy these extra memories by refusing to service their equipment, until legal action made it think again. But the computer business is looking less rigidly monolithic and monopolistic than it did.

Australia
Papua New Guinea

Chronic inflation and industrial unrest are promoting the Australian government's unpopularity. With a November election probable, the Labor party is optimistic. Can Mr. McMahon win back favour?

An analysis of the Australian situation and Papua New Guinea's political tangle and sudden drop in traditional exports is given in the EIU's latest QER.

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Luxemburg

Steel's tough

The slump in steel profits is not confined to Germany. Arbed (Aciéries Réunies de Burbach-Eich-Dudelange), which accounts for 45 per cent of Luxemburg's total industrial output, 25 per cent of the gnp, 65 per cent of exports, and employs close on half the total labour force, is expected to report a drop in profits of 75 per cent or so in a few days.

In Germany, Hoesch has now reported a 75 per cent drop in profits to £6.8m, coming on the heels of August Thyssen-Hutte's drop of 70 per cent (to £7.6m) and Klockner Werke's of 71 per cent (to £2.4m). When Estal, Hoesch's new joint company with (Dutch) Hoogovens, comes into being, it will displace Arbed as Europe's third largest producer after Thyssen and British Steel, assuming always that the Hoesch shareholders approve the merger in May. Meanwhile, Dr Hans-Günther Sohl, Thyssen's managing director, forecasts that German steel output in the current steel year (which runs to September) is expected to be down another 6 per cent, following the 7 per cent drop in 1970-71.

None of this makes happy news for Luxemburg. Far from the coast and using coal from the Ruhr and ore from Lorraine, Arbed is not well placed to cope with a serious glut. Any drive to raise productivity and cut labour costs would be less easy to absorb in Luxemburg than the Ruhr. Luxemburg has already been campaigning for new foreign investment and alternative work for some years. So far it has netted a fair string of American firms, with Goodyear (about to double its output of motor tyres and triple that of aircraft ones) the most conspicuous but including Du Pont, Monsanto, Uniroyal, General Motors and Canada Dry. Not everybody in the capital of the Grand Duchy is happy about so large a concentration of industrial power, and American industrialists were not pleased when Luxemburg unions starting making noises about co-ownership. Hence the switch of emphasis towards wooing European firms and British ones (now supposedly poised to invest all over Europe).

To this end Luxemburg offers the predictable package of grants and other incentives: cash grants up to 15 per cent, exemption from 25 per cent of corporate taxes for eight years on new investments, loan guarantees, subsidies for the interest on money borrowed for investment, research and development and training, and further tax credits on top of normal depreciation allowances. Unlike the extensive Belgian incentives, however, this package has not been criticised as over-generous by the Brussels commission. The employment it has generated has been relatively small so far.

Glassmakers

Fragile

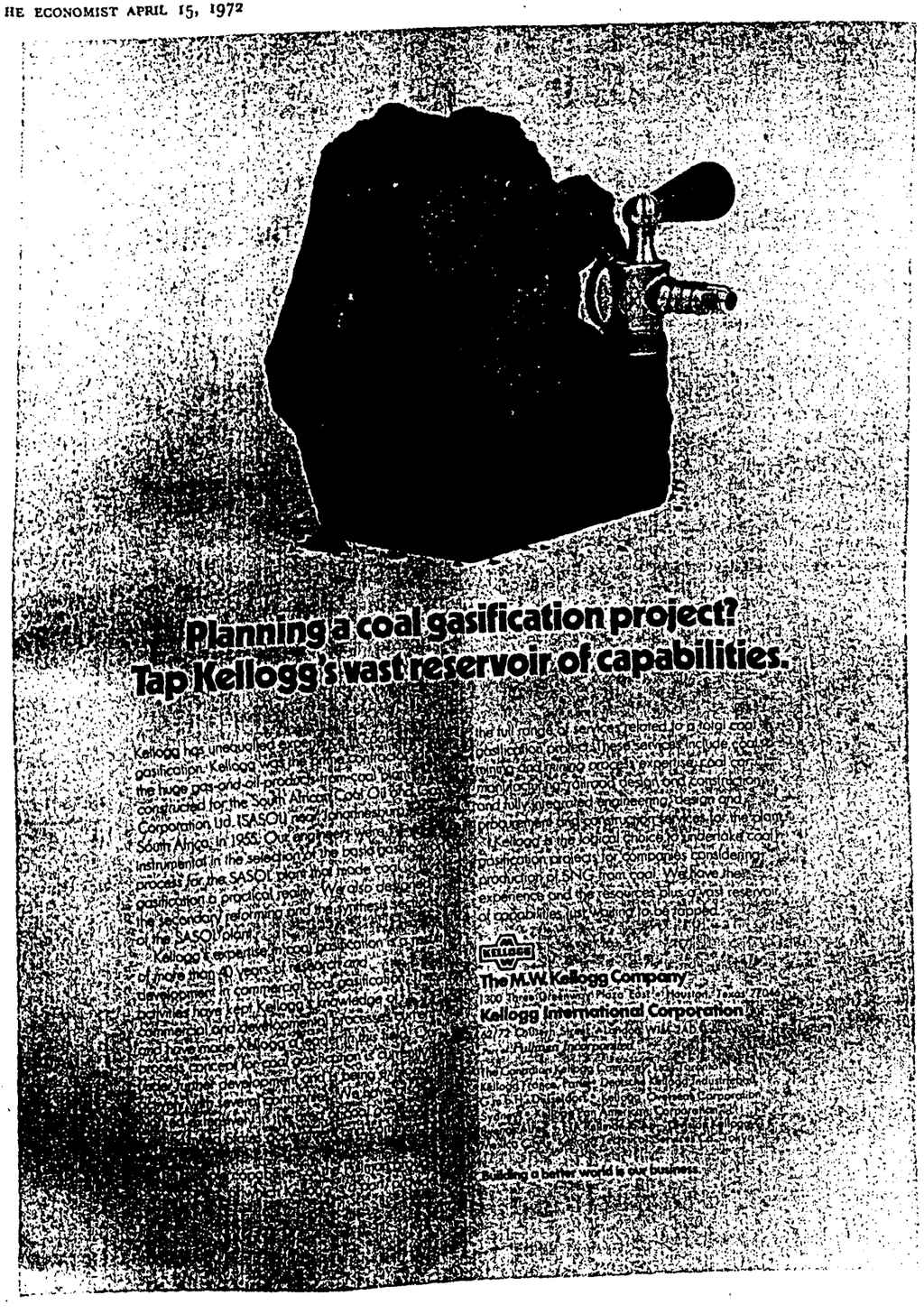
Paris

Glaverbel, the largest Belgian glassmaker, which has the unpleasant task of telling shareholders that there will be no dividend because its 1971 net income dropped by 41 per cent, has also let it be known that it needs money. The two largest shareholders are Belgian holding companies, but leaving aside the possibility of a purely Belgian rescue operation, which at the moment seems unlikely, there is a strong possibility that one of two rival French glassmakers which are also shareholders in the company will have to cough up some cash to finance Glaverbel's ambitious investment.

The two are St-Gobain-Pont-à-Mousson, which owns, through a Belgian subsidiary, 17 per cent, and Boussois-Souchon-Neuvessel (BSN), which owns 25 per cent. In 1970 St Gobain, one of the largest French companies, bitterly fought off a take-over bid by BSN, a smaller glassmaker, only to be pushed into a merger with Pont-à-Mousson by the Suez group, a major stockholder in both.

The merger was an excellent one as St-Gobain, despite its size, was not doing well. In 1970 it lost £460,000; in 1971, after the merger, profits came to about £3½m. The combined company has eggs in a fair number of baskets (glass is still 40 per cent of its business), but it has been steadily divesting itself of marginal or unprofitable activities, has pushed further into new fields like fibreglass insulation, and has regained the confidence of the bourse. Since the beginning of the year, shares have risen from a low of Fr128 to approximately Fr180.

Although Glaverbel is talking with both companies, the most likely tie-up, in French eyes, is with St-Gobain's Belgian subsidiary because St-Gobain, rather than BSN, is already deeply involved in produoing float-glass, both in Belgium and Germany, and Glaverbel, for the moment, has only one small float-glass plant.



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THE COMMERCIAL BANK OF KUWAIT S.A.K.

STATEMENT OF CONDITION AS AT 31st DECEMBER 1971

(KD.1 = £1.167)

LIABILITIES	*Kuwaiti Dinars*
Capital Authorised and Paid Up 400,000 Shares at KD.7.500 each fully paid	3,000,000
Statutory Reserve 599,746	
General Reserve 2,500,254	3,100,000
Profit and Loss Account	59,866
	6,159,866
Current, Deposit and Other Accounts including Contingencies	126,135,586
Dividend – Provision for Proposed Payment	450,000
Directors' Fees – Provision for Proposed Payment	22,800
Liability on Confirmed Credits, Guarantees and Other Obligations as per Contra	17,893,307
KD	150,661,559

ASSETS	Kuwaiti Dinars
Cash and Balances with Bankers	12,545,685
Money at Call and Short Notice	17,636,297
Negotiable Certificates of Deposit	8,933,806
Quoted Investments at Market Value:—	
Foreign Government Securities —	
Other Securities 1,961,364	1,961,364
Deposits with Banks and Industrial Bankers	59,188,913
Loan guaranteed by the Kuwait Government	2,600,000
Advances to Customers, Bills Discounted and Other Accounts	28,079,022
Unquoted Investments at Cost	445,468
Bank Property at Cost less amounts written off	1,377,697
Customers Liability on Confirmed Credits, Guarantees and Other Obligations as per Contra	17,893,307
KD	150,661,559

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1971

	Kuwaiti Dinars
Profit for the year ended 31st December, 1971 after charging all expenses and making transfers to provide for contingencies and depreciation of assets	996,812
Balance brought forward from previous year	60,854
	1,057,666

	Kuwaiti Dinars
Transferred to Statutory Reserve	99,681
Transferred to General Reserve	425,319
Dividend – Provision for proposed payment of 15% (KD.1.125 per share)	450,000
Directors' Fees – Provision for proposed payment	22,800
Balance Carried Forward	59,866
	1,057,666

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Apollo 16's counting down



It took engineers three days to get the better of a leak in one of Apollo 16's pressure tanks that threatened, at one point in the week, to cause yet another month's postponement of a flight to the moon that had already been put back one month by a rash of minor technical troubles; the Apollo rockets have been in store a long time and are showing their age. But late on Thursday the launch still looked set for Sunday. The timetable is a tight one; there is a slot of barely three hours during which a rocket launched then from Cape Kennedy has any chance of landing in the moon's Descartes highlands, and another suitable three-hour slot does not come round for another month.

Unless the Descartes area is full of surprises, it will not be an epoch-making flight. The National Aeronautics and Space Administration can be a painfully bureaucratic organisation and it chose the Descartes highlands for this Apollo mission at least two years ago, when scientific priorities on the moon were quite different. It has steadfastly refused to change its plans, on the grounds that it takes a long time to prepare and map a moon mission, and plans cannot be altered at short notice. Scientists have noted, nevertheless, that the flight of Apollo 17, planned for December (and the last that the Americans will make to the moon for perhaps 20 years), is being set up in less than 12 months. This makes them regret that Nasa has stuck so rigidly to its choice of the Descartes area, which they do not expect to be so very different from the two highland sites already visited.

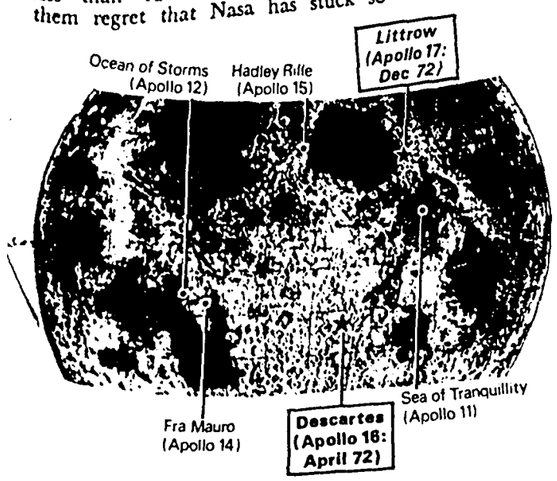
Available photographs of the landing site are of such poor quality that there may yet be more to Descartes than meets the eye; there is certainly more than the astronauts, Captain John Young and Lieut-Commander Charles Duke, are aware of now, because the pictures they possess of the place where they are expected to bring down Orion reveal nothing less than 200ft across. One of the cameras that had been intended to map the site for them went out of operation during Apollo 15's flight, as the camera did on Apollo 14.

They are due to stay longer on the moon than any of the previous missions, for a total of 73 hours, which will allow them 21 hours actually working on the surface, split up into three missions. The business of motoring around collecting rock samples is getting steadily more methodical and so are the drilling and sampling tools, but since Nasa now has a relatively huge stockpile of moon rock on earth already, only a fraction of which has been allocated to research, the bringing back of rock is not the vital function it was. Much more important, on the second last mission, is the setting up of another small, scientific station which should go on working for years after the astronauts have left.

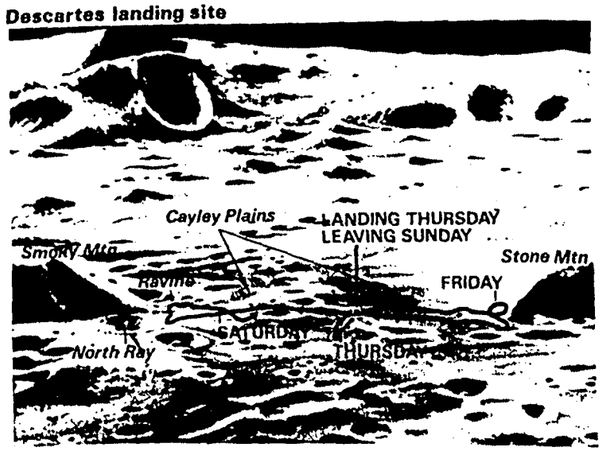
There are automatic stations working now on the Apollo 12, 14 and 15 sites, but the Apollo 12 complex is almost at the end of its life and the triangle these form is very narrow. An assembly left behind on the Cayley plains will give much better triangulation and, with the Apollo 14 and 15 sets, should work for about four years.

The Apollo 17 mission is, by contrast, one that scientists are desperately anxious to see completed, although the mission controllers take a more jaundiced view of it. In the Littrow-Taurus area, photographs have been taken of what look like relatively new craters, with black cinder rims that suggest volcanoes. It is also a site of vast landslides where entire mountain tops have slipped down the sides. Landing there would not only satisfy curiosity about the craters, it would allow scientists to collect what they knew without shadow of doubt to be original moon bedrock from the mountain tips without the ifs and buts always associated with previous old rock. The pictures of the Apollo 17 site are exceptionally clear, showing objects down to 3ft in size, and because they are so good the astronauts have been able to override the mission controllers' considerable misgivings about landing in a narrow valley between two 7,000ft peaks.

Assuming the pessimists are right about the relative unimportance of the Descartes area—although it does represent the kind of formation that makes up 15 per cent of the moon—the most important scientific work may be done by Lieut-Colonel Ken Mattingly, orbiting along above the moon in Caspar and making jokes about friendly ghosts (the original cartoon Caspar is beside the title). Motorised astronauts on the moon's surface cover at best only a few square miles, but the man in orbit above covers the entire moon and not only maps it photographically, he can get a fairly accurate chemical picture of the materials that make up the moon. It was Major Al Worden, alone in orbit, who discovered the cinder-covered craters that have decisively shifted the whole emphasis of research.



Descartes landing site



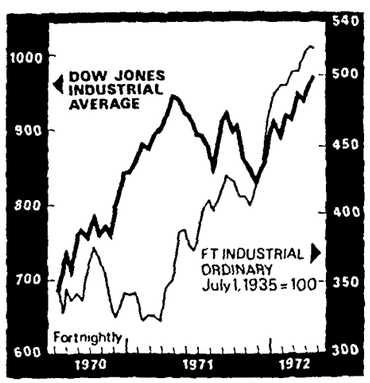
BUSINESS — *Investment*

To market, to market, to buy a fine share

New York

Hordes of investors have now joined Merrill Lynch, Pierce, Fenner and Smith in proclaiming their bullishness. But while the giant brokerage house launched its widely-quoted television expressions of confidence in Wall Street when business activity was at a low ebb last summer, the new disciples are responding to sharply improved first quarter company earnings and clear signs of a strengthening economy. Retail sales were a record in March, while the latest quarterly poll from the University of Michigan shows consumers markedly more optimistic about economic prospects.

Whatever the cause, Wall Street's rally in the past few days has been surprisingly vigorous in the face of renewed fighting in Vietnam. On Wednesday, the Dow Jones average of 30 blue chips advanced 4.36 points to close at nearly 967, up 12.5 points from the week before, and at its highest in nearly three years. The volume of trading, too, has been remarkably strong, exceeding 24m shares on the Big Board on Wednesday, following two sessions of almost 20m shares each. But on each of the three days trading in large blocks was relatively light.



Besides rediscovering ordinary shares, the non-professionals have been making considerable use of credit to finance their purchases, giving rise to speculative undercurrents. Since early last December, when the Federal Reserve Board cut minimum down-payments on stock purchases to 55%, from 65%, customers' debt to member firms of the New York Stock Exchange has soared by $1.27 billion, to a total outstanding of $6.18 billion, a near record, even by the end of February. Bank loans to investors (other than brokers) to finance stock purchases also bounded up, and by the end of March stood at over $6 billion as well, up nearly $2 billion, or 50%, in a year. Much as brokers ordinarily welcome relaxed credit for securities, some think that perhaps the market has now been visited by too much of a good thing. Since the monetary authorities have been moderating their former policy of aggressive monetary expansion, a complementary action by the Fed in the same vein could conceivably bring a new moderate increase in stock margins.

Not surprisingly, investors have concentrated their attention on companies that have just reported hefty quarterly profit gains or seem likely to do so. Thus, when **Columbia Broadcasting System** reported an 89% year-to-year profit gain for the March quarter, its shares rose nearly $3 to $58 on Wednesday. By the same token, **United Aircraft** registered gains of $6½ to $39½, after it estimated substantially higher earnings for the March quarter.

In contrast to such dazzling moves by ordinary shares, prices for longer-term bonds in recent weeks have continued on the downswing. This would not be unusual in a strengthening economy since better business ordinarily leads to greater capital demands by corporations, pressing downward on bond prices and upward on yields. Complicating the present situation, however, are the massive Federal budgetary deficits in prospect for both fiscal 1972, which ends in June, and fiscal 1973, and recently renewed inflationary worries. As a consequence, yields on quality corporate bonds have edged up to the 7.50%-7.60% range, the level of last August when inflationary fears were rampant. Some bond men expect that yields may move up to 8% and perhaps a bit beyond that in coming weeks and months. Some believe, too, that an 8% rate may prove to be more than the Administration will tolerate, especially if it threatens to rub off on yields on home mortgages, and could prompt the imposition of ceiling controls to keep the long-term rate from going any higher.

London market

The property bank

London has been holding steady around the 518 mark, as measured by the Financial Times industrial ordinary index, despite the threat of a rail go-slow. More attention than usual is being paid to European and American investment, and so it is rather surprising that the investment dollar premium has fallen from 30% to 20% in the past few weeks. The answer seems to be that investors are funding their overseas equities with overseas loans, and selling their investment dollars.

The most interesting development on the domestic front is the proposed merger between a fast-growing merchant bank group, **Keyser Ullmann Holdings**, and a property company with which it has long-standing links, **Central and District Properties**—a striking example of the way financial institutions are changing their spots. The price being paid seems a high one. The cash alternative values the property company at 290p per share, but the highest value that some experts

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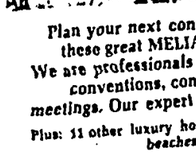
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are putting on the net property assets —which will presumably be revalued for the offer document—is a maximum of 250p, and the price of Keyser Ullmann shares shed 12p to 363p on Thursday after the announcement.

Since this merger has the blessing of the **Prudential Assurance Company** the natural reaction will be for the market to play Heather Jenner between all kinds of property companies and insurance companies.

Pergamon: another chapter

The affairs of Mr Robert Maxwell's Pergamon Press are taking the Department of Trade and Industry's two inspectors longer to clear up than they had expected, although the final report is in its last stages. They published a second interim report* on Tuesday, describing how Mr Maxwell first got into the encyclopaedia business in the years before he entered a joint company in partnership with the British Printing Corporation. It was that venture which was involved with the row with the American Leasco company that led to the DTI investigation.

A critical interim report on that joint venture was published last July; in strictly chronological order, it was really chapter two in the Pergamon business, and this week's report is chapter one. As before, Mr Maxwell's solicitors, Lewis Silkin and Partners, immediately instituted proceedings to have "this further tainted document set aside" and declared invalid. And, as before, the DTI has declared that its publication is "in the public interest."

Pergamon bought the Subscription Books Division of George Newnes at the end of 1965 for £1m, and 19 months later transferred it to International Learning Systems Corporation, the company jointly set up with BPC, at a valuation of just over £2m. By Pergamon's reckoning, the division made a profit of £757,000 over that period, but the inspectors are critical of the way these figures were arrived at. "Some kind of argument," they say, "can be advanced to justify what was done with each of the figures . . . but we find it surprising that any officer of Pergamon, who had anything to do with the accounts, should have carried self-deception to the length of believing that a true and fair view of the trading profit of Pergamon resulted."

They say normal trading profits of the business—of which Chambers's Encyclopaedia was the main product—were overstated and the sales proposals exaggerated, and "both must have had a material effect on the value of Pergamon's shares on the stock market; both must have had far reaching effects on BPC and its shareholders and both must have played a significant part in bringing the shareholders of Pergamon to their present unenviable plight."

Mr Maxwell was bullish about his acquisition, and forecast a satisfactory return on the £1m purchase price. He felt it had more potential than the International Publishing Corporation had been able to exploit, for the sales and trading profits of what was originally the Newnes SBD (subscription books department, or, in common English, door-to-door encyclopaedia business) and of its foreign subsidiaries had been going down. Mr Cecil King, who was IPC's chairman at that time, told the inspectors that he did not consider the business could be run profitably unless it used selling methods that he did not regard as ethical. Pergamon's accountants, Messrs Chalmers Impey, advised against buying and so did Ansbacher, at that time Pergamon's financial advisers. But, said Ansbacher's Mr Bruce Ormrod, "we were more or less told that Maxwell was the organ grinder and knew what he was doing."

The profits that Pergamon reaped from the business arose from such things as the release of £150,000 of bad debt provisions (accountants tend to take a poor view of the chances of recovering instalments on encyclopaedias once customers fall behind), £100,000 of stock revaluation, sales that should arguably not have been counted in until the books ordered had actually been delivered, and some simple bookkeeping errors. There were lengthy exchanges between the inspectors and the auditors, who had originally recommended hefty provisions against bad debts but later agreed to the release of part of the bad debt provision. "I must say quite genuinely," said the partner in charge of the audit, "that at the time it was a broad brush provision," although he agreed with the inspectors that it was a "material figure in relation to the profits of the period which was being discussed."

One justification for considering that the provision could be reduced was a number of non-recurring expenses inherited from Newnes, such as undertakings to keep on all staff for six months after the takeover. The inspectors only partly accept this argument and add: "In our opinion, Chalmers Impey did not have sufficient information to satisfy themselves that the remaining debtor provisions in respect of these debts were sufficient."

The inspectors also asked about two sales invoices, for a total of £115,000 and dated the day before the 1966 year-end, which came from two Maxwell family subsidiaries (the family company aspect should be explained in the final report), one based in America and the other in France. It was put to the then sales director: "There is only one reason for these two invoices, and you know it as well as I do, don't you?" When he asked what it was, the reply was: "To bring the profit from these sales into the year 1966 . . . what other explanation is there?"

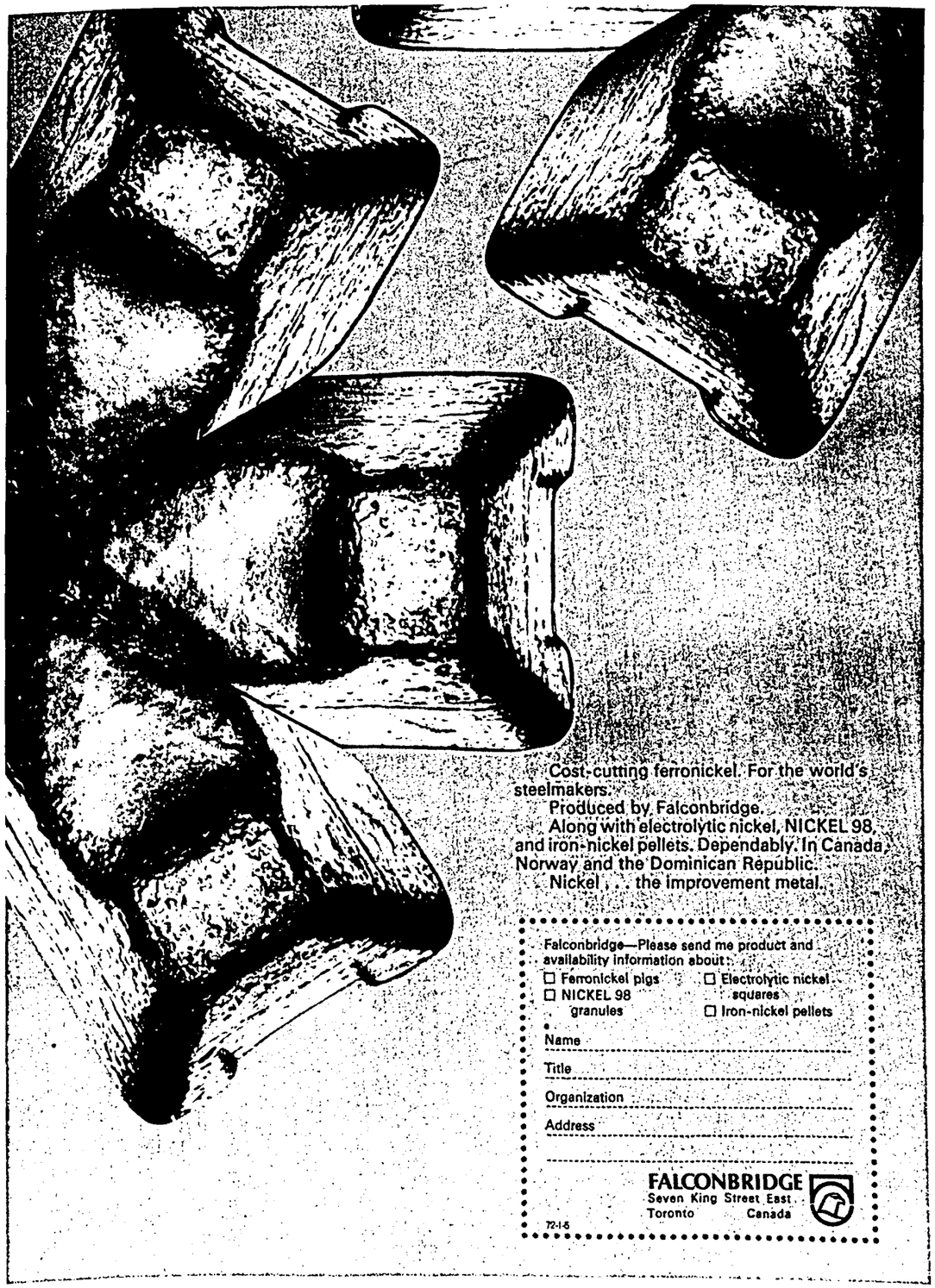
The explanation was that, although —as Chalmers Impey's own files showed —there were not enough bound copies of Chambers's Encyclopaedia in stock to meet the orders, it was not unusual in this sort of business to wait until invoices came in before going to the expense of binding sets. Mr Maxwell was sure that, in this sense, the orders were backed up by stock and could therefore be taken into sales. The auditors accepted his assurance that the transactions were genuine.

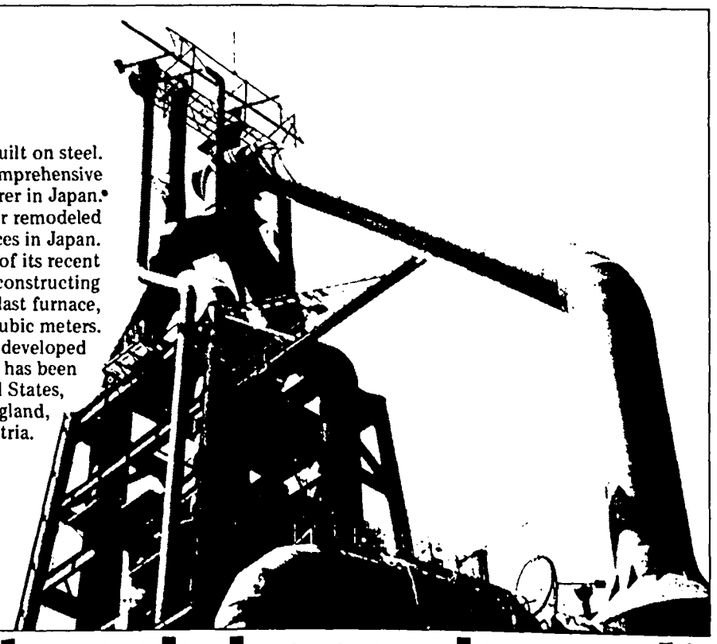
As it happened, the books were never delivered because the negotiations to merge the business with BPC then intervened. But the profits of the Pergamon encyclopaedia business were used to work out the transfer price of rather more than £2m to the new joint company, which then proceeded to make losses on such a scale that Pergamon's share of them exceeded £2m. "In contrast," say the inspectors, "from the date of Pergamon's acquisition of Newnes SBD up to the transfer date to ILSC, Pergamon included in its accounts normal trading profits of £757,000 and capital profits (less expenses) of £512,000, a total surplus of £1,269,000."

A few months before the ILSC deal, Mr Maxwell went on a world sales tour, his plan being to capture 5 per cent of a world market for encyclopaedias that was estimated to be around £200m. He came back claiming to have sold 7,000 sets, which the inspectors say was "exaggerated" and that Mr Maxwell knew it, "a serious instance of a director of a publicly quoted company falling below that standard which we consider should be observed when commenting on the affairs of his company to the press."

The inspectors "do not criticise Mr Maxwell for an unfortunate commercial decision," which is what they consider the initial purchase of Newnes to have been. "We are, however, critical of the manner in which the trading results of Pergamon SBD (which Newnes became) were computed and reported, and of the profits, supposedly from the normal trading of Pergamon SBD, which were incorporated into the accounts of Pergamon."

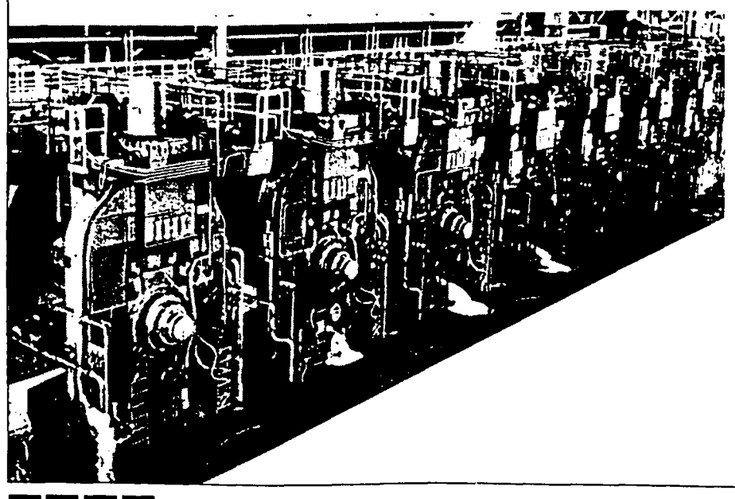
*Further interim report on the affairs of Pergamon Press Limited. *HMSO*. £2.25.





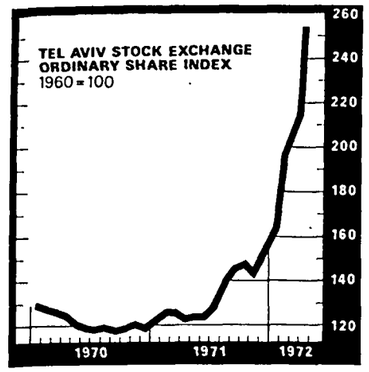
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Israeli stock exchange

Spectacular speculating

Jerusalem

The Tel-Aviv stock market has gone up 20% in the past month and 120% in the past year. Daily turnover in equities is up tenfold on the average of a year ago, to £300,000.

The boom has been set off by a splurge of private buying and optimism about the strength of the economy, fuelled by buckets of money that flowed in after the devaluation of the Israeli pound. Industrial output went up by 12% in 1971 ; there is full employment ; investment is up ; and even the balance of payments is showing some improvement. But all of this has little to do with a stock exchange which has not been encouraged to play much of a role in economic development. Although investment reached unprecedented levels in recent years there were almost no new share offerings. Most of it was financed privately and backed by extensive loans from the government and official development banks. Most of the considerable private savings are channelled to the government's own coffers through pension funds, savings associations and insurance companies which hold bonds issued directly or indirectly by the government.

The interest rate and capital values of these bonds are linked to a cost-of-living index, and they have been the main constituent of people's savings portfolio. But now the man on the beach is discovering the joys of equities and the market has all the attributes of an amateur's playground. However, most analysts do not think prices excessive ; **Union Bank**, for example, has doubled to £I250 but is still on a moderate p/e of 7. Since foreign investors can repatriate dividends and capital at current exchange rates, it might still be worth looking for a few bargains. But there might be other risks.

Norwegian companies

Norsk Sea oil

Over the past year, the share price of **Norsk Hydro** has almost doubled, while that of **Borregaard** has fallen by 20%. The difference between these two leading Norwegian companies is that Norsk Hydro has extended its traditional water-energy activities into the deeper and richer waters of the North Sea, while Borregaard has found no such easy route out of the woods. Its profits for 1971 slumped disastrously from £1.6m to £0.3m, as both paper-making and copper-mining had a terrible year.

This week Norsk Hydro is introduced to the London stock market, where the North Sea has already oiled several share prices well up. But on a p/e in the 40s, a great deal is already discounted—especially as the latest six-monthly accounts show a drop in profit from £2.7m to £600,000, and the outlook will be unpromising for the rest of this year. The nitrogen and fertiliser sales, over half total sales, have been hit by rising costs and falling prices. Over the next few years, the company will have to raise another £50m-odd for capital expenditure and exploration, and the need to tap the international capital market explains the timing of the London quotation. There will no doubt be a Eurobond issue soon, and, by the look of the balance sheets, more rights issues too. But for the long run, the recovery in the traditional activities, the success of its participations in Ekofisk and the gas finds in Frigg, make it an interesting speculation at £60 (or £73 including the premium).

Eurobonds

Respectable sterling

The first real sterling Eurobond has made its entrance, borne on the shoulders of Morgan & Cie International and Morgan Grenfell. There have been previous bonds with a sterling-DM option, but this is the only one designed to appeal to non-resident holders of sterling so far. The £10m being raised by **Standard Oil Company (Indiana)** is for the benefit of Amoco (UK) to spend in Britain.

The bond will be an external security for British exchange control purposes so that the company can count it as a foreign borrowing for the purposes of the rule that British subsidiaries of foreign parents must derive a certain proportion (about 70%) of capital requirements abroad. Yet as a sterling loan it enables assets to be matched with liabilities in the same currency, negating possible currency change losses. For the investor (provided that he is not resident) external security status means that interest can be paid free of tax.

The coupon of 8% compares with 7¾% for Eurobonds denominated in dollars, 7½% in francs and 6½% in D-marks. The narrowness of the gap demonstrates sterling's new-found favour with international holders of bonds, but is wide enough to make this sterling Eurobond a useful diversification for a portfolio of Eurobonds.

The British loan market is virtually undeveloped between 5- and 20-year maturities, and it is a moot point whether British companies will be able to take advantage of this bit of the external loan market.

Key indicators: world bourses

Wall Street climbed in heavy trading. London steady despite rail dispute. But Japan and Hongkong star performers this week.

	Stock price indices Apr 12	1972 high	1972 low	Percentage change on one week	one month	one year	record high
London	517.8	522.9	470.4	− 0.4	+ 1.4	+48.9	− 1.0
New York	967.0	967.0	889.2	+ 1.3	+ 3.2	+ 3.7	− 2.8
Canada	202.4	210.4	187.5	− 0.8	− 1.4	+ 7.5	− 3.8
Australia	572.1	584.9	490.1	+ 0.4	+ 4.8	+14.8	−13.8
Japan	248.0	248.0	199.9	+ 4.6	+11.5	+35.7	−
H'kong	373.2	373.5	324.0	+ 5.1	+ 8.2	+70.4	− 8.1
Belgium	109.9	109.9	96.9	+ 1.0	+ 2.6	+10.3	−
France	79.2	79.5	67.6	− 0.4	+10.0	+ 3.5	− 8.0
Germany	114.9	116.4	97.1	+ 0.3	+ 4.6	+ 4.3	−18.1
Holland	130.4	131.2	105.4	+ 0.2	+ 3.4	+ 2.8	− 2.5
Italy	48.9	48.9	43.9	+ 7.2	+ 9.6	−12.2	−58.1
Sweden	344.9	346.6	308.7	+ 0.4	+ 6.5	+27.9	− 8.1

Stock prices and yields are on pages 105 and 106

Unit trusts

The new deal

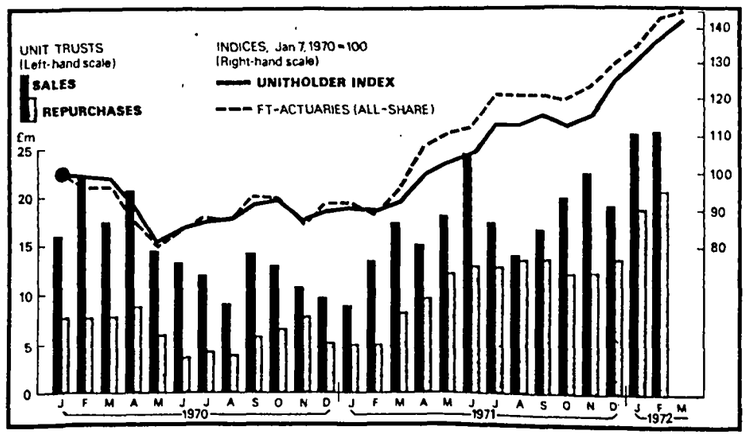
The new deal on unit trusts' capital gains tax is particularly timely. Their pre-budget liability to a 30% tax on realised gains would have become an increasing deterrent to performance as the current bull market progressed and more and more gains were realised. And the new 15% arrangements provide an entirely new incentive to investing through a unit (or investment) trust—and an eminently advertisable one. There can be no better marketing angle for a financial service than that of saving a bit of tax.

Trusts can do with a new sales plank. Mounting doubts are being expressed about the validity of their main selling point, that unit trust managers can make a better job of investing than the man in the street. The Americans seem to be forever producing statistical evidence that their mutual fund managers might just as well pick their stocks with a pin for all they achieve, once performance is adjusted for the volatility associated with degrees of risk. Britain is less numerate but it is still pretty plain from figures like those in the chart that the average unit trust performs more or less in line with the market average most of the time.

This has never been an argument for unit trusts going out of business, however, since the archetypal small man cannot sensibly invest in shares by any other means. The costs are too high, the eggs-in-one-basket risks are too great, and so on. But those unit trusts which regard the small man as a bit of a burden can now rejoice over the tax incentive to woo their larger customers.

As normally happens with tax changes, it is the rich that gets the gravy. The poor (in this context, unitholders who would normally escape the gains tax net altogether if they sell under £500 worth of securities) do not get any, but at least they get less blame than before. They will still be paying some tax, via the trust, on gains realised by the trust, but at least this will now be at 15% rather than 30%. For other unitholders the extent of their bonus depends on the amount by which gains they make when they sell their units exceed gains actually realised by the trust on which the trust has paid tax at 15%. On the profit, those who next year will be liable to a 15% tax rate (half the standard rate of income tax) on capital gains (19.375% at the moment) will not have to pay any tax (4.375% for the rest of this financial year). Those unitholders who are liable for the 30% rate will now have to pay only 15% on their realised unit trust gains—and realisation day is at choice.

It is fair to assume that tax-saving will be sizeable. It will naturally be less the more active the trust is in turning over its portfolio. But it would be absurd for unitholders to select inactive trusts for this reason. The wisest course is to select trusts which look like performing well irrespective of how actively they pursue their objectives. An investor who switches out of a portfolio of ordinary shares in order to save tax has still got to find the right trust.



The top performers in our lists have been showing creditable results for longer than just the past three months, though some of them over that short period have achieved some particularly spectacular results. **Scotexempt Growth** (second in our three years, three months list), for example, is up 34.4%.

Hambro Smaller Companies, at £7m or so, is a fair size middleweight to put up the sort of sky-rocketing performance it has done in the past three months. Its specialisation in small companies has stood it in good stead over this bull market. The trust has also been on the back of the building boom (where there are a lot of small companies), as have quite a lot of the best current performers, including Scotexempt Growth and the specialists **Jessel Property and General** and **Ebor Property and Building.**

The good results of late do not mean that all trusts are out of the net redemption problems. As sales rose during the first two months of the year to reach a 22-month high of £26.4m at the end of February, redemptions rose in train to reach an all-time high of £20.3m in that month. By all accounts much the same pattern was repeated last month. But a lot of the sales growth will have been directed to just a few trusts: the new savings darlings, managed funds, which invest both in unit trusts and property funds. **Hambro Life's Managed Investment Bonds** has pulled in £17m so far this year and most of it has gone into the Allied Hambro unit trusts. Save and Prosper has directed a large proportion of the £5m or so flowing into its **Balanced Fund** into the Save and Prosper **General Fund.**

Many funds might suffer redemptions for some time to come. **Target Consumer Fund** has, in the past few months, been priced nearer a bid basis and this has contributed to the decline of a star performer of last year into one of the worst performers of 1972 so far.

Over the past three months the unit trust industry has distinguished itself by performing a little better than the market as measured by the Financial Times-Actuaries all-share index. The Unitholder index rose 14.3% compared with 13.4% by the all-share (with income reinvested). This is unusual in bull markets. An important contributory factor will undoubtedly have been once-for-all boosts to a lot of trusts moving back on to the "offer price" basis of price calculation now sales appear to be picking up. During the sales doldrums of 1970 and 1971 many trusts were forced to price their units on the minimum bid price allowed for a given fund value, pulling the offer price down below the allowed maximum so the gap between the two prices would not look unnaturally large. A move back to maximum offer prices means quite a few percentage points in performance terms which owe nothing to investment prowess.

Our table this time includes the exempt trusts available only to charities and pension funds, to see just how well trusts do when they are free of gains tax worries. The answer seems to be pretty well, particularly if they are in the Save and Prosper empire and in that part of it managed by Edinburgh-based fund managers Ivory and Sime. They manage S and P's Scotbits range, including **Scotexempt Growth, Scotexempt Yield** and **Scotlaps,** and some of the Ebor funds, though not the **Pension Fund,** which is managed by Robert Fleming. Including the exempt trusts, Ivory and Sime have six trusts in the top tables.

Most of the other exempt funds are too new to have established much of a track record but M and G's longer established **Charifund** and **Pension Exempt Trusts** are not far out of our charts and **Schroder Recovery Fund** is a star of the 15-month list. One exception is **Tyndall Exempt Trust,** managed by Warburg, which has risen only 34% over the past three years. It has suffered in relative terms, like the once splendid **Tyndall Capital** and **Tyndall Income Funds,** from having a fair chunk in the United States while the home market has been booming. But their time may well come again this year. What the Warburg team can do when the markets are with them is demonstrated by their **Ulster Fund,** whose consistently successful performance since it got going just over two year ago seems to be one of the few bonuses of being an Ulster resident. There are some estate duty advantages. The investments are, however, made elsewhere.

The laggards in both shorter- and longer-term tables continue to be those whose overseas commitments have kept them out of buoyant Britain during the past year. It might still reasonably be asked why they did not get more mileage out of equally buoyant Japan (Save and Prosper's **Japan Growth Fund** is one of the best performers over 15 months) and why **Target Growth,** among the worst performers over the 3-year-plus period, got into this position at all. The international funds can, and vociferously do, complain that the premium currency rules inhibit their freedom of action, although more and more are getting round the problem by raising funds abroad.

Best and worst growth records among unit trusts on an offered price basis to March 30, 1972, net-of-tax income reinvested. No account taken of capital gains tax paid.

Top 20 over three years, three months

Trust	Group	Current size* — £m	Growth over three yrs, three mnths %	Growth Jan-Mar, 1972 %	Growth 1971 %	Growth 1970 %
Jessel Property & General	Jessel Britannia	9.0	121.8	18.6	59.5	17.0
Scotexempt Growth	Scotbits	1.0	104.3	34.4	47.6	– 0.9
Ebor Property & Building	Ebor	0.7	99.0	23.6	77.1	5.3
Target Financial	Target	11.4	87.9	16.7	68.3	10.3
Oceanic Performance	Oceanic	0.6	78.2	14.2	102.9	– 6.0
Ebor General	Ebor	2.8	78.7	20.2	65.8	– 1.8
Financial Priority	London Wall	1.3	75.1	18.7	57.8	8.3
Scotincome	Scotbits	5.5	72.1	15.5	71.7	– 3.8
M&G Midland & General	M&G	5.0	70.2	22.8	67.4	0.8
Scotexempt Yield	Scotbits	2.0	69.5	15.3	58.3	4.5
Raw Materials & General	Janus	2.7	65.9	18.2	42.7	10.9
Scotlaps	Scotbits	1.9	65.7	16.5	59.2	– 0.1
Hambro Smaller Companies	Allied-Hambro	6.0	64.9	25.0	52.6	– 1.3
Abacus Income	Abacus	1.6	64.4	24.2	51.3	4.5
High Income Priority	London Wall	9.5	63.3	18.6	73.5	– 2.5
Jessel Income	Jessel Britannia	3.9	62.6	13.7	56.3	10.9
Stratton	Stratton	2.8	61.2	14.5	34.6	10.9
Schroder Income	Schroder Wagg	6.6	60.9	14.1	41.8	3.0
Ebor Pension	Ebor	1.6	60.7	11.4	38.5	8.6
Discretionary	Discretionary	2.0	60.3	18.8	54.2	3.7
FT-Actuaries all-share (Income reinvested)			56.2	13.0	43.4	– 4.9

Bottom 10 over three years, three months

Target Growth	Target	9.5	– 7.6	6.3	34.3	–22.7
Vavasseur Oil & Energy	Vavasseur	4.4	– 8.0	14.2	16.6	–15.3
Oceanic Overseas	Oceanic	1.7	– 8.9	16.4	4.6	–23.6
London & Wall St	London Wall	2.3	– 12.6	7.9	25.4	–12.7
Hill Samuel International	Hill Samuel	14.1	– 14.3	6.2	9.9	–17.2
Metals Minerals & Commodities	Allied-Hambro	11.3	– 17.7	10.8	6.7	–18.8
North American	Ansbacher	0.5	– 19.6	2.6	14.1	– 5.8
Hill Samuel Dollar Overseas	Hill Samuel	3.6	– 20.9	7.3	13.6	–16.4
Securities of America	Mallet	2.4	– 25.4	11.1	1.7	–29.2
	Allied-Hambro	1.2	– 35.7	1.8	6.1	–21.0

Rankings supplied by Fundex

Top 20 over one year, three months

Trust	Group	Current size* £m	Growth %
Surinvest Future Income	Surinvest	0.4	137.9
Oceanic Performance	Oceanic	0.6	131.8
Ebor Property & Building	Ebor	0.7	118.8
Portfolio Growth with Income	Portfolio	0.3	118.5
M&G Recovery	M&G	2.0	111.5
Dowgate	Dowgate Fund	0.2	111.4
Surinvest Performance	Surinvest	2.5	107.3
M&G Midland & General	M&G	5.0	106.3
Oceanic Financial	Oceanic	1.4	103.8
Talisman	L. S. Fund	0.7	102.7
Portfolio Capital	Portfolio	1.0	101.2
Ebor General	Ebor	2.8	99.3
Scotincome	Scotbits	5.5	98.7
Tyndall Ulster	Tyndall	0.5	97.7
Slater Walker Assets	Slater Walker	7.3	96.8
S&P Japan Growth	Save & Prosper	3.4	92.6
Jessel City of London	Jessel Britannia	1.4	90.6
Slater Walker High Income	Slater Walker	4.8	88.9
Unicorn '500'	Barclays Unicorn	13.4	86.5
Schroder Recovery	Schroder Wagg	3.8	86.3
FT-Actuaries all-share (income reinvested)			64.7

Bottom 10 over one year, three months

Hill Samuel Dollar	Hill Samuel	3.6	21.9
Oceanic overseas	Oceanic	1.1	21.8
Metals Minerals & Commodities	Allied-Hambro	11.3	17.1
North American	Ansbacher	0.5	17.1
Coyne Growth	Surinvest	†	16.7
Hill Samuel International	Hill Samuel	14.1	16.6
Pan Australian	Southern Cross	11.5	13.9
Overseas	Mallet	2.4	13.0
Securities of America	Allied-Hambro	1.2	7.9
Vavasseur Int Mining	Vavasseur	1.2	1.1

**Size statistics as at 31.12.71, supplied by G. S. Herbert* †*Below £100,000*

CHAIRMEN'S STATEMENTS

New World & General Investments Limited

Sir Denys Lowson on Argentine Conditions

The 88th Annual General Meeting of the Company was held at Estates House, London, E.C.2., on April 6th. Sir Denys Lowson Bt., the Chairman, presiding stated that the Revenue for the year to 31st October, 1971, amounted to £82,825. After charging expenses and taxation totalling £22,336 against £22,361 in the previous year, there was a net profit of £60,489. An interim dividend (in lieu of a final) of 9 per cent less income tax which was at the same rate as in the previous year, absorbing £63,000 gross, was paid on 16th March and left a balance of £22,626 to be carried forward.

The value of the Argentine peso declined sharply during the year, the rate of exchange at the date of the accounts being 19.19 pesos to the £, as compared with 9.566 pesos to the £ a year earlier. As a result of this depreciation, an exchange loss of £6,799 has been debited to the provision for diminution in value, which compared with a loss of £3,575 in the previous year.

For the past two years there has been a considerable measure of stability in the Argentine under the military Government's regime; where a strenuous attempt was made to control prices and wages in the same way as we are anxious to do in this country.

However, as in previous cases, both in the Argentine and in other parts of the world, this attempt appears to have failed. The dam has now broken so that there have been a considerable number of strikes and other work interruptions with demands for very substantial wage increases, unmatched by increased productivity.

As Shareholders are aware, we naturally only have a very small proportion of our assets in that country, but it still has wonderful natural resources and a great potential for the future. However, in common with so many other countries in these days, it appears impossible to control inflation, and even stable government is impracticable without some form of arbitrary or military control.

The geographical distribution of the Company's investments, based on the market valuation at 31st October last, was as follows: Great Britain 68.32 per cent; North America 16.19 per cent; the Commonwealth (excluding Canada) 2.88 per cent; elsewhere 12.61 per cent; while as regards categories 94.81 per cent were in equity stocks and shares and 5.19 per cent in fixed interest securities. During the year under review the net asset value of the 25p ordinary stock units increased by 19.3 per cent to 69½p compared with a rise of 14.4 per cent in the Financial Times Ordinary Share Index; and for the first time since the Company was formed the valuation of the investments exceeded £2 million. Since the Company's year end October 31, share prices have appreciated considerably and the valuation at 31st March last was in the neighbourhood of £2,400,000, giving an estimated amount of 87p per share. We hope that barring unforeseen circumstances, we will be able to at least maintain the same rate of dividend in the current year.

The Report and Accounts were unanimously adopted and the proceedings terminated with a warm vote of thanks to the Chairman Sir Denys Lowson, Directors and Staff.

Richards & Wallington Industries Ltd

W. R. Richards, A.I.O.B., Chairman & Managing Director, reports—

	1971 £'000	1970 £'000
Group Turnover	12,018	10,460
Profit before tax	1,277	1,002
Profit after tax	866	662
Earnings per share	10.1p	7.7p
Ordinary dividends paid and proposed	50%	45%

- The record results achieved are an increase of 28%.
- A one for ten bonus issue is being recommended.
- Although the Earthmoving company moved into profit during 1971, its activities are being terminated during the current year when present contracts are completed.
- Whilst our expansion will always be geared to hard common sense, our determination to expand is undiminished.
- This year has started well and current levels of utilization are higher than this time last year. We can look forward to another substantial increase in profits during 1972.

THE NATION'S LEADING CRANE & PLANT HIRE GROUP

Copies of the Report and Accounts may be obtained from the Secretary, Wharf Road, Birmingham B11 2DY.

APPOINTMENTS

Government of the North-Central State of Nigeria

RURAL DEVELOPMENT BUREAU

Applications are invited from suitably qualified candidates for the following post:

PLANNING OFFICER

Qualifications: B.Sc. (Economics) and experience in Rural Economy.

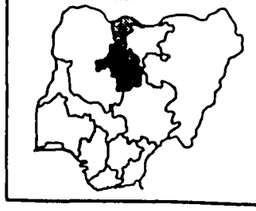
Duties: Planning of Rural Development.

Salary: Scale AY £N1,548-£N1,764.

Note: £N1=£1.17 sterling. Income tax is at Nigerian rates and these are substantially lower than those prevailing in the United Kingdom.

Fringe Benefits: Children's allowance payable for up to three children under the age of eighteen years; contract gratuity at the rate of £N25 or £N37.10/- for each completed 3 months of residential service; inducement allowance of between £N180 and £N300 per annum; provision is made for car loan and an allowance payable for maintenance; free passages to and fro on first appointment and on leave; baggage allowance; quarters will be provided at a nominal rent not exceeding £N12.10/- per month.

In addition, a tax free supplementation may be paid to UK citizens.



Further information and application forms are obtainable quoting reference NCS/5/72, from:

The Recruitment Attache, NIGERIA HIGH COMMISSION, 9 Northumberland Avenue, London, WC2N 5BX

APPOINTMENTS

University of Exeter

Department of Economic History

Applications are invited for the post of Lecturer in the Department of Economic History. Candidates should have an interest in the economic history of the nineteenth and twentieth centuries. Preference will be given to those with special competence in quantitative methods of historical analysis or in a foreign language.

Salary will be on the Lecturers' scale with initial placement to be within the first four points of this scale, £1641-£2,316 per annum. The appointment will be subject to a probationary period not exceeding three years with prospects of permanency thereafter.

Further particulars may be obtained from the Secretary of the University, Northcote House, The Queen's Drive, Exeter, EX4 4QJ, to whom applications (eight copies: overseas candidates one copy) should be sent by 2nd May 1972. Quote reference no. 1/33/3042.

University of Melbourne

Sidney Myer Chair of Commerce and Business Administration

The University wishes to fill the Sidney Myer Chair of Commerce and Business Administration which is vacant following the resignation of Professor P. J. Willett on his appointment as first Vice-Chancellor of the Griffith University in Queensland.

The prime responsibilities of the Professor of Commerce and Business Administration will be to carry on and to develop Management Education in the University.

SALARY: $A15,264 per annum.

Further information, including details of application procedure, superannuation, travel and removal expenses, housing assistance and conditions of appointment, is available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 19 May 1972.

INTERIM STATEMENT

MC GROUP Mitchell Cotts Group Limited

Unaudited Interim Results for the Six Months ended 31st December 1971

	Six Months to 31 12 71	Six Months to 31/12/70	Year ended 30/6/71
	£'000	£'000	£'000
Group profit before interest and taxation	2,717	1,962	5,305
Interest	650	543	1,236
Group profit before taxation	2,067	1,409	4,069
Taxation	975	623	1,749
Group profit after taxation	1,092	786	2,320
Outside shareholders' interests	208	90	352
Profit after taxation attributable to Mitchell Cotts Group shareholders	884	696	1,968
Ordinary Dividends: Cost	363	353	1,413
Gross rate	3.75%	3.75%	15%
Per Share	0.94p	0.94p	3.75p

Group Profit before Taxation for the six months ended 31st December 1971 has increased by 47% when compared to the first half of last year. Profits would have improved still further but for the realignment of world currencies which had the effect of reducing the Group Profit before Taxation by some £100,000.

Nearly all sectors of the Group contributed to the better profit performance, which is wholly attributable to interests which existed in both six months' periods and no part is due to the acquisition of new interests.

The profit of Tendaho Plantations Share Company has been included in the Interim Results for the first time and the comparative figures have been adjusted accordingly.

Negotiations are continuing on the amount of compensation receivable for the nationalisation of the Sudanese interests and no provision has been made for any revenue that may be paid subsequently to the Group for the periods covered in this Statement.

An Interim Dividend of 3.75% (1971 – 3.75%) has been declared on the Ordinary Shares and will be paid on 2nd June 1972.

CIVIL SERVICE COMMISSION (NORTHERN IRELAND)

DEPUTY ECONOMISTS (2)

Applications are invited for pensionable posts as Deputy Economists in

(1) Labour Affairs Statistics Branch of the Ministry of Health and Social Services.

(2) Economic Section of the Ministry of Finance.

QUALIFICATIONS

Candidates must have a First or Second Class Honours degree in Economics, including statistics, together with at least three years' practical experience in economics or statistics.

DUTIES

(1) **Labour Affairs Statistics Branch**
To examine the operation of new statistical procedures, such as the new Census of Employment and the proposal to computerise unemployment statistics. The work will also involve reporting and advising on various other aspects of the work of the Ministry's Labour Affairs Department.

(2) **Economic Section**
Economic and statistical analysis of major aspects of regional economic development, with special reference to the EEC, and the monitoring of the Northern Ireland Development Programme, including output budgeting.

SALARY SCALE

£2,798-£3,873. Entry point will be related to experience and qualifications. Application forms and further particulars obtainable from the Secretary, Civil Service Commission, Clarendon House, Adelaide Street, Belfast, BT2 8ND. Tel: Belfast 44300 Ext 29. Completed application forms should be returned by May 3, 1972. Please quote SB66/72/60.

APPOINTMENTS

Transport Economics (Aviation & Shipping)

Much of the work in this post is to do with the evaluation and analysis of the policies and programmes of the aviation and shipping industries. It involves the application of project appraisal techniques and cost/benefit analysis, and requires an understanding of corporate planning methods.

Overseas Commercial Policy

The work will particularly concern questions of trade liberalisation, our relations with international bodies, international monetary problems, and other such topics raised by our membership of EEC.

R. & D. Harwell

Here the economic and social effects of R & D projects are evaluated through the application of cost/benefit analysis and other appraisal techniques. The person appointed will be the senior economist in the Unit, reporting to the Director.

Other appointments are to be made, concerning work on the development and analysis of industrial policies.

The work involves research on current problems of vital importance with access to a wide range of unpublished material. The problems, embracing several disciplines, require fundamental analysis. There are good opportunities to publish your findings and you are encouraged to keep in contact with universities.

Economists to work on problems of industrial development and international trade

QUALIFICATIONS You will normally need to be at least 27 with a first or second class honours or higher degree in economics or a closely related subject. Substantial relevant experience is essential. Appointment can be on a permanent or contract basis.

SALARY (Inner London) Starting salary can be above the minimum of the scale £3653—£4883 and promotion can lead to salaries of £6475 and above.

There are also vacancies in the Civil Service College, Foreign and Commonwealth Office, Ministry of Defence, the Department of Health and Social Security and the Ministry of Posts and Telecommunications.

Send for full details and for an application form (to be returned by 5th May). A visit to the department of your choice can be arranged if you are short-listed. Write to the Civil Service Commission, Alencon Link, Basingstoke, Hants. Or telephone Basingstoke 29222 ext. 500, or London 01-839 1696 (24 hour 'Ansafone' service), quoting reference A/622/10.

Department of Trade & Industry

ASCO

ECONOMIST/PLANNER

ZAMBIA

U.S. $1,400

2 years contract. Free passage to and from Lusaka extended to the family. Free housing and medical benefits. 35-45 years of age. English mother language. To work in collaboration with our Town Planning and Civil Engineering section on Regional and Town Planning and/or Transportation studies.

Interested candidates should write, giving full details of qualifications, age, experience, nationality and marital status, to :

ASCO ZAMBIA, P.O. BOX 1340, LUSAKA, ZAMBIA, OR C.C.
(ITALASCO VIALE REGINA MARGHERITA 279 00198 ROMA).

Portfolio Manager

The Airways Corporations Joint Pension Scheme, situated on the Great West Road, Hounslow, Middlesex, needs a Portfolio Manager to undertake the responsibility of approximately one half of the UK equity portfolio. Dealing is involved, together with the organisation and supervision of the work of two or more research analysts. Contribution to the formulation of policy is an integral part of the job.

The position will suit someone who has a University degree or professional qualification and is in the region of 30 years of age. The appointed person will have had at least two or three years experience as a research analyst, preferably in the Capital Goods Sector of the stock market, and have had some experience of company visiting, dealing in the stock market, underwriting and similar work.

Starting salary will be £3,193 per annum, rising to £3,948 per annum including London Weighting allowance.

Additional benefits include membership of the contributory pension scheme and opportunities for holiday air travel.

Postcard requests quoting E197 for an application form to :

BEA BOAC

Manager Selection Services
BOAC
PO Box 10
Heathrow Airport (London)
Hounslow TW6 2JA

APPOINTMENTS

Export Marketing Manager c. £6,000

Career Opportunity in Australian Steel Industry

Location—Sydney

This post will interest a man with substantial experience in international marketing and sales achievement. The appointee will be responsible to General Manager, Export, for the development and sales execution of Export Marketing plans requiring dynamic leadership of an experienced export sales team with technical support services.

Preference will be given to applicants with employment background in steel mills engaged in export or merchant organisations and who have been responsible for sheet steel sales to international markets.

A knowledge of languages will be an advantage.

Remuneration: This is a senior managerial appointment which will attract a person capable of earning around £E6,000 per annum. Fringe benefits including a car pertain to the position.

Free transport to Sydney, together with usual household effects, will be available to appointee and family.

Applications, including summary of personal details, education, qualifications and experience, should be addressed to: The Chief General Manager, Service & Sales Division, c/o John Lysaght (Australia) Limited, London Office, 14-16 Cockspur Street, London, S.W.1. They will be treated in the strictest confidence, and will be forwarded to Australia for consideration.

John Lysaght Australia Limited

Lysaghts is now embarked on an expansion programme of major proportions which will continue into the 1980's. You have a unique career opportunity to join an historic Australian development.

John Lysaght (Australia) Limited, an independently managed company (jointly owned by The Broken Hill Proprietary Company Limited and Guest Keen & Nettlefolds Limited of the U.K.) with a present turnover of $A200 million in steel sheet and coil from its own mills, plans to spend up to $A1,000 million on expansion of production facilities at Western-port, Victoria. The company is already based in all States of the Commonwealth and has overseas subsidiaries. The product range currently marketed is very wide. Operations will become progressively more international as a major export plan is implemented.

APPOINTMENTS

POPULATION STUDIES—INTELLIGENCE UNIT

Head of Section

£4230–£4878

An experienced social statistician required to head a section undertaking research into the inter-related demographic, social and economic characteristics of Greater London's population.

The work is concerned with the prediction of future developments and changes which will affect the context in which local government authorities in London operate and the services they will need to provide. The section also obtains and disseminates vital statistics and census data for GLC departments and the London boroughs.

The person appointed will direct the work of a specialist staff of statisticians and mathematicians. The post calls for management ability and a keen interest in applying statistics to London's problems.

Experience in designing and supervising an extensive research programme is essential. Publication of research findings is encouraged and the section head must be able to assess their policy implications over the whole field of local and regional government operations in order to advise senior officers throughout the Greater London Council and the London Boroughs.

Further details and application forms returnable by 28 April, from the Joint Director, Department of Planning and Transportation (AO/784/C), County Hall, S.E.1 7PB.

GLC GREATER LONDON COUNCIL
Department of Planning and Transportation.

Assistant General Secretary

work may include union negotiation, research, tuition, editing and administration. Scale maximum exceeds £4,500: starting pay negotiable. Non contrib. pension, 6 weeks' holiday. Applications in confidence to **General Secretary, APOE, 345 Upper Richmond Road West, London SW14 8QN** marked 'AGS', by 1 May 1972.

CIIR Overseas Volunteers

41 HOLLAND PARK,
LONDON, W11.
01-727 3195.

THREE VOLUNTEER CO-ORDINATORS

are needed to act as the overseas arm of CIIR's operations within the British Volunteer Programme. Two will be based in Central America, the third in the Yemen Arab Republic. They will be responsible for the welfare and administration of CIIR volunteers, and the encouragement and assessment of local development projects which might benefit from volunteer participation. Terms include a personal allowance, board and lodging, all expenses, a Land-Rover, annual return air-fare to UK and a final resettlement grant. The posts are for a minimum of two years, starting in September 1972.

Male economics or social science graduates with language ability, overseas experience and a capacity for administration are most likely to succeed, but applications from any suitably qualified or experienced candidate will be considered. Write for application form to R. Church.

PENNINE AREA

ECONOMIST/ STATISTICIAN

Applications are invited for the above position at the Jubilee Street Offices, Blackburn. The work includes the provision of statistical information services, analysis of commercial performance, sales forecasting, investment appraisal and some market research. Applications are invited from statistics or economics graduates, particularly those with relevant post-graduate qualifications or with suitable experience in industry or commerce

Salary within the range £1632/£1998 per annum.

N.J.C Conditions.

Application forms obtainable from and to be returned to Manager, Norweb, Jubilee Street, Blackburn BB1 1ES by 22nd April 1972.

norweb

Market Research

Twinlock Ltd., leaders in the field of office systems and equipment have an outstanding opportunity for an experienced Market Research Executive.

Management appreciates the need for a strong marketing function and sees this position as being a really key one within a dynamic, marketing environment.

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Quoting Reference: FIZ.

London School of Economics:
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Applications are invited for appointment from a date not later than 1 October 1972 to a Lectureship in Personnel Management in the Department of Social Science and Administration on the salary scale for lecturers up to a maximum of £3,909 a year plus £162 a year London Allowance, with superannuation benefits. In assessing the starting salary, consideration will be given to qualifications, age, and experience. Candidates should preferably be graduates in the social sciences with specialised training and experience in Personnel Management.

Applications should be received not later than 4 May 1972 by the Administrative Officer (Room H.610), The London School of Economics and Political Science (E/15), Houghton Street, London WC2A 2AE, from whom application forms should be obtained.

A VACANCY OF INTEREST TO

ECONOMETRICIANS

Due to expansion, a vacancy offering unusual opportunities in the field of Econometrics has occurred in the Research Department of a leading City firm.

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An Economist is needed in the Economic Planning Division of the Gas Council in London, to analyse and advise on a variety of purchasing problems of a non-repetitive nature.
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Application forms can be obtained from the Personnel Manager, The Gas Council, 59 Bryanston Street, London W1A 2AZ, quoting reference EP/161/202/2/E.
Closing date for applications is 2nd May 1972.

GAS COUNCIL

APPOINTMENTS

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Applications are invited for specialists in any aspect of International Relations. The successful applicant who will be expected to take up duty by March 1973 will be required to construct and teach both introductory and advanced courses in International Relations.

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Applications close on *31 May 1972*.

Oxford University

Director of Transport Studies Unit

Applications are invited for this post. Stipend on the scale £3,852-£4,734. Details may be obtained from the Secretary of Faculties, University Registry, Broad Street, Oxford OX1 3BD, to whom completed applications (eight typed copies) should be sent by 8 May. Please quote ref 759.

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Istanbul

Applications are invited for all ranks (Assistant Professor to full Professor) in ECONOMICS and in BUSINESS ADMINISTRATION from foreigners who have considerable teaching experience in American and English universities.

The language of instruction is English and the University has more than a hundred years of tradition behind it as the former Robert College of Istanbul.

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The Business Administration Department offers both the BA and MBA degrees. Applications are invited for Operations Research/Production Management / Managerial Finance.

Salaries are attractive. The successful applicants will be required to assume duty on September 1, 1972.

Applications including curriculum vitae and names of three referees should be sent to The Dean, School of Administrative Sciences, Bogaziçi University, Bebek, P.K. 2, Istanbul, Turkey, from whom further information can be obtained.

University of Edinburgh

Department of Agriculture

Applications are invited for the post of LECTURER in Agricultural Economics. Applicants should have an Honours degree in Economics or in Agricultural Economics, with post-graduate experience in teaching and research. The post is tenable from 1st October, 1972.

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Applications, by letter (three copies) together with the names of two referees, should be sent to the Secretary to the University, Old College, South Bridge, Edinburgh, EH8 9YL, from whom further particulars may also be obtained. The closing date for applications is 30th April, 1972. Please quote reference 1031.

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For further announcements see pages 5, 94 to 101

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The uncertainties facing the British economy over growth, taxation, prices and incomes, the EEC and international monetary problems will be discussed by leading authorities.

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Sir Frederick Catherwood,	Managing Director, John Laing & Son Ltd.
Peter Jay,	Economics Editor, *The Times*.
Alan Prest,	Professor of Economics with special reference to the Economics of the Public Sector, London School of Economics.

Details from Miss Rosemary Weston
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Please quote ref T/3.

For further announcements see pages 5, 94 to 100

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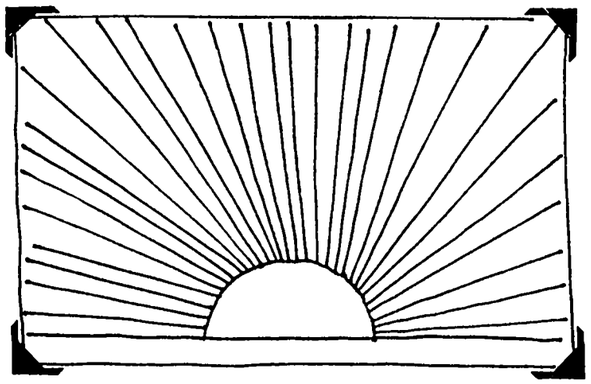
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That you can see the Himalaya on the Swissair flight from Bangkok to Manila. (If you can at all, possibly on the non-stop flight from Athens to Bangkok.)

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Not to mention the differences in preparing Japan, India, and Ceylon tea.

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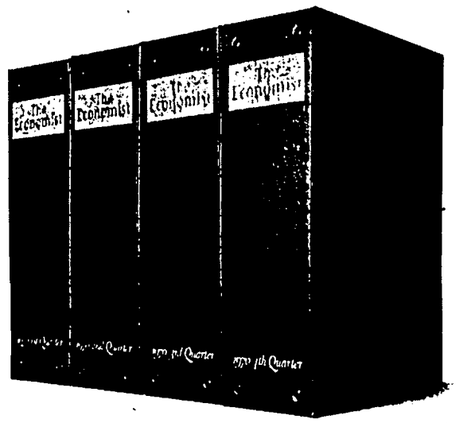
The business about sunset at Manila is true too; the Swissair advertising manager himself says so. He knows all 79 destinations that Swissair flies to. And when conversation turns to the Far East, he puts on an odd expression; probably he considers himself an expert.

It's a shame he can't take better pictures of sunsets, though.

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The Economist

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Lancaster Carpets & Engineering Limited

Dividend up from 15% to 25%

Points from the Report and Accounts and the Review by the Chairman, Mr. E. S. Hammett, C.Eng., F.I.Mech.E., F.I.Prod.E., for the 52 weeks ended 2nd January, 1972.

	1971	1970
Turnover	£12,973,787	£10,919,944
Pre-Tax Profit	1,737,551	1,303,989
Taxation	699,092	559,459
Ordinary dividend	25%	15%*

*Adjusted for Capital issue

- Further growth. Sales 19% higher and profits up by 33%.
- Previous capital expenditure a major influence in the further advance by Lancaster Carpets Limited. Planned expansion over next two years should lead to 40% increase in output and a further increase in profit.
- Priest (Lindley) Limited, producers of high quality synthetic yarns, again contributed to Group profits.
- The Motor Gear & Engineering Co. Ltd. increased its sales and profits in a depressing period for manufacturers of capital equipment.
- Further increase in profits expected in 1972.

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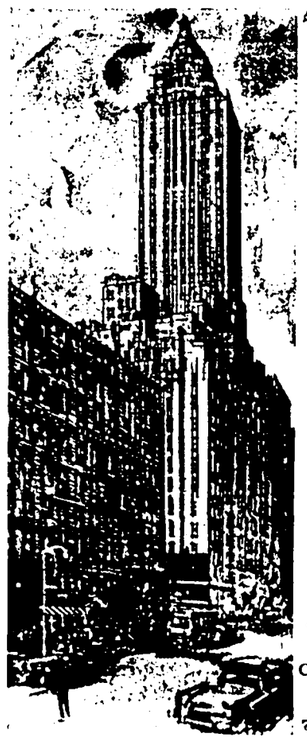
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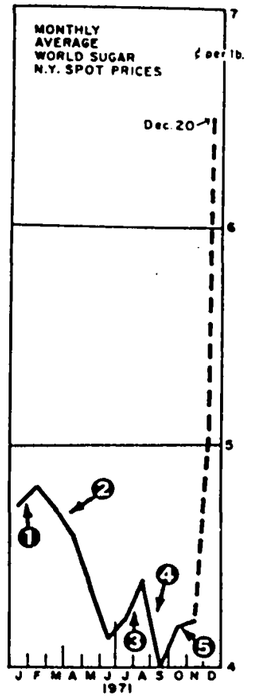


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SUGAR

Recommendations of:

1. **January 1971** — Sell on near term advance. Weakness will follow.
2. **March-April 1971** — Broad downward trend. Buying opportunity around mid-year.
3. **July 1971** — Expect selling on approach to 4.5¢ spot.
4. **August-September 1971** — Only moderate further weakness followed by recovery to new highs. Add to purchases on weakness. Long term trend up. Maintain long positions.
5. **October-November 1971** — Long term trend up. Maintain long position.

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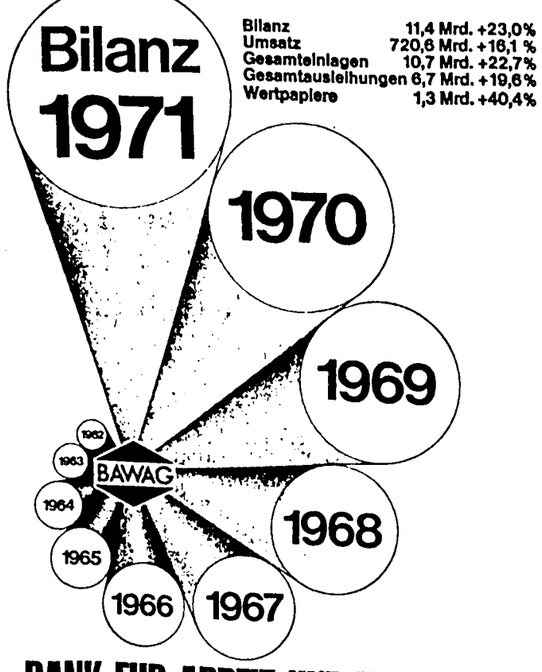
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STOCK PRICES AND YIELDS

Prices, 1972 High	Low	British funds		Price, Apl. 5 1972	Price, Apr. 12 1972	Net red. yield, Apr. 12 1972§ £p	Gross red. yield, Apr. 12 1972 £p
98⅛	98	British Electric 3%	1968–73	98¹⁷/₃₂	98⅛	2·725	4·535 *I*
89¼	84⅝	British Electric 3½%	1976–79	85⅝	84⅝*	4·525	6 050 *I*
109	105¼	Treasury 8¼%	1980–82	107⅝	107⅞	4·090	7·495 *I*
108⅜	104	Treasury 8¼%	1984–86	106¼	106⅜	4·520	7·910 *I*
96⅜	88¼	Funding 6¼%	1985–87	89⅛*	89⅞*	4·840	7·610 *I*
66⅜	61⅜	British Transport 3%	1978–88	62⅛	62¼	5·300	6·955 *I*
86⅜	78	Funding 6%	1993	79	79⅛	5·210	8·055
111¼	103⅛	Treasury 9%	1994	107	103⅛*	5·100	8·555
58	52¼	British Gas 3%	1990–95	52¼*	52¼*	5·405	7·230 *I*
89⅞	81¼	Treasury 6¾%	1995–98	82¼*	82¼*	5·250	8·345 *I*
73⅜	66¼	Treasury 5½%	2008–12	67⅜	67¼	5·250	8·330 *I*
43⅛	40⅜	War Loan 3½%	after 1952	41	41¼	5·190	8·760 *I*
30⅛	28⅛	Consols 2½%		28⅛*	28¼	5·225	8·715 *I*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	104–5	104–5	8·21
Barclays 8¼%	1986	101⅛–2⅛	101–2	7·48
Borg Warner 8%	1979	101–2	101⅛–2⅛	7·79
Commercial Union 8⅛%	1986	101⅛–2⅛	101–2	8·09
Esso 8%	1986	100¾–1¾	101–2	7·61
Ford 8%	1981	101–2	101–2	7·56
General Motors 8¼%	1986	104–5	104–5	7·96
General Telephone & Electric 8¼%	1986	100⅝–1¾	101–2	7·95
Shell 8%	1986	100⅝–1¾	100⅛–1⅛	7·67
Hill Samuel 8⅛%	1986	100⅛–1⅛	100⅛–1⅛	8·15
Rank 8¼%	1986	101⅜–2⅜	101⅜–2⅜	8·24
Transocean Gulf 8%	1986	100⅛–1⅛	101–2	7·61
Firestone (DM) 7¾%	1986	106–⅜	105⅛–6	7·09
Prov. of Nova Scotia (DM) 7¾%	1986	106–⅜	104⅜–5⅛	7·12
ICI (£/DM) 8%	1986	105⅛–6⅛	105⅛–6⅛	7·28

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 12, 1972	Change on week	Yield Apr. 12
		Banks, other financial			
347	268	Algemene Bank	Fl 326	−18	5·2
78	57·8	Amsterdam-Rot	Fl 71½	−2½	4·8
360	257	Aust & NZ Bank	330p	−18	3·0
41	37⅜	Bank of America	641	+1⅛	2·7
455	370	B of Ireland	420p	...	3·3
1131¼	886	B of Montreal	987½p	+50	3·2
116⅝	85	B Nac de Mexico	P 90	−2	8·3
455	308	B of NS Wales	455p	+10	2·0
740	525	B of Scotland	680p	+20	3·0
2625	2310	B Bruxelles	Fr B 2600	+40	4·6
266½	221	B de Paris Pays Bas	Fr 259	−7	5·2
64¾	54⅛	Bankers Trust	$63¼	+1⅛	4·5
890	596	Barclays	886p	+16	2·1
151⅛	111⅛	Can Imp Com	£13⅛*	+⅛	2·1
111	78	Charterhouse Group	101½p	−1⅛	4·1
60⅜	52	Chase Manhattan	$57⅜	−⅛	3·5
59⅛	51⅜	Chemical Bank NY	$57⅞	+1⅜	5·0
257	235½	Commerzbank	DM 248½	−2	3·4
175	144½	Credit Commercial	Fr 174	+5	4·3
427	370	Credit Foncier	Fr 424	−3	5·0
4325	3695	Credit Suisse	Fr S 3720	−165	2·1
350	313⅛	Deutsche Bank	DM 342·3	−2·2	2·6
288	269⅛	Dresdner Bank	DM 280	...	3·2
56⅜	43⅛	First Nat City	$56⅜	+1⅛	2·3
465	355	Fuji	Y 465	+40	1·3
424	335	Hambros	424p	+20	1·8
198	142	Hill, Samuel	190p	...	2·0
1⅜	1⅛	IOS Mgnt	$1⅛	...	...
16⅛	13⅜	Hongkong & Sh	£16⅛	+1	2·2
188	130	Kleinwort Benson	188p	+21	2·0
6890	5830	Kredietbank	Fr B 6890	+90	2·7
395	330	Kundenkredit	DM 380	−1	2·7
2180	1840	Lambert L'Ind	Fr B 2170	+25	3·7
455	320	LBI	455p	+10	2·2
850	601	Lloyds	802p	−6	2·0
36⅛	30	Manuf's Hanover T'st	$35⅞	+1⅛	4·4
74700	62670	Mediobanca	L 74700	+9000	1·5
278	216	Mercantile Credit	265p	−7	2·8
214	176	Mercury Secs	212p	+10	1·4
770	522	Midland	762p	+18	2·3
327	202	Mitsui	Y 327	+76	1·5
292	205	Montagu Trust	292p	+19	1·2
87⅞	71⅛	Morgan J P	$87⅛	+4	3·2
515	355	Nat & Grindlays	505p*	+10	3·3
3·99	2·07	Nat Australasia	$A3·99	+0 06	3·0
242	176	Nat Com Grp	228p	−4	2·1
870	601	Nat West	864p	+4	2·1
144	120	Norsk Creditbk	%122	...	7·4
17	13⅞	Royal Canada	£15⅝	+⅜	2·4
870	608	Schroders	840p*	−20	1·2
398	324	Slater Walker Secs	390p*	−7	2·1
3135	2945	Soc Gen de Banque	Fr 83135	+35	4·5
2800	2640	Soc Gen de Belgique	Fr B 2675	+30	5·2
445	328	Standard & Chart	445p	+20	2·7
384	280	Suez	Fr 375⅛	−6⅛	5·0
486	365	Sumitomo	Y 486	+53	1·2
4170	3710	Swiss Bank Corp	Fr S 4000	−90	2·0
4290	3885	Union Bank Switz	Fr S 4160	−130	2·4
565	490	Union Discount	565p	+25	4·2
285	237	United Dom Tst	275p	−4	2·3
		Insurance			
68⅝	58	Aetna Life & Cas	$68⅝	+6	2·3
475	388	Allianz Versich	DM 469	+3	1·3
516	446	Comm Union	500p	−4	3·3
576	496	Eagle Star	574p	+16	2·1
222	164	Gen Accident	209p*	−5	3·1
55850	48350	Generali	L 54850	+4250	0·8
312	252	Gdn Royal Exch	303p	+3	2·7
420	326	Legal & General	406p	−8	2·6
90	65·8	Nat Nedrlandn	Fl 87·8	−0·2	2·3
396	308	Pearl	364p*	−20	3·1
310	252	Phoenix	294p	−8	3·3
224	171	Prudential	197p*	−7	3·0
452	394	Royal	426p*	−12	3·5
578	502	Sun Alliance	540p	−14	3·1
362	285	Taisho Mar & F	Y 328	+12	1·7
545	476	Tokio Marine	Y 535	+30	1·0
5800	4775	Zurich Ins	Fr S 5650	−40	3·2

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 12, 1972	Change on week	Yield Apr. 12
		Breweries, etc.			
116	61⅛	Allied Breweries	116p	+3⅛	2·9
69	55	Anheuser-Busch	$ 66⅛	−⅜	0·8
177	148	Bass, Charrington	177p	+4	2·8
165	117	Bols NV	Fl 147·8	−6	2·5
178	117	Courage	176p	+3	2·1
188	153	Distillers	188p	+5	3·4
37⅛	33⅜	Distill Seagrams	$37¼	+2⅜	1·9
469	385	Dortmund Union	DM 469	+19	2·1
222	184	Guinness	222p	+15	3·3
282	238½	Heineken	Fl 278½	+9½	1·2
285	234	Kirin Brewery	Y 285	+17	2·6
18⅛	15⅜	Nat Distillers	$16⅛	+⅜	5·5
114	88½	Scottish & Newc	112p	−½	2·5
97	70	Sth African Br	94p	−1⅛	3·3
264	163	Watney, Mann	244p	+2	2·2
110½	84⅛	Whitbread 'A'	104p	−3	3·0
		Building, building materials			
491	419	Assoc Portland	486p	+7	2·7
226	178	BPB Industries	226p	+7	2·9
20⅝	16	Boise Cascade	$17⅛	+¼	1·4
317	252	Bovis Holdings	317p	+11	1·9
247	195	Ciments Lafarge	Fr 247	+2	5·7
2625	2100	Cimenteries Briq	Fr B 2610	−15	4·2
352	233	Costain	332p	+9	3·4
132	105	Eng China Clays	132p	+12	2·0
23000	19050	Italcementi	L 22600	+2100	2·2
220	179	Laing 'A'	218p	...	1·0
159	115	London Brick	154p	+4	3·3
212	158	Marley	204p	+8½	2·7
375	325	Pilkington Bros	373p	+19	2·7
163	124	Redland	163p	+8	1·8
177	149	Rugby Portland	163p*	−2	2·3
174	153	Steetley	153p	−2	3·4
292	250	Tarmac	288p	+1	3·0
360	308	Taylor Woodrow	336p	+12	1·7
275	212	Wimpey	243p	−12	1·0
		Catering, hotels, entertainment			
163	43	ATV 'A'	163p	+6	4·4
57⅛	45⅛	CBS	$57⅛	+3⅜	2·4
255	202½	Granada 'A'	255p	+25	2·2
275	200	Grand Metropolitan	243p	+1	1·2
55⅜	43⅜	Holiday Inns	$52¼	−⅛	0·5
705	600	Lyons 'A'	700p	+2	1·9
241	167	Trust Houses-Forte	227p	+11	4·4
		Chemicals			
77·1	63·6	AKZO	Fl 67·4	+1⅛	5·4
815	734	ANIC	L 755	+9	6·6
40⅛	33⅛	Amer Cyanamid	$38¼	+¼	3·2
168	137	BASF	DM 166·7	+2·2	...
152	129·2	Bayer	DM 152	+2·7	...
2940	2580	CIBA-GEIGY	Fr S 2820	−15	0·8
90⅜	78	Dow	$90⅛	+2⅛	2·0
175⅛	144¼	Dupont	$172⅛	−1⅞	2·9
393	327	Fisons	393p*	+1	3·0
30⅜	25⅜	W R Grace	$26⅞	+⅜	5·6
176·9	146	Hoechst	DM 170½	−3	...
305	247	ICI	250p	−17	5·4
101	83	Laporte	84p	−9	2·4
54⅝	46	Monsanto	$53¾	+1⅝	3·3
751	664¼	Montecatini-Edison	L715⅛	+29½	...
1030	875	Norsk Hydro	Kr 1030	+50	1·1
199	156	Rhone Poulenc	Fr 194	−5	6·2
2620	2370	Solvay 'A'	Fr B 2600	+5	6·0
184	136	St Gobain	Fr 182	−2	5·1
219	198	Takeda Chemical	Y 219	+12	3·9
48	41⅞	Union Carbide	$48	+2⅛	4 2
		Coal & steel			
4645	3875	Arbed	Fr B 4635	−10	5·4
34⅛	28¼	Bethlehem	$34	−⅛	3·5
12·80	11·65	Broken Hill Pty	$A 12·65	+0·10	...
170	136·6	Denain Longwy	Fr 170	+8·9	7·9
321	286	Finsider	L 317	+27	11·8
145	134	Fried Krupp	DM 142·6	−1·2	7·0
159	151	Granges A B	Kr 156	−2	7·6

Prices, 1971–72 High	Low	Ordinary stocks	Price, April 12, 1972	Change on week	Yield April 12
71·8	58·7	Hoesch	DM 71·3	+1·8	4·2
73	60·9	Hoogoven	Fl 69½	−1	5·8
185·2	145½	Mannesmann	DM 185·2	+4·2	6·5
60	52	Nippon Steel	Y 54	−2	9·3
91·2	65·2	Rheinstahl	DM 89·2	−0·6	5·6
85·8	68	Thyssen Huette	DM 85·4	+3·6	4·1
186·4	140	Ugine Kuhlman	Fr 186·4	+0·9	7·2
34⅛	30⅜	US Steel	$33⅜	−⅜	4·8
113	85·9	Usinor	Fr 113	+9·3	8·0
51⅞	40	Wendel-Sidelor	Fr 51	...	9·6
		Electrical, electronics			
185⅛	132⅛	AEG Telefunken	DM 181	−⅛	2·8
295	266	ASEA	Kr 266	−7	3·7
206	174	BICC	176p*	−5	4·4
478	402	CGE	Fr 470	−3⅛	4·3
189	162	Chloride Electric	181p	−7	2·5
75⅜	56⅜	Comsat	$65⅛	+1⅛	0·8
393	260	Decca	393p	+8	2·4
232	195	EMI	222p*	−3	3·8
262	181	Electrolux 'B'	Kr 257	−5	3·8
295	263	LM Ericsson 'B'	Kr 287	+2	1·9
68⅜	46⅞	General Electric	$68¾	+1⅛	2·0
193	170	GEC	184p	...	2·0
33	28⅛	Gen Tel & Elec	$28⅜	−⅜	5·3
124	106	Hitachi	Y 118	...	5·1
160	127⅞	Honeywell	$151⅛	+4⅛	0·9
79⅛	32	Hoover	$78¼	+3	1·5
397⅛	331⅜	IBM	$397⅛	+5⅛	1·3
155	135	Int Computers	147p	−6	7·7
91	77	Machines Bull	Fr 77·4	−2·6	...
769	509	Matsushita	Y 769	+70	1·3
705	537	Philips	705p	+25	2·8
162	133	Plessey	140p*	−1	3·6
45	36⅛	RCA	$40¼	+1⅛	2·5
127	104	Rediffusion	124p	−1	3·4
122	94	Reyrolle Parsons	97p	−10	(n)
264	204·3	Siemens	DM 261	+⅛	2·7
4880	3240	Sony	Y 4880	+425	0·3
38⅛	29⅛	Sperry Rand	$35	+⅛	2·0
145	117¼	Texas Instruments	$140⅛	+5⅜	0·6
132·2	95	Thomson-Houston	Fr 132	−0·2	4·5
552	458	Thorn Electrical	552p	+24	1·1
77	69	Toshiba	Y 69	...	7·2
57	41⅞	Western Union	$57	+3⅛	2·5
52⅛	43	Westinghouse	$52⅛	+2⅜	1·7
		Engineering, shipbuilding			
237	200	Acrow 'A'	214p	−11	2·2
239	214	Atlas Copco	Kr 239	+5	2·1
45	30⅛	BSA	36p	−3⅛	...
408	297	Babcock & Wilcox	408p	+18	2·6
187	156	John Brown	156p	−29	7·4
1460	1150	Brown Boveri 'A'	Fr S 1295	−65	3·9
100⅜	79	Cohen 600	96p	+1⅛	4·7
71	49½	Davy Ashmore	67½p	−1	1·9
216⅛	167	Demag	DM 216⅛	+17⅛	3·7
60	36	B Elliott	50p	−2	1·2
166⅛	109	Firth Cleveland	140p	...	5·0
415	374	GKN	384p	−1	3·3
185	148⅛	Gutehoffnungs	DM 185	+9	3·8
45	21⅛	Harland & Wolff	35½p	+8	...
82	65	Head Wrightson	74½p	−1⅛	4·0
71	40	Alfred Herbert	52p	+1	...
93	77	IHI	Y 78	...	7·7
25⅛	17⅛	Inter Combstn	21½p	+⅛	...
152	140	Inter Comp Air	142p	−2⅛	2·9
76	42⅛	Laird Group	73½p	13⅛	...
206	169	MAN	DM 206	+10	4·4
104	76⅛	Mather & Platt	101p*	−⅛	3·1
415	376	Metal Box	392p	...	3·2
87	77	Mitsubishi Heavy	Y 76	−1	7·9
130	107	Morgan Crucible	124p	−2	4·2
413	369	SKF 'B'	Kr 402	+2	2·9
77	66	Serck	74p	...	2·7
136	116	Simon Engng	123p	+1	6·1
85	71⅞	Stone-Platt	83½p	−⅛	3·3
102	49	Swan Hunter	101p	+8	2·0
3800	3020	Sulzer	Fr S 3490	−60	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‖ Ex capitalisation. ¶ Ex rights. † Ex all. (f) Flat yield. (l) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1972 High	Low	Ordinary stocks	Price, Apr. 12, 1972	Change on week	Yield Apr. 12
		Food, pharmaceuticals			
80	69½	Assoc British Foods	80p	+1½	2·2
83	68	Assoc Fisheries	70p	−½	5·4
126	94	Avon Products	$123½	+6¼	1·1
321	281	Beecham Group	297p	−1	2·1
188	139 1	Beghin	Fr 187	...	5·2
89½	73	Brooke Bond 'B'	74½p	−9½	3·6
120½	87½	Cadbury Schweppes	116p	+1½	3·5
253	187	Cavenham	250p	+7	1·4
69¼	57½	Colgate-Palmolive	$64¾	−1	2·3
5·56	4 80	Col Sugar Ref	$A5·20	−0 08	...
149	115½	Fitch Lovell	149p	+17	2·0
36¼	28¼	General Foods	$28¼	−⅛	5·0
51¾	38⅝	General Mills	$51½	+9⅛	1·9
545	437	Glaxo	527p	−18	1·9
47½	40⅝	Heinz	$44⅞	−¼	2·2
194500	176500	Hoffman La Roche	Fr S 190500	+3000	0 5
47⅞	42⅜	Krafcco	$46¼	+1⅛	3 7
2130	1425	L'Oreal	Fr 2130	+31	1·1
2975	2595	Motta	L 2975	+314	
3615	3000	Nestlé	Fr S 3510	−40	1·9
47⅝	36⅝	Pfizer	$40⅞	+⅛	1·5
91⅝	76⅞	Procter Gamble	$90⅛	+⅞	1·7
240	155	Ranks-Hovis	233p	+6	3·4
373	270	Reckitt & Colman	358p	−15	2·7
5150	4180	Sandoz	Fr S 4925	...	1·3
81	60½	Spillers	81p	...	2 9
38¾	32	Swift	$33	⅜	2·1
209	179	Tate & Lyle	202p	−3	5 0
185	138¼	Unigate	184p	...	2 2
394	318	Unilever	370p	−5	3·0
138 7	79 4	Unilever NV	Fl 137½	+0·9	4·5
338	244	United Biscuits	318p*	−4	2·5
		Motors, aerospace			
56	41⅛	BLMC	42½p	2¼	4·7
26½	19	Boeing	$24¼	+7⅛	1·6
54⅝	46¾	Caterpillar Tract	$54⅛	+⅝	2 6
35⅝	28	Chrysler	$35⅝	+1	1·7
95	79·1	Citroen	Fr 95	+1½	...
406	323	Daimler-Benz	DM 402	+4	2·1
199	167	Dunlop	191p	+1	4·3
2440	2068	Fiat	L 2440	+248	4·9
27	24⅜	Firestone Tire	$26⅛	+⅜	3·1
75⅜	68⅛	Ford	$75⅛	+⅜	3·4
31⅛	22⅝	General Dynamics	$31⅛	−1⅛	...
84⅜	76⅜	General Motors	$83⅜	+⅜	4·1
33⅛	29½	Goodyear	$32⅜	+⅜	2·6
376	317	Hawker Siddeley	376p	+13	3·5
379	254	Honda	Y 340	...	2·6
203	155	Komatsu	Y 203	+1	4 2
15⅜	10	Lockheed	$13	⅛	...
438⅛	383½	Lucas	398p ⁴	4	2·5
15⅛	11⅜	Massey Ferguson	$C 13⅜	+⅛	...
45⅜	34⅛	McDonnell Douglas	$46⅛	+1⅜	0·9
1400	1229	Michelin 'B'	Fr 1400	+1	1·4
500	246	Nissan Motor	Y 498	−2	1 6
36⅜	30⅜	N Am Rockwell	$34½	+1⅜	4 1
339·9	242	Peugeot	Fr 339·9	+1·9	3·2
1839	1540	Pirelli-Spa	L 1839	+144	6 0
231	200	Smiths Indust	227p	+7	2·7
207	186	Steyr-Daimler-Puch	⅝205	+1	4·4
630	405	Toyota Motor	Y 630	+24	1·3
39	28⅝	United Aircraft	$39	+1⅝	4 6
163·8	133⅛	Volkswagen	DM 161	+1	...
273	226	Volvo	Kr 268	+3	1·5
73½	57	Westland	67p	+4	4·5
120	92	Wilmot-Breeden	116p	+8	3 1
		Office equipment, photographic			
228	180	Canon	Y 194	+6	3·9
121	93¼	Eastman Kodak	$119¼	−⅛	1·1
427	380	Fuji Photo	Y397	+6	1·9
1750	1600	Gevaert Agfa	Fr B 1600	−30	3·7
172	150	Gestetner 'A'	155p	−2	1·8
381	349	Nippon Optical	Y 363	+5	2·1
1968	1439	Olivetti	L 1968	+371	3 5
252	228	Ozalid	252p	+4	2·5
133	86⅝	Polaroid	$133	+5	0 2
1081	825	Rank 'A'	1050p	+50	1·1
145⅜	120½	Xerox	$145¼	+1½	0·6
		Paper, publishing			
110	99	Borregaard	Kr 106	−2	...
197	154	Bowater Paper	155p	−3	3 2
124.	110	Bunzl Pulp	111p	−1	4·0
34⅛	27½	Crown Zellerbach	$31	+⅜	3·9
166	149	DRG	156p	+6	4 6
28	24	MacMillan Bloedel	$C 24⅜	1⅜	...
20⅝	15⅛	McGraw Hill	$19⅛	+1⅛	3·1
305	207	News International	300p	+8	3·2
200	174	Pearson Longman	200p	+4	2·5
321	274	Reed Int	321p	+18	3·9
134	78	Thomson Org	125p*	−13	5·6
		Property			
132	96	Capital & Counties	126p	+½	2·1
590	530	Hammersons 'A'	580p	+40	1·1
229	181	Land Securities	217½p	+3	2·0
147	107½	LMS	140p	−3	1·6
260	225	MEPC	252p	+4	2·1
208	180	St Martins	205p	...	1·4
314	293	SG Immobiliare	L314	+17½	3·2
384	259	Star (Gt Britain)	375p*	+19	2·4
815	735	Stock Conversion	810p	+75	0·8
203½	150½	Trafalgar House	195½p	+7	2·0

Prices, 1972 High	Low	Ordinary stocks	Price, April 12 1972	Change on week	Yield April 12
		Transportation			
49½	39⅜	American Airlines	$49½	+⅜	
270	229	Brit & Comm	265p	+10	3·0
15⅜	14½	Canadian Pacific	$C14⅞	−⅛	...
382	318	Furness Withy	324p	−12	4·6
23¼	18⅜	Greyhound	$19⅝	...	5·1
2200	1580	Japan Air Lines	Y 2000	−200	2·0
131½	115	KLM	Fl 125	−4	...
78·8	63·7	Lufthansa	DM 76	+3	3·3
174	138½	Ocean Steam Ship	148p	+1	4·7
17⅞	13½	Pan American	$16⅛	+⅛	...
250	186	P & O Defd	229p	−14	5·2
760	485	Swissair (Bearer)	Fr S 712	+7	4·2
56⅜	39⅜	TWA	$55¼	−1	...
54	39⅜	UAL	$53⅛	−1⅛	...
		Stores			
283	216	Boots	281p	+4	2·0
315	260	Brit Home	298p	−5	2·2
305	225	Burton Group	290p	−5	2·1
350	234	Debenhams	327p	−18	3·5
185½	119 8	Galeries Lafayette	Fr 185½	+34½	...
390	290	Galerias Preedos	₱345 ⁴	−32	3·3
334	255	Grattan Ware	306p	−23	2·5
22	18	Great Atlantic	$20	+⅜	6·5
318	259	GUS 'A'	316p	−1	2·2
289	223	House of Fraser	281p	+1	2·9
2010	1460	Innovation	Fr B 2010	+210	4·5
108½	82·3	KBB	Fl 107·3	+0 9	3·4
409	330	Karstadt	DM 405	+5	2·5
295	243	Kaufhof	DM 292	+4	3·4
622	484	La Redoute	Fr 622	+37	1·9
266⅛	227	La Rinascente	L 266⅛	+29⅛	3·0
31¾	27⅜	Marcor	$30⅛	+1⅜	2·6
308	277	Marks & Spencer	293p	−11	2·4
471	410	Mitsukoshi	Y 468	+12	1·9
2·30	1·70	Myer Emporium	$A2·30	...	...
136	80	Neckermann	DM 134	−2	2·2
174	113	Nouvelles Gals	Fr 157·8	+0·8	2·4
79⅜	67⅛	JC Penney	$79⅛	+2⅜	1·3
159⅛	130 7	Printemps	Fr 159⅛	+5·7	...
394	281	Prowid Clothing	372p	+9	2·3
220	162	Sears 'A'	219p	−1	2·3
116½	97⅜	Sears Roebuck	$115⅛	+⅞	1·3
825	643	WH Smith 'A'	825p	+30	1·8
87	75⅛	Tesco Stores	87p	+1	1·6
164	138⅛	United Drapery	161p	−5½	3·5
47¼	39⅛	Woolworth	$43⅜	+1¼	2·8
		Textiles			
38⅞	33⅜	Burlington	$38⅜	...	3·6
165	132	Carpets International	165p	+15	4·1
80	68	Coats Patons	71p	+1½	4·9
150	130	Courtaulds	132p	−8	5·2
102	75	Dollfus-Mieg	Fr 102	+0·2	5·1
58⅛	48⅛	English Calico	57p	−1	4·4
1813	1245	Snia Viscosa	L 1460	+166	...
31¼	25⅞	Stevens, JP	$29⅛	...	5·2
77	71	Teijin	Y 77	+3	7·8
112	95	Toray Ind	Y 112	+8	7·6
57⅛	43	Woolcombers	46p	+1	...
		Tobacco			
348	286	Brit Amer Tobacco	298p	−5	4·2
203	172	Gallaher	201p	+4	5·2
116	94½	Imperial Tobacco	113p	−3	4·6
76⅛	58¼	RJ Reynolds	$76⅛	+3⅛	3·1
		Utilities			
47⅞	42⅝	AT & T	$43⅛	−⅛	6·0
855	790	Chubu	Y 835	+4	6·0
840	780	Chugoku	Y 835	+15	6·0
27⅛	25⅛	Cons Edison	$25⅝	−⅜	7·0
2875	2600	EBES	Fr B 2840	−5	5·5
2235	1995	Intercom	Fr B 2230	−5	5·4
836	780	Kansai Electric	Y 830	+14	6·0
191	178⅛	RWE	DM 185	−1	4·3
845	795	Tokyo Electric	Y 840	+10	6·0
105	89	Tokyo Gas	Y 93	+1	6·5
		Investment trusts			
279	234	Alliance Trust	264p	−6	2·3
180	146⅞	Atlas Electric	180p	+3	2·2
168½	127	BET Deferred	159p	−3½	3·5
98⅛	86	British Assets	91½p	−1½	1·7
180	151	Cable Trust	180p	+4	2·3
192	157	Foreign & Col	183p	...	1·6
182	154	Globe Investment	182p	+4	2·2
166½	133	Industrial & Gen	165p	+2	2·6
71	58¼	Mercantile Inv	70½p	...	3·0
250⅛	225½	Robeco	Fl 250½	+3½	4·7
198	149·8	Rolinco	Fl 193	+3	1·5
117	100⅛	Witan Investment	116p	+2	1·5
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 413·8	+0·8	3·2
1390	1088	BSN	Fr 1360	−30	2·1
203	142	Bookers	202p	+8	3·2
230	171	British Match	183p	+1	5·2
75⅛	66	British Oxygen	71p	−⅛	4·2
132	111	British Ropes	119p	+2	3·8
77	53⅛	Cope Allman	60p	−6	4·7
271	194	Dalgety	248p*	−11	4·0
239	188	De La Rue	229p	+29	4·9
27⅜	21¼	Engelhard Minerals	$26⅛	+⅛	1·5
44¼	28	Gulf & Western	$43	+⅛	1·4
88⅜	67⅛	Halliburton	$88	+2⅛	1·2
482	388	Hays Wharf	455p	−18	1·6
1062½	840	Hudson's Bay	840p	−35	2·6
64⅛	56	IT & T	$56⅛	−2⅛	2·0
540	404	Inchcape	512p	−11	2·4
416	345	C Itoh	Y 395	+2	1·5
14⅜	10⅜	Ling-Temco-Vought	$11⅛	+⅛	...
26⅛	18	Litton Industries	$18	−1⅛	...
148⅜	129⅛	Minnesota Mining	$147⅞	+⅝	1·3

Prices, 1972 High	Low	Ordinary stocks	Price, Apl. 12 1972	Change on week	Yield Apl. 12
266	202	Mitsubishi Shoji	Y 263	−3	2·7
305	219	Mitsui	Y 305	+5	2·3
284	240	S Pearson & Son	281p	−1	2·0
36⅜	30	TRW	$35	+1¾	3·0
27	23⅛	Tenneco	$25⅛	+⅜	5·3
36¼	30¼	Textron	$34	...	2·6
174	137	Thomas Tilling	166p	−7½	2·5
245	204	Turner & Newall	243p	−1	4·4
		Oil			
614	545	Aquitaine	Fr 581	−23	3·1
610	498	BP	516p*	−4	4·1
434	363	Burmah Oil	388p	+8	4·3
229½	205	Cie Petroles	Fr 216	−10	5·5
93½	83·6	Gelsenberg AG	DM 91	+1	4·4
30	25⅛	Gulf Oil	$25⅞	...	5·8
56⅜	50¼	Mobil Oil	$50¼	−1⅛	5·2
4690	3650	Petrofina	Fr B 4690	+115	2·4
30⅜	25⅛	Phillips Petroleum	$29⅛	⅜	4·4
125	111½	Royal Dutch	Fl 117·8	+0·2	6·1
359	298	Shell Transport	302p	−6	5·0
60⅜	54½	Standard Oil (Calif.)	$55⅜	−1	5·0
70½	63	Standard Oil (Indiana)	$63¾	−⅜	3·6
77⅜	69⅛	Standard Oil (NJ)	$71⅛	+⅛	5·5
93¼	80	Standard Oil (Ohio)	$87	+5⅞	3·1
36	29⅜	Texaco	$31	−1⅛	5·2
		Gold mines - finance			
314	255	Anglo-American	305p*	−5	2·8
295	220	Charter Cons	259p	−6	2·6
235	206	Cons Gold Fields	219p*	−5	3·3
960	790	General Mining	950p	−10	4·6
1375	1100	J'burg Cons	1300p	...	3·4
710	535	OFSIT	705p	...	5·9
635	505	Rand Selection	620p	+15	3·5
234	150	Union Corp	224p*	−5*	3·0
		Mines, metals			
22½	17⅛	Alcan	$C22½	+⅜	...
70	37⅝	Alcoa	$53¾	+1⅝	3·3
2260	1870	Alusuisse	Fr S 2200	50	2·7
32¼	27⅛	Amer Met Clim	$30	−2⅝	4·7
20½	15⅝	Anaconda	$19½	−⅛	...
205	152	CAST	158p	−8	2·7
283	223	De Beers Defd	267p*	−7	2·8
150	120	Delta Metal	146½p	+6½	3·4
99½	80¼	Falconbridge	$C97⅜	+1¾	...
35½	29⅜	Inter Nickel	$33⅜	...	3·0
375	288	Johnson Matthey	360p	+5	3·5
23⅞	23⅛	Kennecott	$27¼	−⅜	6·5
109	70	Lonrho	81p	−3	3·4
3·90	2 35	MIM Holdings	$A 3·52	+0·02	2·7
353	275	Metallgesellschaft	DM 329·9	10·1	...
169 6	135	Pechiney	Fr 169·6	+3	7·1
92	52·6	Penarroya	Fr 70	−2	4·3
114	79	Potgietersrust Plat	106p	+1	...
22½	17¼	Reynolds Metals	$22⅛	+2	2·7
248	196	RTZ	227p	+2	2·7
234	175	Roan Cons	224p	+4	(n)
620	540	Selection Trust	570p	...	2·8
1590	1426	Union Miniere	Fr B 1550	+15	6·1
5·24	2 10	Western Mining	$A3·20	+0·06	0·5
220	182	Zamanglo	204p	+2	...
		Plantations, etc			
340	210	Consolidated Tea	215p	+5	5·8
296	267	Guthrie	277p	+5	5·0
45¼	40	Highlands & Low	45p	+4	7·0
58	43	Jokai	58p	+5	4·3
164	118	Longbourne	130p	+10	(e)
35½	30	Plantation Hldgs	35½p	+⅛	5·6

Money Market Indicators

The United States Treasury bill rate eased again, to its lowest since March 15th. The investment dollar premium was down to 20 per cent

Bank Rate 5% (from 6%, 2/9/71) **Base Rate 4½%**

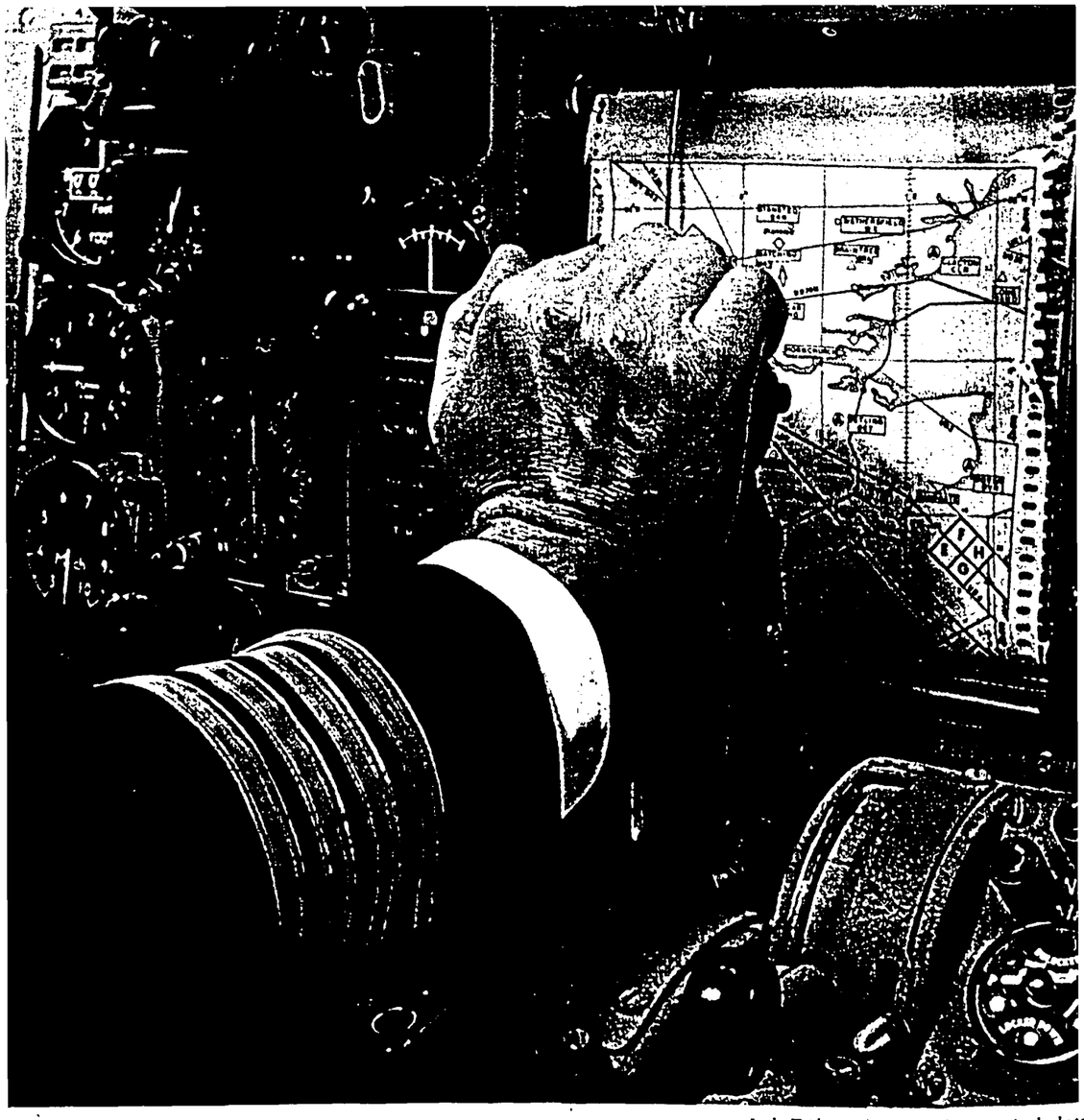
Deposit rates		**Eurosterling deposits** (in Paris)	
7 days' notice:		2 days' notice	4¼
Clearing banks	2½	3 months'	5⅛
Local authorities	4½–4¾	**New York**	
3 months' fixed:		Treasury bills	3·73
Local authorities	4½–4 11/16	Certs. of deposit	4·80
Finance houses	4¾	Sterling: Spot rate	$2·6113
Interbank rate 7 days'	4¼	Forward discount (3 months')	0·05 cents
Treasury bills 3 months'	4·33	Forward cover (3 months') Annual int. cost	0·08%
Eurodollar deposits 7 days' notice	4¼	Investment currency: Investment $	20% prem
3 months'	5¼		

Covered arbitrage margins (3 months')	In favour of Last week %	This week %
Treasury bills	London ⅛	London
Eurodollar/UK local authority loans	N. York 11/32	N. York
Eurodollar/Eurosterling	N. York ⅜	London

Uncovered arbitrage margins (7 days')		
Eurodollar/UK local authority loans	London ⅜	London
Eurodollar/Interbank	London ⅜	London

The Economist

Here they come again



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April 8, 1972

FINANCE DEPT
6 JUN 1972



Here they come again

North Vietnam's Easter invasion is a mark of how the war has become a straight struggle between the two Vietnams. How the battle could go, page 15. The first week's fighting, page 35. North Vietnam's calculations, and the balance of armed power, page 36.



A term to violence

Liberal opinion has made a great mistake in not emphasising the total disreputability of violence in any modern society, especially as more fearful weapons are coming along, page 19. Intimidatory street demos have led on to the awfulness that happened at Easter in Turkey (see page 43) and is still happening in Ulster (see pages 23 and 39).

Papal fallibility

Is Pope Paul starting to think twice about the Vatican's policy towards Russia?, page 22.

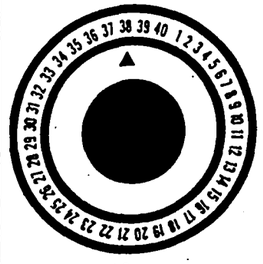
Spring books

A special look at what's best in the spring book lists, after page 52.

McGovern

The new challenger

Senator McGovern took the Wisconsin primary very handily, which delighted his young followers but naturally spread despondency among the Democratic old guard, page 53.



On the cable

What cable television can do for a wired world, and the full opportunity that may be missed, page 65.



Wounded party

Labour MPs are beginning to despair at the number of times Mr Wilson expects them to stand on their heads. But will the Jenkinsites have to do so again on the referendum issue?, page 17.

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Letters

Ireland

SIR—When peoples of differing racial characteristics, religion and culture cannot live together, separation is the only remedy. In Northern Ireland the Protestants regard themselves as British and their province as part of the United Kingdom. The Catholics regard themselves as Irish and the ancient province of Ulster as part of Ireland. Both communities consider right is on their side. This surely is the nub of the problem.

Both communities could be satisfied if the province were divided, the overwhelmingly Catholic counties of Fermanagh and Tyrone being ceded to the republic. The city of Londonderry, together with parts of the county of that name, and the town of Newry, together with parts of the county of Armagh, would also have to be ceded to the republic. The remainder of the province would be fully integrated with the United Kingdom on the Scottish model.

The border resulting from such a division would be much shorter and more easily supervised. Some thousands of people would inevitably be stranded on the "wrong" side of the new border. For these, financial assistance to move home and employment would be necessary. The scale of such assistance would be considerable and it should be supervised by a joint United Kingdom-Irish commission. In the long run, the costs of such population transfers would be insignificant compared with the present cost of keeping the two communities from each others' throats.
—Yours faithfully, D. W. MOUNTAIN
Carshalton, Surrey

SIR—There seems to be a devious, basically unfair thinking involved in the suggestion by Professor David O'Mahoney (Letters, March 4th) that the British Government give in to "the Irish-orientated minority" in Northern Ireland and set up some sort of "joint-trusteeship or dual sovereignty, which will accommodate the different allegiances of the communities."

It is a matter of record that Ireland has already been divided once for religious-political reasons. At that time, the Catholic Irish took over most of the island, and the small corner in the north-east was left as the sanctuary of the Protestants of Irish, Scots-Irish and English descent who wanted no part of a separate Irish government.

Professor O'Mahoney suggests that this safe haven of the Protestants now be divided again. His statement that "there can be no lasting peace" unless a division of the Protestants' territory is made along the lines he suggested implies a continuation of the present terrorism as its only alternative. On this point Professor O'Mahoney, and that part of the Catholic minority who are disloyal, might misreckon sorely. Given the continued hostile activity and guerrilla warfare conducted by this disloyal minority, this nightmare promises resolution only through far-reaching action.

When the Irish Republic became self-governing, all who had been loyal to Britain were driven out with great deliberation. That is a sword with two edges. But, then, who am I to point a finger in this instance? America did the same thing after gaining its independence. In fact, every other land has followed this pattern, with very rare exceptions. The reason is clear. In political life no house can stand divided.

Therefore, the fatal mistake perpetrated on the Northern Ireland loyalists was to force them to tolerate an avowed enemy in their midst. Much bloodshed and sorrow has resulted, and much more is on the horizon as a result of leaving this situation unsettled. It does not seem unreasonable to expect that anyone given political freedom in Northern Ireland accept full political responsibility, and pledge his allegiance to the existing government. This is standard procedure throughout the world. The penalty for refusing such allegiance is loss of civil rights, imprisonment or expulsion. Britain should stand fast in this situation and not bow to terrorism. The present IRA, with its international socialist leanings, had national socialistic leanings during the second world war, when it sought military help from nazi Germany. It is an undesirable group to let determine the future of those who were our comrades fighting the nazis.

If the Westminster Parliament should lose its will in this situation, and be prepared to change Northern Ireland's constitutional status to suit the terrorists, it must understand it has placed the loyalists in an isolated corner. The loyalists must then either strike their enemies effectively enough to neutralise them, or face the eventual fate of Protestants in the Irish Republic. Such a compromise with their enemies will then clearly mean to the loyalists: "Defend your rights now, and alone, or be destroyed through legalised attrition."—Yours faithfully,
Alburtis, Pennsylvania WILLIAM SIMPSON

SIR—Further to Professor O'Mahoney's letter (March 4th), I would suggest that he is living in an ivory tower in Cork's University College when he talks of "joint-trusteeship or dual sovereignty" for Northern Ireland's citizens. The reality is that the majority of the population would reject such a ridiculous proposition.

I would refer him to Matthew, Chapter 6, verse 24: "No man can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other. . . ."—Yours faithfully, E. W. MCCARTNEY
Belfast

Taxing small companies

SIR—Your article (March 25th) regarding the shortfall on private companies is well put, and at last it is recognised that the problems created by shortfall for private companies are out of all proportion to the revenue received. Those companies with profits below £15,000 receive at present shortfall abatement. From next year private companies with profits above this figure will suffer increased corporation tax if their distributions are low. This means, in effect, therefore, that low distributions will be penalised in any case, irrespective of whether or not there is a shortfall problem. If this extra corporation tax is coupled with the fact that plough-back profits increase the future liability to capital gains, then there seems little point in continuing shortfall at all.

You mention that something like 350,000 small companies may be relieved of the increase in corporation tax. It is a sobering thought that if each of the small companies in this country could employ one extra man the problem of unemployment would be nearly halved.

Had it not been for the discriminatory legislation introduced by Mr Callaghan in 1965 against private companies, we might well not now be faced with the serious unemployment that we have today. Without doubt, the close company legislation which includes shortfall did much to hamper and set back the prosperity of this country.

There is now virtually no reason at all why the whole of close company legislation should not be scrapped. Indeed, one might even go further and scrap the necessity to file accounts of private companies, which also causes considerable extra professional costs and seems to achieve none of the arguments which were advanced in favour of filing.—Yours faithfully, J. E. CRITCHLEY
London, EC1

Value-added tax

SIR—I agree with you when you deplore the zero-rating of food for Vat (March 25th).

Admittedly, a single rate of 10 per cent makes fiddling Vat less tempting, but because such a large part of consumer purchases is zero-rated it will be exceedingly difficult for the customs to know with any degree of reliability their net Vat liability.

As retail pharmacists, I and my medical colleagues are intrigued by the decision to zero-rate all goods supplied by a pharmacist on the prescription of a doctor (Schedule 4, group 13). We do not anticipate that whisky or cameras will become prescribable under the NHS, but are pleased with the incentive to private medical care provided by the white paper.

As a keen gardener, who also retails seeds, I am puzzled by the discrimination between those propagating foodstuffs for animals providing human food and those not in this happy, or unfortunate, position

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(Schedule 4, general item 3). I appreciate that we should do all we can to provide small wild birds for the Italian diet and can see that I must view the depredations of visiting or resident pheasants and wood pigeons with a different concern than has been my wont in the past.

Altogether this is a most interesting white paper which I trust our sovereign Parliament will transform into law with as little delay as possible and that it will not feel its responsibilities lessened by the thought that later this decade our system is likely to be "harmonised" and that we will in all probability, together with the rest of the EEC, have a system similar to that now obtaining in Denmark.—Yours faithfully, C. J. FELL
Newport, Essex

Inflation

SIR—The repetition of the hoary myth—that Hitler put Germany on a "sound financial footing" under Dr Schacht—would by this stage in our knowledge of nazi economics be merely a flat joke, if it were not also dangerously irresponsible.

Let Major John North (*Letters*, March 25th) read Schacht's own book, "The Magic of Money," and learn how the nazis cured unemployment by preparing for war, how they reduced foreign trade, jeopardised the supply of raw materials and soaked rich Jewish families for ransom money. Let him consider the gigantic spoils of military conquest, and how the catastrophic decision to finance the war by printing money led to a new inflation. In Schacht's own words: "Hitler conducted his economic autarchy . . . in complete disregard of the practical consequences."

No, the real period of economic growth and stability has been, of course, and surely not by coincidence, since strong trade unions became integrated with the other relevant institutions, after 1945.—Yours faithfully, J. R. HOPKINS
Halesowen, Worcs.

SIR—I should like to commend two suggestions for curing inflation which have appeared in your correspondence columns recently. One was to liquidate trade unions and the other to nationalise them.—Yours faithfully, R. S. MUSGRAVE
Ghyll Head, Windermere

American medicine

SIR—Your review of my book "Health or Health Service?" seems to have roused distinguished economists in the United States and Great Britain to protest that the American medical system had not failed. I quite agree. In many aspects it is far ahead of ours; in others it reflects all the advantages and disadvantages of a free and liberal society.

No serious author complains of receiving a review in your respected journal but perhaps he is entitled to ask if the reviewer really read the book or wrote of his previous misconceptions? For I did not advocate the use of the American system—why should I? We are two very different countries and economies. I did advocate a reform of our contribution scheme through private enterprise insurance. I also showed the dangers of a state monopoly in health care.

I also gave a political explanation of why would-be popular demagogues, from Bismarck to Senator Edward Kennedy, have sought to use medical care as a political power base. My own short spell in the House of Commons (which I hope will be shortly extended) showed me how essential the maintenance of the most socialistic medical scheme in the world (not even barring Soviet Russia) is to the political power base of the Labour party. This issue arouses them like none other. Unfortunately, some of their myths and distortions come to be believed by Conservatives. Most people working within the NHS know better. That is why I wrote the book.—Yours faithfully,
Poole, Dorset WYNDHAM DAVIES

Tunisia

SIR—I found Michael Wall's Maghreb survey (March 11th) an excellent interpretation of current events in the three North African countries, which I know fairly well from about five years of residence as an economist with the United Nations, Ford Foundation and Swedish International Development Authority during the 1960s and early 1970s. I entirely agree with his picture of the development in Tunisia, the Maghreb country I know best. The forced collectivist approach to the development policy of this country, which came to an abrupt close with the arrest of Mr Ahmed Ben Salah in 1969, was, no doubt, a major political mistake.

The 1969 crisis was, as is well known, triggered by a World Bank report, in which the failures of the co-operative efforts and the public initiatives in the industrial sector were disclosed—in such an open way that the regime lost face and decided to punish the initiator of this policy, Mr Ben Salah. He was, as Mr Wall rightly points out, "exceptionally able," and I would like to add, on the basis of several years of acquaintance, exceptionally honest and hardworking.

Against this background, I would like to question Mr Wall's statement about Tunisia as a still-favoured recipient of foreign aid. The seriousness of the development effort directed by Mr Ben Salah and, as Mr Wall points out, unhesitatingly backed by President Bourguiba and his whole government, did at the time attract massive development assistance, even from such countries of a liberal orientation as the United States, France and Germany. But today, as a result of a political sentence altogether contrary to the basic principles of the UN charter, Tunisia has, no doubt, lost a considerable part of the international prestige it had attained during the earlier part of Mr Bourguiba's leadership.

Mr Ben Salah has recently been adopted by Amnesty International as one of the victims of dictatorial regimes. In several western countries, as well as in the leading international organisations, there has been, ever since the end of 1969, an awareness of the imprisonment of Mr Ben Salah as an unacceptable act of revenge for a purely political mistake, an awareness which certainly is doing great damage to the image of a progressive Tunisia.—Yours faithfully, TORSTEN GÅRDLUND
University of Lund, Sweden

On the West Bank

SIR—Your article on the West Bank (March 18th) gives the impression that the Israelis there were engaged in all sorts of insidious activities.

You write: "Mr Dayan has said that wherever Israelis settle they mean to stay." Do farmers anywhere consider themselves transients? Why are Jewish settlements in an Arab environment such an intolerable idea if the West Bank were to return to Arab domination? Wouldn't such an attitude imply that the much-vaunted Islamic tolerance is in exceedingly short supply in Jordan and other local Arab states?

If, as you mention, the Arab farmer on the West Bank is in such bad shape, why has he quadrupled his purchase of fertiliser and tractors since 1967?—Yours faithfully, LUDWIG M. TANNENWALD
Palo Alto, California

From east to west

SIR—Commenting on the illiberal nature of east European governments (March 11th), you say: "The number of people allowed to travel to the west last year from Hungary and Poland—the two most liberal of Russia's allies—may actually have been slightly smaller than it was in 1970." I wonder if you realise the obstacles which western governments sometimes place before aspiring east European travellers.

Last summer I invited a Polish girl to spend a month in Britain. A friend of mine invited her boy-friend. For the sake of the story, let us call them Mary and Jack. Both are studying English literature at Warsaw university and think highly of Britain and everything British. We have known Jack for several years and he was extremely hospitable when I visited Poland two years ago, so both my friend and I in London were quite willing to sign statements saying that we would assume responsibility for their maintenance while they were in Britain, and to save up in order to be in a position to do so.

Neither Mary nor Jack had any trouble in getting passports and other travel documents from the Polish authorities, beyond the standard delay which seems the hallmark of any bureaucracy, and Jack eventually visited Britain. Mary was not so lucky. Her application for a visa appears to have been held up for several weeks at the British embassy in Warsaw. She had planned to come on Sunday, August 22nd; it was not until August 19th that a pair of policewomen visited me, apparently to investigate her visa application. I do not know what their report stated, but Mary

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did not hear of the British embassy's refusal to give her a visa until well after her proposed date of travel. As far as I can gather, no reason was given for this refusal.

It is difficult to save up for a trip of this sort. It is unpleasant to have one's summer vacation ruined by uncertainty and delay. This may have been an exceptional incident, and in any case Her Majesty's Government has the right to grant or refuse visas as it sees fit. But a case of this sort does nothing to exploit the potential goodwill which Britain has among the young in east Europe, and it makes a mockery of your self-righteous liberal indignation at how few east Europeans are "allowed" to visit the west.

I have no political axe to grind, but I feel it my duty, as a supporter of that "extreme centre" which you usually so fairly represent, to bring this case to your notice in the hope that you will realise a painful truth: there are faults on both sides.—Yours faithfully, M. Huq
London, WC1

Ecology

Sir—Your article, "Limits to misconception" (March 11th), was a sad example of your propensity to seek to ridicule arguments to which you yourselves plainly have no satisfactory answer.

You seemed to be arguing that because technology has always found an answer to the problems and shortages which it has created, it will necessarily do so in the future. You admitted "the germ of common sense" in the suspicion that today's pace of exponential growth in gross world product must run into inelasticities of supply (shortages) in some particular things some time, but seemed unprepared to draw the obvious conclusions from your own later stated concern with the problem of swelling population. It is the interaction of too many people with a spreading, profligate life-style which creates precisely the problem which you recognise in principle but seem incapable of thinking through.

It really is too glib and parochial to pretend that, because London's air is cleaner and London's fish have begun to return to the waters of the Thames, we have no serious pollution problems to combat. You have only to consider the damage done to human health by the lead content in petrol or the serious threat to health from some industrial plant—such as the smelter at Avonmouth—to realise that there is still much to guard against and to bring under legislative control.

Your seeming faith in computer-assisted learning programmes as the answer to the problems of education in the underdeveloped countries is tragically wide of the mark and, even if partially realised, very likely to be counter-productive. What these countries need is our help in developing systems of education which they can afford and utilise to best effect, not technological aids which merely serve to compound their frustration by leading them down the path to a life-style which is already increasingly discredited in the minds of thinking people in the so-called advanced societies.

You admitted that there is still reason to be worried about the supply of decent urban living systems, but offered no evidence at all to support your assertion that the signs are better than they were. You recognised the breakdown of various social patterns and constraints, but seemed unable to grasp the simple fact that this process of social disintegration is part and parcel of the urban crisis to which you referred. The significant rise in crime and all kinds of mental disturbance is a direct reflection of the de-humanising effect of so many aspects of modern urban life.

The warnings contained in the Club of Rome's study have little to do with semantics and a lot to do with hard economic and political choices. However you define "food," it is true to say that more than half the world is now undernourished and that millions die from malnutrition and starvation every year. However you define "arable," it is true to say that the area of food-producing land is diminishing every year as modern methods of agriculture hasten soil erosion and exhaustion and as modern technological man covers more and more of the earth's land area with muck, concrete and tarmac.

Your seemingly touching faith in the forces of market innovation lies at the very core of your misunderstanding of the problems involved. You seem to suggest that the invention of new plants in pods, the harnessing of solar power for agriculture and the substitution of sea farming for fish-hunting are examples of the way in which technology will once again come to our rescue. However, you make no mention of the enormous costs involved—costs which your sacred market forces may not be prepared to bear—nor of the unknown ecological consequences of such new technological ventures. You cite the example of the discovery of extensive oil reserves in the North Sea as justification for your claim that in reality it is much more likely that we will for a time exponentially increase raw material reserves in line with exponentially rising demand. But even if you are right about this in the time scale of the next 15 or 20 years, you should stop to consider what you plan to do when the economic and ecological costs of harnessing new sources of energy become impossible to bear, even in our myopic and technology-obsessed society. And it cannot be sufficiently stressed—though it was ignored in your treatment of the problem—that it is the urgent responsibility of this generation to seek to limit its families to no more than two children, if those same children are to inherit a world worth living in.

Such a stable society—if it were ever to be brought about—would be the result of conscious choices made today, while we still have the possibility of free choice. It would be founded upon an almost revolutionary awareness of the need to extend both the time-scale and the scope of the value-judgments which form the basis of our political choices. It would constitute a statement of faith in the future and evidence of our determination to take our destiny into our own hands.—Yours faithfully, F. N. Forman
Brighton, Sussex

Sir—I should like to send you an appreciation of your article "Limits to misconception" (March 11th).

I recollect an address to the Royal Society in the early years of this century forecasting world famine in a generation. Being involved commercially in the international wheat trade, I took careful note of this as about 1933 would be the critical period. On or about that year wheat futures in Chicago and Winnipeg were standing at a level disastrous not to the starving consumers but to the starving wheat producers.

Did not Masefield say quite truly: "Trained men's brains are spread so thin they let all kinds of darkness in"?—Yours faithfully, W. R. Law
Helensburgh, Dunbartonshire

Service isn't slavery

Sir—The idea expressed in your paper (January 22nd) that tourism is resented by the population of the host country inasmuch as it constitutes a service industry is best answered by the recognition that courtesy is not the synonym for servility, but for decency.

This is proven, for example, by Switzerland, the classic tourist country. I have still to find a Swiss whose character is affected by servilism.—Yours faithfully,
Buenos Aires Martin Ruppel

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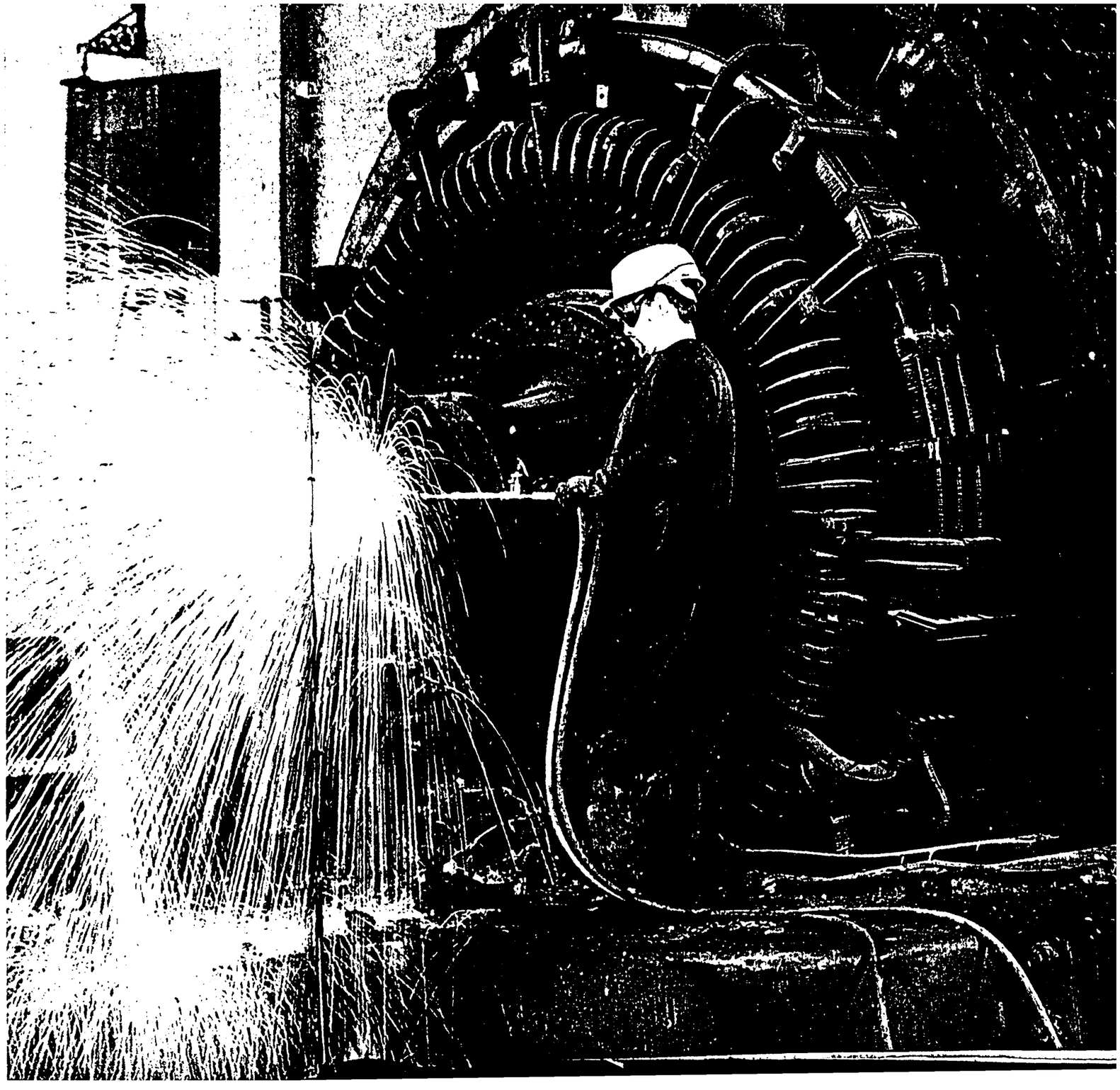
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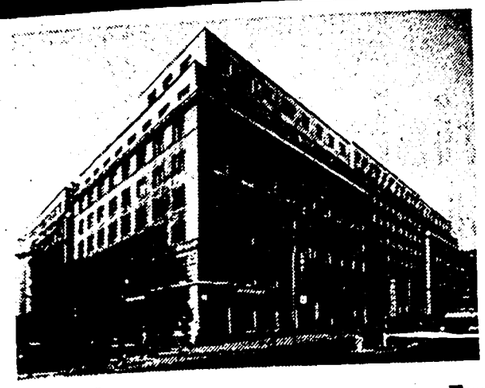
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The Economist

April 8, 1972



Here they come again

No, it is not another Tet offensive. It is true that the North Vietnamese have not pushed so hard or risked so much or got the men in Saigon quite so worried since February, 1968. It is also true that, just as the Tet offensive was timed to undermine the position of an American president in an election year, this year's Easter offensive is meant to make things difficult for President Nixon in November. The fact that the communists managed to seize most of a northern province of South Vietnam at precisely the moment when Wisconsin's voters were being asked to select a Democratic candidate was not just a fluke. Of course, you would have to believe that the men in Hanoi have stopwatches for minds to make out that they timed the start of their operations in Quang Tri province at the end of last week to lead up to Senator McGovern's victory in the Wisconsin primary on Tuesday (see page 35). But by turning Vietnam into an American election issue again, they may have helped him to pick up a few more votes by beating the let's-get-the-hell-out-of-there drum (see page 53).

North Vietnam's leaders may be hoping to wreck President Nixon's electoral prospects altogether, just as they believe that they helped to break the will of his predecessor. But three things make such a success unlikely. The first is that Vietnam just does not seem to matter that much any longer in American domestic politics, and so long as Mr Nixon goes on pulling troops out it is hard to rally a mass protest against bombing raids that do not involve many American lives. Second, although the communist offensive is dangerous, it should not prove disastrous. Third, although many of Mr Nixon's critics will assert that the current offensive proves the continuing strength of the communists in South Vietnam, it does not prove anything of the kind.

What it does prove is the continued determination of North Vietnam's political leaders to pursue the war at all costs, despite economic problems that can be shelved by a ruling elite that dictates its own priorities, and the restlessness among their own people that can be buttoned down by the police and the party apparatus. The contrast between what is happening now and what happened in the first months of 1968 demonstrates the changing pattern of the Vietnam war. The Tet offensive was a nationwide operation in which large numbers of southern-born and southern-based guerrillas helped the North Vietnamese regular units. Although the Tet offensive proved to be a pyrrhic victory, since the Viet-cong's men suffered enormous casualties and the hoped-for uprisings never happened, it shook the Saigon regime and panicked the Americans.

A deliberate, foreign invasion

The Easter offensive, in contrast, is a localised assault in the region south of the demilitarised zone, although it is possible that the North Vietnamese could be opening up other fronts in the central highlands and in Tay Ninh province across the border opposite Saigon. There is no evidence so far of any significant local support for the North Vietnamese forces. On the contrary, all those refugees straggling down Highway I towards Hué are a sign not just of the familiar horrors of war, but of the fear inspired by the memory of what the communists did in 1968, when more than 3,000 people were assassinated for political reasons in Hué alone, many of them being buried alive.

Most important, what is happening now is not in any real way an internal insurrection. It is essentially a foreign invasion, executed by conventional North Vietnamese forces. This is no longer a "people's war" —at least not in the sense in which that term is normally used. The North Vietnamese moved into Quang Tri province down newly constructed roads, led by at least 80 Russian-built tanks and covered by an artillery barrage from across the border. They have been setting up anti-aircraft batteries as they move south. The Easter offensive has given the North Vietnamese the chance to show off all the new military hardware that the Russians have been giving them. The fighting in Laos last year, when the North Vietnamese used big Russian-built

tanks against a South Vietnamese expeditionary force, now looks like a trial run for this offensive. It may be that the Easter offensive itself is designed as a trial run for a future confrontation in which the regular forces of South Vietnam (without their American allies) and North Vietnam would fight it out in a straight shooting match.

A decisive test of air power

Will that day come ? South Vietnam will be in grave danger if it does. The basic military lesson to be drawn from the fighting over the past week is that American air power is still vital to South Vietnam's defence. The reason why the North Vietnamese were able to cover the 20 miles or so south of the demilitarised zone so fast was that bad weather kept most of the bombers on the ground. Now that the clouds have cleared a little, the communists may find it tougher going as they advance towards Hué and encircle the town of Quang Tri. Their progress from now on is going to answer a lot of questions about the uses of air power in the kind of war that the Vietnam conflict has become. By Thursday the American bombers were in action against North Vietnam itself as well as the advancing tanks in Quang Tri. Some of the men who are hoping for the Democratic nomination in the United States, notably Senator McGovern, would like to take away the planes as well as the American troops. But Senator Humphrey at least has conceded that to take away American air power would be to take away the South Vietnamese army's crutch after taking away its wheelchair.



The patchy and contradictory reports that have filtered in over the past week make it hazardous to speculate about the outcome of the Easter offensive. About a dozen South Vietnamese outposts were said to have fallen by midweek, and North Vietnamese units were advancing towards Hué. There are several possible outcomes of the offensive, ranging from the starry-eyed to the catastrophic :

1. The most optimistic theory is that the counter-thrust that the South Vietnamese hope to deliver, while the Americans rain bombs on the communists, will actually come off, resulting in a precipitous enemy retreat across the border and the spectacle of columns of North Vietnamese prisoners. However alluring, this is probably a mirage.

2. The flash-in-the-pan argument runs that the North Vietnamese will be content to pull back in a week or so after a fairly messy firefight in the north and some diversionary thrusts farther south. This might involve the destruction of a few South Vietnamese units and the temporary occupation of a provincial capital such as Quang Tri, Binh Dinh or Kontum. But it would not be disastrous. It would embarrass Mr Nixon. It would show that the borders are porous and that the communists can throw the Saigon forces off balance. But it would not prove that Vietnamisation had failed.

3. The three-front theory maintains that the communists will back up their offensive in the north with assaults on a similar scale in the central highlands and in Tay Ninh province, in the hope of pinning down the government's mobile reserves and expanding the area under Vietcong control inside the country. There are several North Vietnamese units in Binh Dinh province, which could be used to sever Highway 19—the supply-route between Pleiku in the highlands and the coast. There has also been a marked build-up of communist forces in the Parrot's Beak and Fishhook areas in eastern Cambodia, and last weekend they seized the Lac Long military outpost in Tay Ninh province. The final outcome of this kind of offensive might be the creation of larger base-areas in the highlands and the north that would be a rallying-point for communist sympathisers.

4. The doomsday scenario is that we are watching the start of an all-out attempt to overthrow the Saigon regime at a moment when Mr Nixon's room for manoeuvre is limited not only by his timetable for force reductions but by the American election. This would involve a massive influx of North Vietnamese troops and perhaps even a direct attack on Saigon. It might even confront the Americans with the choice between resignation and escalation. This scenario is probably even less plausible than the most optimistic one. Despite communist propaganda claims (the accuracy of which can be gauged by the fact that the Vietcong still refuse to admit that there are any North Vietnamese units south of the border) the South Vietnamese have not yet suffered any decisive reverses. This may be the moment of truth for the South Vietnamese army, but it is too early to judge what the truth is going to be. Anyway, major communist troop movements outside the more mountainous part of the country are subject to American bombing, and the appearance of the invaders does not appear to have touched off a significant local response.

These possibilities must be considered in the context of the immediate tactical goals of North Vietnam's leaders, as well as the fighting potential of the South Vietnamese army. It may be that the communists are hoping to shatter the morale of President Thieu's generals while reviving the waning spirits of the Vietcong. As the Saigon government has steadily gone on tightening its grip over the countryside, communist supporters have tended to change sides or simply drift away. It is not easy to sustain morale among men who are called on to lead the harried lives of guerrillas over long periods of inaction. The Easter offensive may be intended to reawaken dwindling hopes of a famous victory.

Ready for the Americans to go

The offensive may also be geared to factors external to the conflict in Vietnam. It may be partly meant to put the communists in a stronger bargaining position at the Paris peace talks, or even to give Mr Brezhnev something to wave in Mr Nixon's face when he flies to Moscow next month. The timing may have been influenced by the desire not to embarrass the Chinese during Mr Nixon's Peking visit—although the North Vietnamese have been perfectly happy to embarrass the Chinese by toasting the Russians on several occasions since then. And then there is that biggest prize of all, the fruit at the top of the tree. Always sensitive to the rifts in western public opinion, the men in Hanoi may indeed believe that they can help to bring about the election of an American president pledged to total withdrawal from Vietnam.

The North Vietnamese are counting on that happening one day. They have been building up their own air force and armoured battalions in the hope that one day the South Vietnamese will lose the American bombers. That is why it is important for each man who hopes to be President of the United States next year to consider whether there are not some fairly persuasive reasons why the Americans should continue to wage their war in the air over Indochina. South Vietnam is vulnerable to invasion ; but an invasion makes it clear who is responsible for continuing the war. Since the Tet offensive of 1968 the government has gone a long way towards restoring control over most of the countryside. The Vietcong are a declining force, pushed back into a few sanctuaries of mountain or marsh. In this situation, it is the role of the American air force, so far as it is possible, to help to police the borders, to limit the movement of communist supplies and reinforcements, and to give South Vietnam's forces more time to learn to walk in the Americans' combat boots. No one can promise that this will lead to victory or lasting peace. The Easter offensive shows the magnitude of the threat that remains. But the fact that the communists now have to depend almost exclusively on regular forces brought in from North Vietnam itself shows how much the war has changed.



Another self-inflicted wound

That is what Mr Wilson has allowed the Labour party to inflict on itself on the referendum issue. He must rescue it from its despair

It is often difficult to gauge with real accuracy the mood of a political party during a parliamentary recess, or to predict the atmosphere in which the Commons will reassemble after it. Some MPs find just a few days away from their colleagues does wonders for their equilibrium ; others tend to become more sickened, on reflection, with the whole mess. But the morale of the Labour party has been deteriorating too steadily over recent months, and the Easter recess—just a week and a day—has been too short to leave much doubt about the mood in which many Labour MPs will return to the Commons on Monday : it will be something approaching despair. These are depressing times for sensible moderate Labour men—and they are likely to get worse.

The core of the canker is, of course, the common market issue, but it would be wrong to believe that it is only the pro-marketeers who are affected. There is an increasing number of Labour MPs who would never dream of rebelling against the party line, never mind splitting the party on the market issue, who nevertheless have increasingly solid doubts of the party being able to check the slide towards further incredibility under the present leadership. A distaste for standing on one's head on issue after issue is not incompatible with the belief that the terms for Britain's entry into the EEC are too steep. These worries are not lessened by the knowledge that there is nothing much they themselves can do about the leadership, and they are only increased by the fear that the present emotional tensions inside the party could leave permanent scars more damaging than many of the spectacular public splits of the past.

But that does not mean that the conflict over the common market issue will not erupt into an open split in the Labour party, and perhaps quite soon. The 89 Labour MPs who rebelled against the official, anti-market line last October have choked down a lot of dirt since then rather than risk a breach with the rest of the parliamentary party. All but a handful voted against the second reading of the European Communities Bill, which was in all conscience a vote against the principle of joining Europe ; that was enough for a few

more, who refused to vote against the ways and means resolution in the bill. Very soon after they return on Monday, the rest of the marketeers are going to have to decide whether they can take another great gulp and swallow their objections on principle to referendums as a system of government.

The question of a referendum on the common market is a squalid little episode. The demand for one was rejected by the party's annual conference last autumn, but Mr Wedgwood Benn, this year's party chairman, regarded it as his good deed for the year to keep the issue alive. He tried to get the shadow cabinet to support such an amendment to the European Communities Bill last month, but he was rebuffed ; Mr Wilson being consistent in his opposition to the principle. Encouraged, however, by M. Pompidou's decision to exercise his rights under the gaullist constitution and have a referendum in France, Mr Benn asked the next meeting of Labour's national executive committee to back him, which it did by 13 votes to 11, Messrs Wilson, Jenkins and Callaghan being absent. On the Wednesday before Easter the question came back to the shadow cabinet when the country's attention was focused on Mr Heath's decision to impose direct rule in Ulster, and the shadow cabinet, with Mr Jenkins and a minority vigorously dissenting, stood on its head and decided to reverse its earlier decision. After all, said Mr Wilson, knowing and leading the way, they would only be anticipating the decision of the next annual conference by a few months.

Humiliating Jenkins

For all Mr Benn's enthusiasm for anything which looks participatory, the referendum issue is a phoney cause, however much an opinion poll finds a popular majority for one, or a plebiscite might be necessary in the exceptional situation of Ulster to take the border out of communal politics. It is just another excuse for the left and others to make the marketeers eat more dirt. There were two amendments to the Government's Europe bill on the Commons order paper when the shadow cabinet took its decision. The first, in the names of Mr Foot, Mr Shore and Mr Peart, calls for a general election before the act is put into force ; the second, put down by a group of Tory anti-marketeers, calls for "a consultative referendum, having no binding effect upon the Government." Neither are worth serious consideration. The Labour party could not, and knows it, fight a general election on the common market issue, for at least half of any prospective Labour prime minister's cabinet would be composed of ministers in favour of joining Europe. And the Tory anti-marketeers for their part are merely asking the Government to run an opinion poll, the result of which they would expect Mr Heath to accept if the majority was against Europe, but which —as they have shown by their activities since the Commons voted by a majority of 112 in favour of joining the EEC—they themselves would flatly refuse to accept if the poll went the other way.

There is some slight chance that the parliamentary Labour party will decline to follow the shadow cabinet's last decision and support a referendum. But if, as seems more likely, it does not, the marketeers are back to another agonising decision. It must be reported that one aspect of the Labour party's present trouble is that even the Jenkinsites are in no great shape themselves. Mr Jenkins does not lack for supporters who would like to see him make a stand for integrity, resign the deputy leadership and vote his and their consciences every time on the market issue. That is also precisely what the left would like to see happen, yet the idea must have its attractions. The left is arrogant in its anti-market majority and is not greatly concerned with anything but intra-party victories over the Jenkinsites (it has just robbed the party of its best possible successor to Sir Harry Nicholas as general secretary because Mr Gwyn Morgan was a pro-European and identified with Mr Jenkins). It is going to go on trying to humiliate Mr Jenkins in particular, and there is a danger that he may finally decide he has had enough of it and will resign, as so often happens, on a relatively minor issue. So, the argument runs, he should go now on an identifiable issue of principle before his credibility, too, runs out.

Against that he has equally dedicated supporters urging him to play it long ; that they will guarantee him enough kamikazes on any given vote to ensure the European legislation is not lost, even with the Ulster Unionist MPs being as maverick as they think fit. Of course, some such Jenkinsites recognise the dangers, not least of which is the possibility, which is hardening into probability, that the annual conference will try to commit a future Labour government to withdraw from the EEC. If the parliamentary party endorsed such a decision Mr Jenkins's position as deputy leader would become untenable, but in the meantime they are urging him to sit tight and wait and see. Because of this division among his supporters, it would be wise to be sceptical of any reports of what Mr Jenkins believes or intends to do until he actually says it or does it himself. For in a curious way both sides can argue that whatever he does would be proof that he has the stomach for political leadership.

The showdown to come

If the Labour party is sensible it, too, will wait and see for a bit longer before it puts Mr Jenkins and his colleagues to another test. For it may well find that the real showdown which will be necessary in the coming months will not be between the Jenkinsites and the left, but between the majority of the parliamentary Labour party and Mr Wilson over his conduct of the leadership. By allowing the Labour party to get into such a mess over the referendum, Mr Wilson has allowed it to inflict yet another wound both on itself and on his own leadership. He cannot afford many more, and neither can the party. If Labour MPs decide to support the demand for a referendum, Mr Wilson should insist upon them having either a free vote or a two-line whip when the issue comes before the Commons. Either would be a double guarantee that any such amendment to the Europe bill would be defeated, but it would at least allow them all to live to fight each other another day.



A term to violence

Liberal opinion has gone wrong in not stressing the total disreputability of even mild intimidation and flouting of the rule of law. Now a serious and world wide crisis could be on us

While the environment became the fashionable issue of the 1960s it is probable that the problem that will cause most intellectual excitement and popular dismay in the 1970s is that of violence by minorities. Its importance is not only underlined by the awfulnesses over Easter in Turkey, Argentina and Andersonstown. The vital point is that weapons of quite mass destruction, whether chemical or explosive, are going to grow much cheaper in the next 15 years, to the extent where they will probably be deployable by fairly small criminal or psychopathic (cum-bogusly-political) groups. The great governments of the world already do not know how to react, except too often by surrender, to blackmailing threats to kill a single hostage, to blow up a single aircraft, or even to interrupt a cricket match. Heaven knows how they will react to blackmailing threats that large segments of some city's population will be suddenly killed unless the group making the demands is put entirely above the law. But the way that things are now going suggests that some such threats are eventually likely.

There will be a peculiar organisational difficulty in getting people to think intelligently about this in time. The lobbyists for the brand new issue of the environment in the 1960s speedily gained ground because they were lucky enough to appeal at once to the most demonstrative of right-wing Tory romantics (who like clean air and water) as well as the most demonstrative of left-wing intellectuals (who enjoy blaming pollution on capitalism) and the trendy people in between who just enjoy being demonstrative. This was a super-mass-constituency to organise as a political pressure group in a good cause. But the issue of violence by minorities will not be one where this particular constituency will be readily recruitable, because a lot of the blame for what has happened rests precisely on themselves. It is important to think out calmly now how and why we have reached the present intimidated mess.

When demos seemed darling

The root mistake was that in the late 1950s and early 1960s conventional opinion began to regard the street demo as respectable again, although the experience with Mussolini and Hitler and Mosley and others in the 1920s and 1930s had shown that in a modern society it is not. Basically, the demo is almost always anti-democratic. It tries to replace judgment based on reasoned argument (which is what democracy has to be about) by judgments bullied by at least some degree of yelled intimidation, generally and enjoyably exerted by a minority of the young and physically strong under manipulation by a minority of the politically flamboyant and ambitious. In retrospect, the reason why these demos came back into post-fascist fashion in the late 1950s was that for a period they seemed to be harmless fun, and then in the early 1960s there was an even briefer period when they appeared beautiful.

The fun period of the demo in Britain was marked by the annual Easter marches of nuclear-disarmers to Aldermaston, on which the parsons and pacifists and Frank Cousinses strode ahead of the semi-idealistic young hikers who enjoyed some emotional togetherness and even a bit of mild sex on the way. The tiny band that straggled to Aldermaston last weekend, with the rather desperate additional bait of a free pop concert at journey's end, will be indignant to be told that their predecessors were the spiritual fathers of the brutal murders of three British technicians by Turkish political bandits last week ; but social historians will recognise that that is what they unintentionally and in some small part were. A much bigger thing that went wrong next is more embarrassing to talk about, because far more of us initially applauded it than ever marched to Aldermaston.

The long-overdue victory in the battle for civil rights in the southern United States in the early 1960s was largely won through sit-ins and other demonstrations against local authorities who were not obeying federal law. Almost all the world approved of these sit-ins, and a very evanescent period of regarding demonstrators as probably beautiful people began. Outside Britain and France the same applause was aroused in the late 1950s and early 1960s by the civil disobedience that accompanied the overdue death of British and French colonialism. But the next stage should then have been foreseen.

Terrorising the majority

By the middle 1960s the non-communist and now ex-colonialist world had almost (though not quite—eg, South Africa, Londonderry) reached universal rule of all cohesive groups by the ballot-box. It had thus largely run out of causes where violence could be excused as a means of seeking changes desired by the majority of the population concerned. But the organisation of mild mob thuggery was still regarded by some as fun, by others as almost liberal, and by too many as a recipe for personal fame though not yet (usually) fortune. The second half of the 1960s therefore saw the outbreak of some mob violence directed towards seeking changes that the majority of people in the communities affected most certainly did not want. Contrary to the hopes of a very few and to the serious fears of even fewer, there was never any prospect that this would lead on to revolution. Instead, the mob part of this violence soon produced its automatic antidote in swinging to the right electorates that had been discommoded ; this happened in the French elections after the events of May, 1968, and even (contrary

to rather more forecasts) in Uruguay after the Tupamaros. But now the third stage of conventional opinion's strange post-1955 flirtation with the tolerance of violence is upon us.

In this third stage, mob violence is out of fashion even in most universities, but there is still majority popular (and liberal) support for yielding to blackmail if the threats are annoying or blood-curdling enough, and if the immediate price of buying off these threats does not greatly affect the community at large. This is a very dangerous stage: both for the future when weapons of greater destructive power will come into blackmailers' hands, and in terms of its immediate results. Some other part of the blame for the murder of three British technicians in Turkey last week lies on the heads of those who counselled that Miss Leila Khaled should be released from Ealing police station when Arab terrorists seized three passenger aircraft two years ago. This is past history. More important, two other decisions of the same kind now lie before Britain, each of a sort where some people will consider it more convenient to look the other way.

Ulster and Emperor Jones

In Ulster, the struggle until last week was to some extent a confused one of the pre-1965 sort. A majority of the Catholic population—although not of the total population—probably did feel that the terrorist gunmen were fighting for things which they desired. Since last week's initiative, it is very probable that a majority of that population prefers parleying for peace to a continuation of the gunfire, at least for the moment. This could therefore be the moment for declaring some sort of amnesty for terrorist acts committed to date, but with a clear statement that, whatever the eventual political settlement, there will be no amnesty for anybody who is accessory to any terrorist act from now on. Instead, the present inclination in Britain seems to be to prefer not to say anything so definite, and thus not to "spoil things" just when appeasement is being tried.

Nearer home, on the mainland of the United Kingdom, a majority of the British people in February became more willing to approve an inflationary settlement of the miners' strike because some violence and intimidation were making it more inconveniently effective. It was a predictable short step from this surrender to the present situation where the biggest British trade union—with disgraceful support from the Trades Union Congress—has defied a court order to stop an illegal act and declined even to tell the court why.

There has to be a term to this. The experience of the past 15 years has shown that there is a steady gradation from any glorification of the over-dramatic in protest, up through any flouting of the law for propagandist or intimidatory purposes, to murders of the totally innocent in Montreal and Kizildere and Belfast. The right prescription for policy in the 1970s has to be a shift of attitude by responsible people at each of these steps.

Three stages for action

At the stage where there is no transgression of the law, that shift must be purely voluntary. Those who enjoy passionate demonstrations of protest to show the world their grievances—whether by demo or token strike or any other form of group togetherness—should be asked to weigh the advantages that they think the world will gain from their indulging in this form of enjoyment, against the evidence that the main real consequence is to give society another imperceptible shove along the road at the end of which half-a-dozen Turkish psychopaths can say they consider it their "basic right and a debt of honour to execute their hostages." This trend needs to be reinforced by the electorate giving more respect to politicians who recognise that democracy is a matter for the ballot box and reasoned argument in the council chamber, much less respect to those who think she is a whore to be picked up on the streets or at Clydeside sit-ins or on picket lines or in fascist-style rallies anywhere.

The next shift in policy will be required at the stage where there is minor transgression of the law for propagandist or intimidatory purposes: such as obstruction of the highways, refusals by local councillors or trade union leaders or other dignitaries to obey the law, illegal picketing, rent strikes. The need here in the 1970s will be for authority to enforce the law more firmly, which does not mean more hysterically or dramatically.

The last and most difficult stage comes when government is confronted by those who say they will kill innocent people unless their demands are met. The answer here has to be total resistance. This is not to say that the answer must be more bloodthirsty punishment; often the people who commit these horrors are more in need of psychiatric than penal treatment—and certainly executions, either before or after formal capture, may make them martyrs in the eyes of romantics who like to say they agree with their ultimate objectives. But the absolute need is that no individual who indulges in terrorist blackmail will be rewarded for his act. A terrorist does not merely gain personal reward if his demands are met, but also if he is allowed to escape to adulation in some foreign terrorist den, in return for having kindly agreed not to kill somebody temporarily in his power. It is this sort of even partial success that breeds imitation. And the prospect at the end of that imitators' road is now very frightening indeed.

The next 40 years

Because of widespread interest, the survey "The Future of International Business," which appeared in *The Economist* of January 22nd, is being republished as a 48-page booklet in April.

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A time for papal doubt

Pope Paul may now be having second thoughts about his own brand of Ostpolitik

Perhaps it was a pity that Cardinal Conway's dressing down of the IRA hogged so many of the Easter headlines, when his own leader in Rome was doing something that should have made more people sit up and take notice. What Pope Paul did on Sunday was to slip into his Easter message a few words of encouragement for the "church of silence." This phrase was often used by his predecessors to describe the Roman Catholic church in communist countries, but it had not been heard from the Vatican for a long time. He must have known that it would jar in many communist ears, not least in Italy. Why did he decide to use it now ?

He may have simply felt that he must make some gesture towards the 17,000 Lithuanian Catholics in the Soviet Union, who had just complained both to Mr Brezhnev and to the United Nations secretary-general about their lack of religious freedom. But if Sunday's gesture proves to be a signal that the Vatican is having second thoughts about its present policy of rapprochement with the communist governments, there will be relief among those Catholics who have been unhappy about the possible long-term effects of the papal Ostpolitik. Nobody questions the Vatican's right to try to come to terms with any government that rules over a sizeable number of Catholics. It is not the principle of negotiation that has aroused doubts in some people's minds ; it is the profit and loss account.

Some of the Pope's critics make no bones about it : they think he may be giving away a lot to communist governments without getting much in return. Some of those critics were pained when, just a few days ago, he had a friendly chat with representatives of the Rumanian Orthodox church, which in 1948 swallowed up, with the full support of the communist state, 1½m eastern-rite Catholics. Then there is the evident anger of Cardinal Slipyj (now living in the west after many years in Soviet concentration camps) at the fact that he is apparently not going to be allowed to organise the Ukrainians who live in the west into a separate patriarchate, because the Vatican knows that the Soviet government opposes anything that might encourage the spirit of Ukrainian nationalism. And many Ukrainians are upset because the Vatican made no protest when the new Russian Orthodox patriarch recently described Stalin's destruction of eastern-rite Catholicism in Russia in 1948 as one of the great events in the history of the Russian Orthodox church.

The complaints of old men like Cardinal Slipyj (and Cardinal Mindszenty, who still resents the way he was whisked out of Budapest last year without a word of apology for his long confinement by the Hungarian government) hardly prove that the Vatican should not be negotiating with the communists. Pius XII's rigid anti-communism would be completely out of place today, when even President Nixon can travel to both Moscow and Peking. But the critics' case against the present papal Ostpolitik is that it may prove to be a mixture of illusions and muddled thinking that one would not expect from the world's oldest diplomatic service.

The Vatican can claim that the Belgrade protocol of 1966 gave the Roman Catholic church in Jugoslavia a measure of genuine freedom. But in those parts of eastern Europe that are under Soviet control the policy of negotiation has had meagre results. After several years of tentative talks with the Czechoslovak government, the Catholic church's position in Czechoslovakia is now worse than it was under President Novotny. In Hungary there has been no noticeable improvement since Cardinal Mindszenty's departure last year. In Poland there has been a real improvement since Mr Gierek took over in December, 1970, but even this may prove to be only a temporary gain. In Russia there has been no improvement of the Catholics' lot, and no sign that the government will let the forcibly "orthodoxed" Catholics return to their Roman allegiance.

Even in relatively liberal Jugoslavia there is still no full equality for Christians in public life, where they seem to be tolerated but not officially recognised. If present trends in the communist world continue, the Christian can have little hope of finding any genuine pluralism in eastern Europe. But there can be little doubt that the Vatican's policy of negotiating with the communist regimes, and of relaxing its ban on Catholics joining communist parties in the west, has helped the communists both by giving them a new respectability in the west and by strengthening their regimes in the east.

It was a good idea 10 years ago

Some people in the Vatican would still argue that the internal evolution of the communist world will eventually justify these policies and that, in retrospect, writing off the eastern-rite Catholics in Russia against the promise of concessions in other parts of eastern Europe will not prove such a bad bargain after all. This calculation seems, unfortunately, to be founded on the hope of the early 1960s, when the communist world showed signs of moving in the direction of genuine liberalisation. Today that hope looks increasingly sanguine. It is easy to understand why politicians in countries where communist parties are strong want to develop friendly relations with the Soviet Union. They want to buy some domestic peace. Some of those political calculations seem to have seeped through to the monsignori who make the papal foreign policies. As for the Pope himself, the explanation may be very simple. He may have seen his Ostpolitik as a way of lessening the tensions within his church that have arisen from his reluctance to grant concessions on controversial matters such as birth control and celibacy.

BRITAIN

Whitelaw gives them the chance to calm down

On balance, Mr Willie Whitelaw's task in Ulster has probably been made slightly easier by the publication on Thursday of Mr Justice Scarman's inquiry into the riots in Belfast and Londonderry in July and August, 1969. Both communities will dispute some of the findings, but blame and praise are allocated too judiciously and gently to cause great excitement. The judge found that the police had made mistakes, particularly in using machine guns in Belfast, the B specials should not have been used and the army should have been called in earlier. But there was no anti-Catholic conspiracy by the police and no concerted Catholic attempt at insurrection. As Mr Whitelaw said, the inquiry has destroyed myths on both sides. Unfortunately, myths are usually the last things the extremists on either side in Ulster want to see destroyed.

Mr Whitelaw very wisely spent his first few days as Northern Ireland's first Secretary of State in the province itself. In the parlance of his favourite sport, he teed off rather well. He allowed the Republicans to hold their traditional—and technically illegal—Easter parades without interference from the security forces, and although it did not endear him to the Protestant extremists it was the sensible thing to do. The separate marches of the Provisional and Official wings of the IRA passed off without incident, and it was possible to believe it might be the beginning—no more than that—of some signs that many in the Catholic community would positively welcome an end to violence.

When Mr Whitelaw moved into Stormont castle after spending Easter with the army and the police the ranks of the Protestant majority also seemed rather less solid than they were a week ago. Not all Mr Faulkner's old cabinet colleagues are going to boycott Mr Whitelaw's administration. Moderates like Mr Roy Bradford and Mr Robin Bailie look as though they will give the Secretary of State the benefit of their departmental expertise on economic and development policy, while the prospect of a real working alliance between Mr Faulkner and Mr Craig seems less likely than ever. The former Ulster prime minister has rejected both violence and civil disobedience as tenable policies for the Unionists to follow, while Mr Craig's Vanguard movement still threatens to disrupt the province with a rent and rate strike and sporadic walkouts in industry. Mr Craig continues to talk wildly about Ulster declaring UDI, which will not get any support at all from Mr Faulkner and his old cabinet, except possibly from Mr John Taylor. Most Unionists are more likely to respond to the Rev. Ian Paisley's call for complete integration of Ulster into the United Kingdom.



Undisturbed, the IRA march in Belfast on Easter Sunday

But peace in Ulster is still a long way off. Both the Provisional and Official wings of the IRA have so far refused to call a truce, and the Catholic working class in both Belfast and Londonderry is not really in a mood to throw over the gunmen and bombers in its midst. It is true that a few brave women in Andersonstown, a Belfast Provisional stronghold, have begun to show their resentment against the Dublin-based leaders' orders to carry on with urban terrorism, and they got plenty of publicity for their cause when determined women IRA supporters broke up one of their meetings. The Provisional army chief, Mr Sean MacStiofain, was cheered by the crowd in the Bogside last Sunday when he shouted : "Concessions be damned, we want freedom." Nevertheless there are many politicians and priests in the north who claim that the war-weary Catholics are longing for peace. Leaders of the Social Democratic and Labour party have condemned both wings of the IRA for their decision to continue with violence, and so has Cardinal Conway, the primate of all-Ireland.

Most Catholics acknowledge that the 15,000 soldiers have been adopting softer tactics in their areas since the announcement of direct rule. House searches are fewer, and there has been a noticeable reduction in the number of street patrols. But so far the violence in Ulster is still running at an unacceptably high level. The army records show that in the first 10 days since the announcement of direct rule there were 53 bomb explosions, 106 shooting incidents, 7 dead and 87 injured.

Land

At any price

Normally, a developer whose application to build houses on a particular site has been rejected by the planning authority has about a one in six chance that the decision will be reversed if he appeals to the minister. Just now 50 per cent of housing appeals are being allowed. That is one measure of the Government's anxiety at the ever-galloping inflation in land and housing prices. In a radio interview last Sunday Mr Graham Page, Minister for Local Government and Development, assured developers who had been refused planning permission in any of the areas of south-east England scheduled for growth that Whitehall would look kindly upon them. He also urged local authorities to release their own land stocks for house building and listed, among the ideas being considered by the Government, a "Domesday book" of land owned by public bodies.

This reaction is in accord with British political tradition. Whenever land prices for housebuilding are soaring, Conservative governments tend to blame narrow-minded local authorities, and Labour governments to blame greedy private speculators. There is an element of truth in both explanations, but neither can really be held responsible for the sort of increases seen in 1971-72. Builders say that the price of housing sites in south-east England has doubled in the past year, so that they now often have to pay over £40,000 an acre. For sites on the edges of other population centres up and down the country, and in counties like Wiltshire recently opened up by motorways, price rises have also been voracious. Why ?



Page : give them land

Land prices always follow house prices, and house prices have been rising at an annual rate of about 20 per cent for over a year, led by the secondhand market. This is a direct result of the huge increase in funds flowing into building societies following government measures to ease money supply. Some of the extra money, in the hands of institutional investors, is also now going directly into land, and is a contributory cause of the shortage of sites in the hands of builders. Big builders are usually public companies : they normally carry only about three years' supply of land, but small private firms often avoid tax with land stocks to meet their needs for up to 10 years. Much of this land was offloaded during the 1969-70 credit squeeze, so that some of the same firms are now having to scramble for new stocks. There is likely to be some profit-taking by the pure speculators in the coming months, but it will not make a vast difference to the general supply.

Local authorities in the home counties retort to Mr Page that they have been granting planning permissions at an unprecedented rate in the past two years, and some trot out figures alleging that builders have plenty to be getting on with for at least the next four or five years. These latter figures are misleading. Some planning permissions are granted to owners who are merely after an increased capital value of their land, or (even in the crowded south-east) are in places people don't want to go. Permission is often being refused in, say, areas of Kent which the county council considers overfull of commuters already. Land approved for housing development in a scheduled growth area like south Hampshire will last only to 1977-78 at current building rates, and the local authorities say that more cannot be scheduled until some major sewage works are complete. In the north-east of the county, around Aldershot, part of the problem is army occupation. Action awaits the outcome of the Nugent committee on defence lands.

Some planning authorities do now pretend to be operating a more open-door policy—and have indicated where big development will be allowed in future, within the very broad limits of the official "Strategy for the South-East"—but have created massive frustration among builders (and encouraged interim speculation by investors) by not simultaneously speeding up their machinery of development control. Options are quickly bought up in areas like the Reading-Wokingham strip, which Berkshire has said will be given the go-ahead for housing ; but no planning permissions can be given while the usual proceedings of local consultation and precise boundary-drawing go on.

There will always be problems of land assembly and land prices in such areas. The Government is not merely looking at Conservative ways of speeding large-scale development. Mr Page clearly hopes that local authorities will use their compulsory purchase powers to fill the gap left by the Government's abolition of the Land Commission and buy up key sites within larger building areas. A working party is examining ways of promoting joint public and private housing development in the south-east. A kind of regional new town authority has been mooted; it will be unlikely to work properly unless, like the new towns, it can deal with industry and infrastructure as well as housing. If Mr Page wants to revive dormant planning permissions, his Domesday book will really have to extend to all land held by private owners too—whether they be ordinary owners, institutional investors, speculators or builders with idle sites. How keen would builders and speculators be on that idea ?

Birth control

The establishment chimes in

A working party set up by the Royal College of Obstetricians and Gynaecologists, though by no means composed exclusively of gynaecologists or even doctors, has now added its voice to the view that a fully comprehensive contraceptive service should be available within the national health service. Its report* will be presented as evidence to the Lane committee on the working of the Abortion Act, but it had been deliberating for some time before that committee was set up and it is at least as much concerned with unplanned pregnancy as with disposing of one. In other words, its report is not merely the gynaecological establishment's defence of the restrictive attitude to abortion shown by so many members of the profession. It does try to answer the question why, now that information about contraception is more readily available, more and more women—and girls—are relying on abortion.

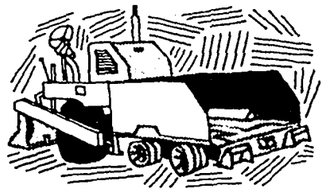
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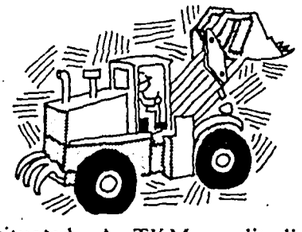
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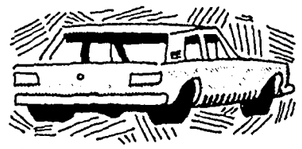
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Unfortunately, its answer does not really get us any further. It mentions the dicing that goes on among the young, also manifest incidentally in aspirin swallowing and other suicide attempts and in motorcycling. A "morning after" pill, if an effective one is developed, would clearly be helpful in these risk-taking cases. But such a solution only emphasises, as the report does throughout, that research into all aspects of unplanned pregnancy is badly needed. So, too, is education, and in this context it is deplorable that the working party got no response at all from the Incorporated Association of Headmasters, to which a copy of its study plan was sent with a request for information.

The most far-reaching recommendation made by the working party is that there should be some form of arbitration when a woman is refused an abortion so that she does not have to shop around till she finds a surgeon willing to give her one. Any procedure that would lead to more uniformity in abortion practice should be welcome, but the working party's proposal (which it does not spell out) would seem to be too full of difficulties to be acceptable.

Teachers

Easter parade

For her sins, Mrs Thatcher has had to spend the week on the traditional post-Easter round of teachers' conferences. The worst came first, on Tuesday: a speech in Blackpool to the National Union of Teachers, by far the largest, the most industrious but also the silliest union, which has never expressed much love for the Secretary of State. True to form, a platoon of young NUT members staged a most unspontaneous walkout when she got up to speak; they had earlier criticised the executive for inviting her. The rest of the conference then pulled itself together and gave her a standing ovation; after all, the annual ministerial visit gives the conference some good publicity, and Mrs Thatcher played ball nicely by using the occasion for two modestly important announcements. The depressing report on reading standards from the National Foundation for Educational Research has, unsurprisingly, inspired her to set up a committee to investigate teaching methods; and Mrs Thatcher also announced a generous 15 per cent increase in cost limits for school building (which will however do nothing to appease those



Britton: multi-campaigner

local education authorities with such restricted secondary school building programmes).

After this interlude, the union returned to its perennial conference battle between left and right. The union has just elected a communist intellectual, Mr Max Morris, as its president. But such are the intricacies of the union's electoral mysteries that he is in fact the next but one; this year's new president, Mr Harry Allison, is a retiring teacher with plans for ordination in the Church of England, and Mr Morris's runner-up, who automatically becomes president after him in 1974, is also a more conservative figure. And it is the general secretary, Mr Edward Britton, who has the more important job.

It is not an easy one at present; the NUT, losing members, has a constant battle to avert splits and defections to a multiplicity of smaller unions. The most important of these, the National Association of Schoolmasters, had its share of Mrs Thatcher at its conference in Southport on Thursday night. The NAS is far more single-minded than the NUT. Mr Britton's executive, for example, is at present engaged on a campaign for more nursery education (a theme adopted with great enthusiasm by Labour's education spokesman, Mr Edward Short, in a speech to the Guild for Teachers of Backward Children on Tuesday), and another on class sizes. At its conference it had to reiterate its dislike of the James report on teacher education, stave off a motion from the floor in support of the Transport and General Workers' Union and push through a compromise rejecting registration under the Industrial Relations Act for the time being. But the NAS, while mounting a complicated little campaign on teachers' pensions, is concentrating its energies on classroom violence and the problems its members will face when the school leaving age goes up in the autumn. The NUT has found itself uncomfortably on the defensive on this one, but with a majority of its members in primary schools it can afford to play down the issue. And it is probably responsible—though rather holier-than-thou—to do so.

As Mrs Thatcher sensibly told the NAS on Thursday, the first thing to do is to find out if there is a really widespread problem: she now proposes to start up discussions with local education authorities and teachers' organisations. That should produce something more informative than the present crossfire between the NUT and the NAS. They will meanwhile have something else to quarrel about afresh, with the appointment of an inquiry (headed by Lord Pearson, for the second year running) after the breakdown in the Burnham pay talks.

Census

Gross results

Last April, Mr Jeremy Thorpe, with some of his old and most of his young Liberals at his heels, was in full cry after the compilers of the census forms which were arriving in every household. Come census day, there were a few complaints of illegal disclosure of information on census forms, and later there were about four times as many prosecutions for failure to fill in the form correctly as after the previous census. But a year later, the results are working their way into enormous published volumes, largely unremarked and certainly unopposed.

The first to appear was a simple national analysis of population, followed by the preliminary county reports. These were based on an "advanced analysis" for which bits of the census returns were transferred by the enumerators on to "machine-readable" documents. There have been about a dozen of these county reports published; the Office of Population Censuses and Surveys (the new and clumsy name for the General Register Office) starts with nice easy counties like Dorset and works up to the formidable density of Greater London. Within two months, national tables

based on these should appear. At much the same time the full county results should begin to come thumping out.

If that were not confusing enough, in the summer there will appear a national analysis based on 1 per cent of the census returns, but containing rather more information on, for example, housing, industry and occupations than the advanced analysis. Why is this necessary ? Well, it was carried out in 1951 because the full results took such a long time to appear. It was dropped in 1961 because that was the first time that a computer was used and, in their innocence, the statisticians supposed that that would make everything so much quicker. This time, they were taking no chances ; but they are in fact already about a year ahead of the 1961 schedule with the full results. In the late 1960s, the results of the 1966 sample census kept bursting into print before all the tables on the 1961 returns had appeared. Anyone who could sort their way through that confusion deserves the Thorpe medal for the invasion of statisticians' privacy.

Coventry

The common touch

Labour used to look on Coventry as one of its impregnable strongholds. The party dominated the Council House for an uninterrupted 30 years from 1937 until 1967. Then, local voters expressed their resentment at Labour's national performance by putting the Tories—who won 12 of the city's 18 wards—back in office. Labour's old guard, who had ruled the city with a firm left-of-centre discipline, were swept off the aldermanic bench. But now it looks quite likely that Labour will romp home in the May elections under its new leader, Councillor George Park, an engineering union shop steward at Chrysler's Ryton assembly plant. The Tories are hanging on to power because they hold 16 aldermanic seats to Labour's 2. But among the elected councillors, Labour already outnumbers its opponents by 28 to 26.

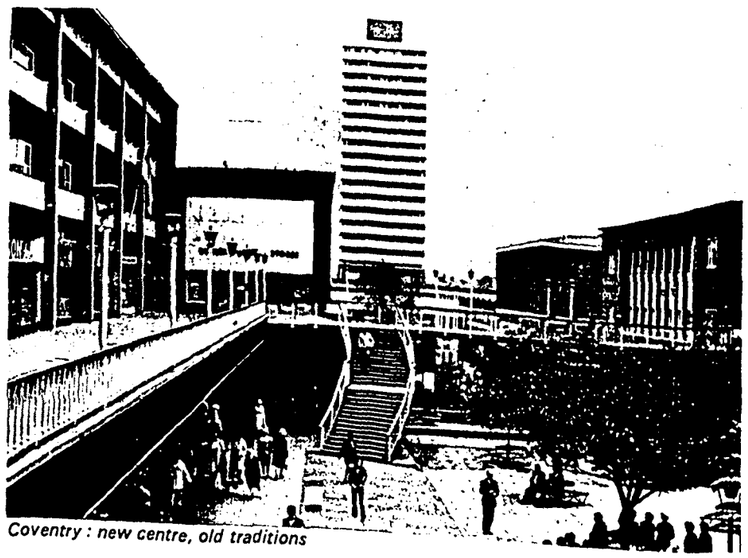
Coventry has a taste for city boss politics, and the Tories have kept up that tradition during their five years of power. Alderman Gilbert Richards, a local solicitor, has led them since 1955 with a genial authority. He presides over a policy executive committee of the council, one of Labour's more valuable legacies, which is made up of the main committee chairmen, who meet regularly to formulate and direct council business. The Tories have done much to streamline the administration in the cause of efficiency. Its committees have been reduced from 23 to 15, and the town clerk has been transformed into a chief executive officer.

All the same, the Tories have often remained content to accept Labour's inheritance. They back up the city's development programme with their own costed capital works schemes. The direct works department was closed down, not because of party dogma but because it was losing money heavily, but no attempt has been made to sell off the freehold of the vast amount of inner city land acquired after the war. Coventry's 10 municipal cafés still go on making a healthy profit.

At the moment both parties share common ground in their concern to champion Coventry's need for new jobs. Its unemployment rate now stands at 4.2 per cent. The Tories intend to spend £250,000 to ease the problem and they have been allowed to bring forward by a year their construction plans for a new fire station and sports centre. The parties are also united in their support for Coventry's inclusion in the sprawling West Midlands metropolitan authority, even though the city is going to have only 12 out of the 104 places on the top tier council and it is going to be one of the authority's seven district councils. But both the Tories and Labour prefer that to the Maud commission's suggestion that they should go in with Warwickshire.

None the less, Labour has found enough battles to fight on the council in recent years to show Coventry is not ruled by an amiable bipartisanship There was much Labour anguish at the Tory decision to sell off leaseholds on land acquired by the council to private developers for housebuilding. And the political temperature rose last year when the Tories decided to stop building any more council houses except for the elderly and physically handicapped. Labour gave no thanks to its opponents for the £1m surplus on the housing revenue account which the Tories claim has resulted from falling interest rates. Nor did it succeed in its attempt to gain a three weeks' rent-free period for Coventry's 27,000 council tenants in February. Instead, much of the surplus is going into a general amenities fund which should help to clean up council estates.

The fact that the Tories have not won support from Labour for a reduction in the household rate this year by 1p in the pound might help to hold back the the pro-Labour swing in May. But Labour has been trying to convince the city's tenants of what it regards as the iniquities of the fair rent proposals. Councillor Park led his party out of the council chamber recently when the Tories brought in the Government's rebate scheme ahead of schedule. Labour assertions that the Tories have been bartering away Coventry's heritage cannot, however, disguise the essential continuity of government in a city whose successful postwar reconstruction after the 1940-41 blitz was the joint effort of both parties on the council.



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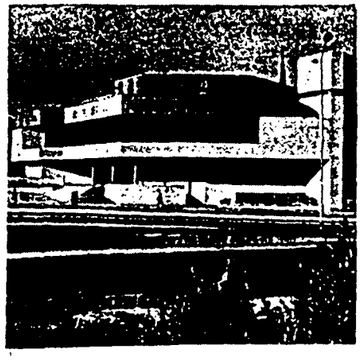
Theatre Brief

Rep keeps on playing

In a burst of civic pride, both Birmingham and Sheffield opened magnificent new repertory theatres last autumn at a cost of £1m apiece. The price may have broken records, but the idea was far from new. In the past decade 21 theatres have been thrown up, usually funded by eager local councils with help from the Arts Council, and six more are scheduled to open during the next two years; all this at a time when television was supposed to have tolled the death knell to theatre-going in provincial towns long ago.

What is more, what goes on at some of the 50 reps in the country certainly belies the old saying: "When is a rep not a rep? Answer: when it's a success." There are, of course, still some old-style companies churning out a diet of drawing room comedies and protesting that their audience will accept nothing more daring. But the immense success of the new wave of reps can be measured not only in terms of enthusiastic audiences and many successful transfers to London's West End, but also in the amount of exciting new and experimental work some of them are doing which no commercial management could risk touching.

True, the pattern of theatregoing has vastly changed since after the last war. Then the rep movement was far from widespread but touring commercial theatre held sway. Moss Empires owned 36 of the 130 provincial commercial theatres operating before the war. Now it has only five left, the rest having become bingo halls or cinemas or been pulled down or palmed off to an unwelcoming city corporation. The commercial touring companies, which before the war numbered over 40, can now be counted on the fingers of one hand.



Sheffield's pride

Today the provincial theatres consist of (a) the few large touring theatres which, with seating capacity for 1,800-2,500 and large stages, can take big opera productions, pantomimes and occasional tours from national theatre companies, and (b) the smaller touring theatres for plays and often ballet. Then there are (c) the growing small-scale experimental theatres housed in anything from university buildings to pubs. And (d) there are the reps whose flowering derives not only from local money and enthusiasm, but also from steadily increasing subsidies from the Arts Council, which in the past year spent just under £1.5m in grants to the companies.

The big money

The Arts Council's biggest grants—last year around the £70,000 bracket—go to those reps like Birmingham, Nottingham and Sheffield which are considered to serve a wide region rather than just the local area. Ideally, the grant should relate to the size of the theatre and its catchment area and to the extent of local demand. As the council's policy is to respond to local initiative rather than dictate policy, its powers are limited and the subsidy is by no means evenly distributed over the population: a recent report by the North West Arts Association on theatre in Manchester grumbled that the Greater Manchester area, with a population of 2.77m, received only 2.14p per person from the Arts Council in theatre subsidy, whereas Nottingham had 24.88p.

Nor are the theatres evenly spaced geographically. The Midlands has a wealth of reps and with the new motorways their catchment areas have widened enormously. Leicester, Stoke-on-Trent, Coventry, Birmingham, Derby, Nottingham and Sheffield all seem to do quite a bit of audience-sharing, and Stoke claims that people from 12 different counties attended its 1971 production of "Measure for Measure." By contrast the north west and south west are badly served. Portsmouth has no rep and relies on visits from Exeter rep, which gets an extra Arts Council subsidy for such tours.

Only a few reps can actually afford to play in repertory with several plays running concurrently. Birmingham is now playing "Man and Superman" as well as "Vivat! Vivat! Regina!," which its artistic director, Mr Peter Dews, first produced at Chichester theatre. Most progressive reps try to divide their repertoire evenly between classical works and new plays, sometimes concentrating on local writers. But their artistic policies vary wildly, particularly in their approach to the area they serve.

In recent years more reps have become a prey to the lures of London's West End. The possibility of a play transferring to London has the obvious advantage that a big star will come to, say, Birmingham, to play at a much lower fee than he is accustomed to on the assumption that he will reap the benefits when it moves to the West End. The theatre gains wider prestige and gathers a tidy sum in royalties: this is usually about 1 per cent of the gross London box office takings. Birmingham has made well over £7,000 on Mr Dews's production of "Hadrian VII" which started there, played in London and New York and has since been done by most reps in the country.

On the other hand, transfers have the disadvantage of breaking up a team of actors and can put a rep far too much in the hands of London commercial impresarios who, as Mr Stephen MacDonald, director at Leicester, puts it, "are fine judges of commercial potential, but not necessarily of artistic merit." Some reps have well-established links with certain impresarios. Bristol, for instance, has long been associated with the name of Mr Donald Albery, the London theatre-owner and impresario. At one time three plays running concurrently in the West End had started life at Bristol.

At a further extreme, the Stoke-on-Trent rep, under the artistic directorship of Mr Peter Cheeseman, has decided to eschew any temptations from London. Stoke is unique in many ways: it is the only rep with an entirely permanent company (of 13) paid on a fixed salary scale —with television and films offering much more money, the number of actors wishing to sign 6- or 12-month contracts out of London is limited—and it is also the only rep that always plays in the round. Mr Cheeseman believes passionately in the importance of an ensemble of actors working together and establishing in the theatre very strong links with the local community. One director described Mr Cheeseman's work as the dramatic equivalent of the local newspaper—and he had a point.

Stoke has become famous for its musical documentaries, which tell of incidents in the history of the area based entirely on "prime source material," such as letters, documents and recorded speech. "The Knotty," produced in 1966, told the story of the building of the North Staffordshire Railway—this has frequently been revived and has always sold out. Last year "Hands Up—For You the War is Ended" told of the local newsagent's wartime adventures escaping from an Italian prison camp. Other reps have adopted the documentary idea in varying forms. Sheffield's "The Stirrings in Sheffield on Saturday Night" —about the local trades unions' fight for recognition in the 1860s—went down a treat in that brash and lively industrial city.





MacDonald and Cheeseman: community service



Birmingham's "Man and Superman"

Most reps would place service to the community as their main justification for subsidy. Stoke's actors do work in local schools, Newcastle's new theatre is open nearly all day for talks to schools and groups, open rehearsals, and lunchtime concerts and poetry readings. They often try to tie their annual Shakespeare production in with what is on the GCE syllabus: this did lead to the rather ludicrous situation in 1970 when Stoke, Nottingham, Leicester, Birmingham, Leatherhead and Oxford all found themselves playing "Hamlet." As coachloads of schoolchildren seem prepared to drive 50 miles to the theatre, the rash was unwarranted and could have been averted with a little prior consultation.

Strong emphasis on schools helps to build up a new young theatregoing public. The audience at "The Cherry Orchard" in Leicester, not traditionally a theatrical town, was largely under 30 the other day. A town like Birmingham, however, which has longer theatrical traditions, has a more conservative, middle-aged audience. But all directors agree that a new theatre brings new audiences. Most new theatres are attractive, have restaurants and bars and are generally more suited to a night out. In its new theatre which seats 900, Birmingham rep is playing to an average audience of 65 per cent capacity, the same percentage as it did in the old theatre with about half the seats. Sheffield is having similar experiences.

But moving into a new theatre doubles the price of everything—a fact that many starry-eyed managers had not fully foreseen—and councils who enthusiastically coughed up capital for building are sometimes understandably much less keen to subsidise the running costs once the building is up. They also charge the theatres rent—though this is often equalled in a grant. Nottingham, for instance, gets a council grant of £27,000 and pays the same amount back in rent. Actors' wages went up substantially last year to a minimum of £20 a week. As the previous minimum was £10.50 it was high time, but it did put up costs, and a medium-sized theatre like Newcastle found itself shelling out an extra £16,000 a year, and Nottingham cut its company down from around 27 actors to under 20.

Running costs in a large rep like Birmingham—which has a non-acting staff of around 100—will probably be over £300,000. Of this it hopes to take around £175,000 at the box office and the rest must somehow be made up by subsidy. Most reps feel that their income should divide about evenly between subsidy and receipts but they vary greatly in what they feel they can charge. Birmingham and Sheffield have a top price of £1.20, Nottingham 80p and Leicester 75p, whereas Stoke, which admittedly does not provide half the comforts of newer theatres, charges 40p (or the average price of a cinema seat). In reality the pricing does not tell the whole story. Mr Dews says: "Hardly any seat in a provincial rep is sold at its face value." Reductions for students, pensioners, parties and season-ticket holders all see to that.

But with such large sums at stake, some reps have come in for criticism for not watching their costs closely enough. Nottingham, where an average production costs about £6,000, is often accused of thinking too big for its own budget's good. It recently put itself at serious risk by placing large sums—it will not reveal how much—jointly with an impresario in a musical called "The Amazons." Presumably it expected a London transfer.

Touring revives

Some people also feel that the extravagant size and grandeur of these monuments to civic glory is unwarranted, and that with more modest plans some of the extra money might have been better spent renovating the local touring theatres which are often in a very poor condition. Only two new touring theatres at Swindon and Eastbourne have gone up since the war. Until recently the Arts Council took scant interest in touring, although there is plainly still a large demand for good quality shows. However, it did give a grant of £45,000 in 1970 to the Dramatic and Lyric Theatres Association (Dalta) which helps to co-ordinate tours by the national opera, ballet and theatre companies. Under the direction of Mr Jack Phipps, Dalta has been so successful at arranging provincial tours round a grid of 12-14 theatres that its grant has been upped to nearly £500,000 —about £200,000 of which will go on theatre—to subsidise touring in 1972-73.

The Arts Council's report, "The Theatre Today," produced in 1970, complained of the lamentable lack of "product" (ie, productions) available to touring theatres. The situation now has improved somewhat: Dalta tries to guarantee theatres on its grid 10-14 weeks (divided into two seasons) a year, pantomimes will run 8-10 weeks, perhaps the D'Oyly Carte or Black and White Minstrals (both invariable sell-outs) for 3, foreign companies for 4, touring theatre and occasional concerts for 5, amateur dramatics for 6—but this at best leaves 10 weeks when the theatre will be "dark." Moss Empires feels lucky if a theatre is used for 40 weeks a year. To complicate matters, some towns like Liverpool and Manchester are saddled with two large touring theatres vying for productions.

The slump in the film industry has encouraged commercial companies—now able to get the stars—to put more plays on the road. Last year Triumph Productions toured plays with stars like Sir Michael Redgrave, Richard Todd, Jack Hulbert and Jimmy Edwards, and at one time had nine touring at once. And good names sell. When the National Theatre —always a reluctant tourer—took "The Merchant of Venice" with Sir Laurence Olivier to Edinburgh and Manchester last year, it played to 99 per cent and 93 per cent houses respectively and made over £22,400.

But a long-term successful touring policy depends on the theatres themselves being improved. Councils are being encouraged to buy their local theatres—occasionally with a little help from the Arts Council —and to run them through trusts which keep them out of politics and enable them to adopt a more consistent artistic policy than a commercial theatre. Trusts also have charitable status and so might attract more local money and improvement grants from the Arts Council. But with only £500,000 in its Housing of the Arts fund—this has not risen for six years —the Arts Council is unable to help much, and most of the onus plainly rests with local effort.

Canadian Pacific

91st Annual Report

Progress was made in 1971 toward the goal of increasing the earnings of the Company. The improvement in general business conditions which took place during the year was essential to this achievement but did not wholly account for it. At least as important for the results was the strengthened capability of the Company to create and use opportunities in a wide range of service and production activities.

Total earnings for the year, including those of subsidiaries, were $75.5 million, an increase of $9.8 million, or 14¢ per Ordinary share, over 1970. The increase in earnings before extraordinary items was $6.4 million, or 9¢ per Ordinary share. Dividends on the Ordinary stock were increased from 65¢ per share in 1970 to 66¢ in 1971. The increase came from railway and miscellaneous sources.

Net railway earnings were the highest since 1966. CP Rail was able to take advantage of an upswing in the economy in the last half of the year to overcome the disappointing first half, which was marked by unusually severe winter weather, work stoppages and a strike threat. The income of CP (Bermuda) was up substantially, as a result of a larger fleet and the temporary availability of ships for spot charters. Trucking operations produced higher earnings. CP Air succeeded in improving its earnings performance through rigorous control of costs, rather than as a result of any marked increase in its revenues. The net income of the subsidiary Soo Line Railroad Company was higher and so were that company's dividend payments.

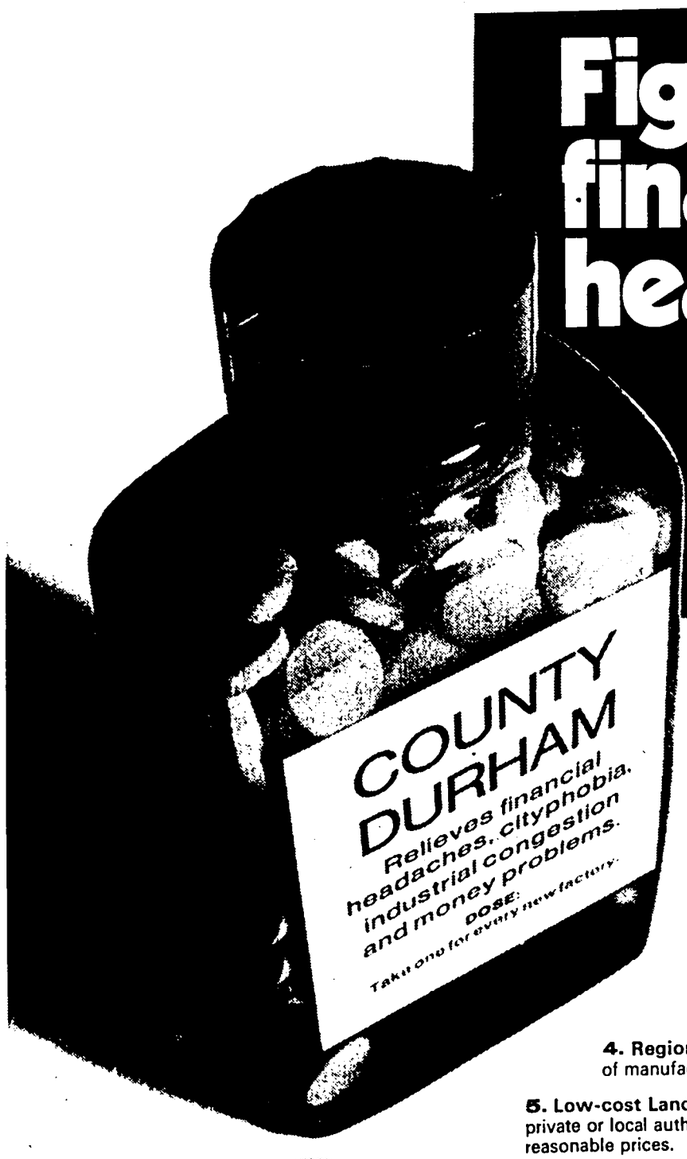
Income of Canadian Pacific Investments Limited was down despite growth in earnings from oil and gas and hotels. The reduction was attributable in large measure to the effect of the higher exchange value of the Canadian dollar on the results of Cominco Ltd. and on the various forest products companies in which CPI has interests.

Copies of the Annual Report can be obtained from the Deputy Secretary, 8 Waterloo Place, London, SW1Y 4AQ.

Canadian Pacific Limited

	1971	Per Ordinary Share	1970	Per Ordinary Share
	(In thousands, except amounts per share)			
Summary of Earnings of the Company and its Subsidiaries and of Dividends Declared				
Earnings of the Company and its Subsidiaries				
Net railway earnings	$45,756		$38,392	
Other income	26,591		18,150	
Income before fixed charges	72,347		56,542	
Fixed charges	33,768		27,804	
Income from railway and miscellaneous sources	38,579	$0.49	28,738	$0.35
Income (being dividends received) from Canadian Pacific Investments Limited	23,649	0.33	23,649	0.33
Canadian Pacific Air Lines, Limited	1,433	0.02	1,433	0.02
Total, excluding earnings retained by subsidiaries and before extraordinary items	63,661	0.84	53,820	0.70
Equity in earnings retained by subsidiaries	6,995	0.10	10,350	0.15
Total before extraordinary items	70,656	0.94	64,170	0.85
Extraordinary items (C.P.L. 1971 - $1,848,000 1970 - Nil)	4,884	0.07	1,507	0.02
Total	$75,540	$1.01	$65,677	$0.87
Dividends Declared				
On 7¼% Preferred stock	$ 1,464		$ —	
On 4% Preference stock	$ 1,938		$ 3,311	
On Ordinary stock				
From railway and miscellaneous sources	$22,215	31¢	$21,499	30¢
Flow-through from Canadian Pacific Investments Limited	23,649	33	23,649	33
Flow-through from Canadian Pacific Air lines, Limited	1,433	2	1,433	2
	$47,297	66¢	$46,581	65¢

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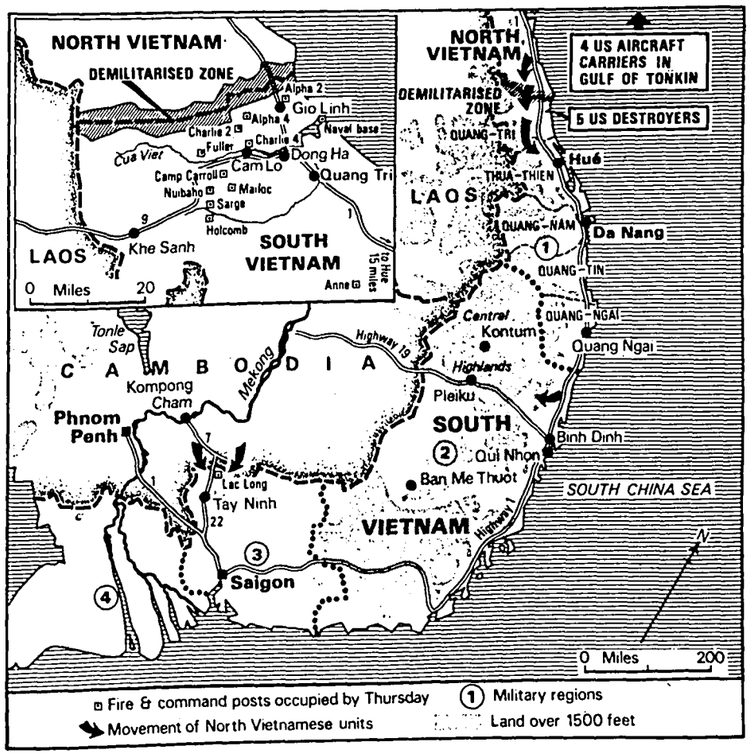
THE WORLD *International Report*

The Easter offensive

FROM OUR INDOCHINA CORRESPONDENT *Saigon*

Every year the monsoon in Vietnam brings down a heavy blanket of cloud over the 17th parallel for about two weeks towards the end of March. It provides a perfect cloudscreen for communist military activities and prevents the use of air power against infiltration across the so-called demilitarised zone separating the north from the south.

When the clouds descended on schedule a fortnight ago, the North Vietnamese set in motion a battle plan that was probably prepared months in advance. By Wednesday nearly 50,000 troops, supported by 200 tanks, had poured across the border under cover of a withering barrage of artillery and rockets, and were poised to overrun the province capital of Quang Tri. The invasion itself had long been foreseen, although many observers thought it would start in the central highlands. But its intensity was a surprise, as was the almost immediate collapse of South Vietnam's forward defences.



But as government forces regrouped to defend besieged Quang Tri the weather finally started to improve and American pilots expected to start flying up to 500 strikes daily. Already, according to some reports, more than 50 Russian-built tanks had been destroyed by air and ground fire and naval gunfire from offshore. President Thieu, who said the invasion was a "decisive battle of the war," called upon the United States for all the assistance it could give, and on Thursday he got President Nixon's answer. It was announced in Saigon that ships and aircraft of the Seventh Fleet and the American air force had opened large-scale attacks on targets in North Vietnam.

Even so, by Thursday there were doubts whether Quang Tri city, most of whose 22,000 inhabitants had fled southwards, could be held, and the North Vietnamese were expected to push on later towards the much larger and politically more important city of Hué, 35 miles to the south, which was partly occupied for three weeks in the 1968 Tet offensive.

Originally, the invasion was intended as part of a three-pronged offensive scheduled for February, about the time of Mr Nixon's Peking visit. The other two thrusts were to be against the highlands city of Kontum, close to the Laotian and Cambodian borders, and in Tay Ninh province just north of Saigon. But it is now claimed that massive South Vietnamese spoiling operations and American pre-emptive bombing forced North Vietnamese commanders in Cambodia to ask Hanoi for more time and reinforcements.

On March 30th the routine shelling south of the demilitarised zone suddenly intensified. Simultaneously, three divisions of North Vietnamese infantry in Russian-made Molotova trucks together with artillery and tanks moved across the buffer zone.

Under direct infantry assault, the firebases rapidly crumbled. At Camp Carroll, as American advisers were helicoptered to safety, a white sheet

was hoisted on the flagpole and the commanding officer shot himself. At another base, there was shooting between troops who wanted to surrender and officers who wanted to fight on. Soldiers from some bases donned civilian clothes and mingled with the tens of thousands of refugees heading south. More than 50 artillery pieces were lost in the dozen bases overrun.

By Thursday the communists held most of Quang Tri province except for the capital and the town of Dong Ha. A fourth North Vietnamese division had crossed the buffer zone and a fifth was moving towards Hué from near the Laotian border.

It was, on the face of it, a disastrous showing in the first real test of Vietnamisation. Yet perhaps it would be misleading to attach great significance to this single series of reverses, because the circumstances were not typical. Nowhere else in South Vietnam can the communists mount an assault with such intensity and firepower, backed up by so much heavy Russian equipment and vast reserves of reinforcements from North Vietnamese home soil.

Speaking in Hanoi a few days before the assault, North Vietnam's foreign minister, Mr Nguyen Duy Trinh, said that the main task was to "defeat the Vietnamisation of the war and the Nixon doctrine." Clearly this is the aim of the new offensive. But the Quang Tri invasion alone could be a double-edged sword. The South Vietnamese, disturbed but far from panic-stricken, noted an important contrast with 1968. This is not a nationwide uprising by southern guerrillas, but a straight North Vietnamese invasion backed by sophisticated Russian heavy weapons.

Even when the communists moved in on their other two fronts, in Kontum and north of Saigon, they were still relying on North Vietnamese units from over the border. North Vietnam's 320th division, preparing to attack Kontum, suffered some casualties in preliminary clashes. North of Saigon a thrust against Tay Ninh seemed to peter out after early gains, but new fighting erupted in Binh Long next door.

It is perhaps too early to say that the communists cannot stage another nationwide offensive, if only because the same was said late in 1967. But unless the communists mount something much more widespread and indigenous than the Quang Tri invasion they will prove only that Vietnamisation is working, and that North Vietnam really does have territorial designs on the south. Nothing could be more calculated to solidify the South Vietnamese and discredit the communists.

Is it protracted?

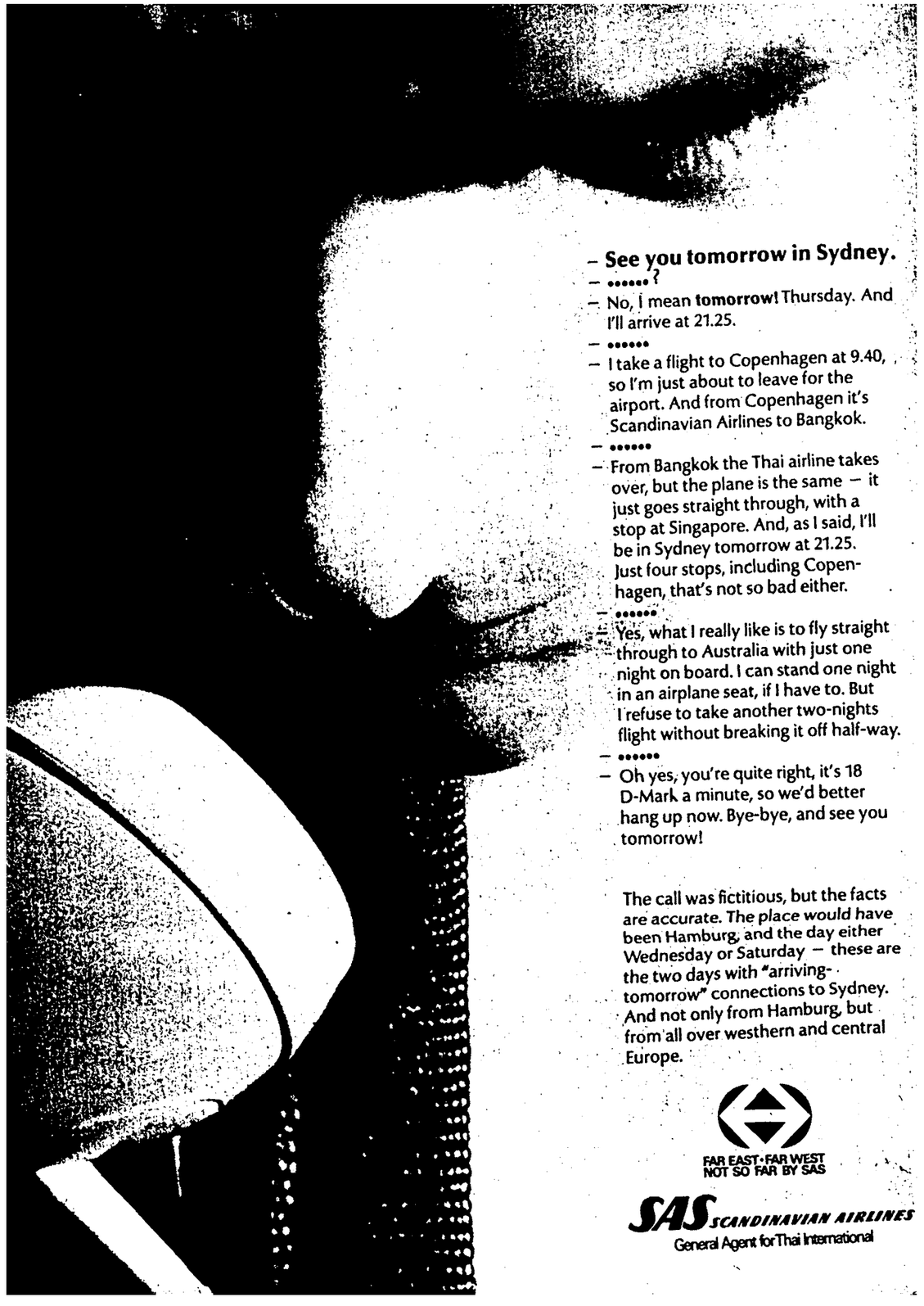
One of the questions arising from the Easter offensive is whether it was preceded by a basic change in the balance of power in Hanoi. Le Duan, the advocate of "strategic protracted war" —which is usually taken to mean a low-level guerrilla campaign that would allow North Vietnam to devote more of its resources to economic development—emerged as the dominant figure in the communist hierarchy early last year. Last June the dismissal of three members of the politburo who had worked closely with the Vietcong, including Pham Hung, a deputy premier, was taken as a sign that North Vietnam's leaders were inclined to play down the war.

The devastating floods in the Red river delta last year gave them a good reason for doing so, and it was reported that units from three North Vietnamese regiments in Quang Tri province were pulled back across the border to help with the work of reconstruction. As late as January this year, editorials in the party paper Nhan Dan were preoccupied with industrial inefficiency and apathy and "individualism" among young people.

It was starting to look as if Le Duan's assertion that "the needs of the war are secondary" actually meant something. At the same time, Truong Chinh (whose adopted name, which literally means "Long March," is a sign of his maoist leanings) and General Giap, who remain powerful figures in the Hanoi political establishment, have always continued to insist on the need to use large regular forces in South Vietnam. How far the North Vietnamese are prepared to pursue the current attack will be a fair sign of whose strategy has won out. A limited showcase operation is perfectly compatible with Le Duan's concept of protracted war; but the Easter offensive may amount to more than that.

The balance of hardware

SOUTH VIETNAM		NORTH VIETNAM
$564m (1971) $$$$$$$$$$$$$$$$$$$$$$$$	Defence budget	$$$$$$$$$$$$$$$$$$$$$$$$$$$$ $584m (1970)
Total: 500,000 men of which, army 414,000; navy 31,000; marine corps 15,000; air force 40,000; (+para-military forces 550,000)	Armed forces	Total: 492,000 men of which, army 480,000; navy 3000; air force 9000; (+para-military forces about 450,000)
750	Field guns	550
175 all light	Tanks	390 (300 light and 90 medium)
275	Combat aircraft	270
American ground forces in Vietnam are now down to 95,000 and will be down to 69,000 by May under the present timetable for withdrawals. But American air power is still a decisive factor. Elements of the Pacific Air Force and the Seventh Fleet are used in the Indochina theatre. The Seventh Air Force based in South Vietnam contains about 80 combat aircraft at this stage of the rundown; up to 250 combat planes, including 50 B-52 bombers, are stationed in Thailand; and the four aircraft carriers that have just been sent to the Gulf of Tonkin are said to contain about 300 combat planes. The government forces in Cambodia (around 200,000 men) and Laos (some 55,000 men) also affect the balance	The allies	Of the North Vietnamese regular units, more than 100,000 men are now deployed in South Vietnam, 75,000 in Laos, and some 45,000 in Cambodia. Estimates for the number of Vietcong vary between 40,000 and 60,000; from 20,000 to 35,000 for the Pathet Lao; and from 3,000 to 15,000 for the anti-government forces in Cambodia



The Hongkong and Shanghai Banking Corporation

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Highlights from The Chairman's Statement and International Survey for the year 1971.

Mr. J. A. H. Saunders, Chairman, speaking to shareholders on 30 March 1972 reported that 1971 had again been a satisfactory year for the Hongkong Bank.

The Hongkong Bank's net profit increased by 17 per cent to £9.2 million. Distribution for the year was 36 pence per share, slightly more than forecast, and an increase of 11½ per cent.

A free scrip issue of one new share for ten is proposed. This follows scrip issues of one for ten for 1968 and 1970 and one for one for 1969. Since 1967 net profit earned has increased by 112 per cent and distribution to shareholders by 57 per cent.

Group assets now exceed £2,000 million and Group net profit, after deduction of outside shareholders' interests in subsidiaries, rose by 18 per cent to £11.7 million.

The Group now has **230 branches in 36 countries** and Group interests have been extended to Cyprus, the New Hebrides, New Zealand and the Yemen Arab Republic.

Hongkong Finance Ltd. and **Mercantile Credits Ltd.** again improved earnings, despite the continuation of difficult conditions in **Australia.**

British Acceptance Corporation achieved very satisfactory progress in **Canada** and now operates in Toronto as well as Vancouver and Edmonton.

In Hong Kong trade and business showed steady improvement, despite the problems created by stagnation and severe import controls abroad, and an 11½ per cent growth in domestic exports was achieved. Hong Kong has increasingly become a **focal point** from which to direct **business in the Far East and Pacific.**

The widespread **inflation and stagnation** in the advanced countries affected trade in many primary commodities and demand for manufactured goods from the more rapidly developing Asian countries.

World trade should benefit both from a more realistic and flexible exchange system and from a revival of economic growth in the United States.

There was recognition that the "green revolution" eased but did not entirely resolve the problem of adequate and balanced **food supplies** and so did not remove the urgent need for family planning programmes, if the benefits of development were not to be overwhelmed by increasing **population pressure.**

There was a greater awareness of the need to give priority to **processing and light industry** to promote development and provide employment.

There was a resurgence of interest in the possibility that commercially attractive **off-shore oil resources** might be found in the seas around South East and East Asia.

The Group has offices or subsidiaries in: London, Hamburg, Paris, Geneva, New York, San Francisco, Los Angeles, Sydney and Vancouver, and across Asia and North Africa.

Amongst the Bank's subsidiaries are: Mercantile Bank Ltd., The British Bank of the Middle East, Hang Seng Bank, Wayhong Investment Ltd., the Hongkong Bank of California, Hongkong Finance of Sydney, and British Acceptance Corporation of Vancouver.

The Bank also has interests in: International Commercial Bank, London; Exporters Refinance Corporation, London; Mercantile Credits, Sydney; and New Zealand Investment Mortgage & Deposit Co. Ltd., Auckland.

The Hongkong Bank Group	1969	1970	1971
Issued Share Capital	£ 13,200,000	£ 26,300,000	£ 28,900,000
Reserve Fund	24,800,000	27,300,000	32,600,000
Undistributed Profit	2,700,000	4,400,000	5,000,000
Deposits	1,091,000,000	1,340,000,000	1,538,000,000
Advances	682,900,000	803,000,000	889,000,000
Bank Premises	7,600,000	11,300,000	12,300,000
Net Profit	9,600,000	11,000,000	12,800,000
Total Assets	£1,485,100,000	£1,808,000,000	£2,040,000,000

Those interested in developments in Asia during the year and in the Bank's operations throughout the world may obtain copies of the full text of the Chairman's International Survey and the Statement and of the report and accounts of the Bank and of other members of the Group on request to the Head Office of The Hongkong and Shanghai Banking Corporation at 1 Queen's Road Central, Hong Kong, or from the London offices at 9 Gracechurch Street, EC3 and 123 Pall Mall, SW1.



Fukuda, Tanaka, Miki and Ohira : not a charisma in sight

Japan

The four who could follow Sato

FROM A CORRESPONDENT IN TOKYO

The succession to Mr Eisaku Sato as prime minister of Japan has been an active issue in Japanese politics for most of Mr Sato's seven-year term. Now at last Mr Sato seems about to retire ; he has implied that he will step down in early summer after a ceremonial seal has been put on his greatest achievement in office, the return of Okinawa to Japan. The man who takes his place as party leader and prime minister will almost certainly be one of the following four candidates, each of whom controls a major faction in the Liberal Democratic party, Japan's conservative coalition.

Takeo Fukuda, as foreign minister and Mr Sato's chosen heir, seemed a shoo-in until recently. He is still front-runner but his prestige has declined along with that of his patron. His greatest disadvantage may turn out to be his conservative stand on China policy at a time when there are increasing pressures in Japan for an opening to Peking. Although Mr Sato took responsibility for Japan's bitterly criticised decision to co-sponsor the American resolution to keep Taiwan in the United Nations, Mr Fukuda has, inevitably, been tarred by that brush. He has been insisting on a cool approach to Japan's huge neighbour and potential rival and has countered China's stiff terms for opening talks to normalise relations with a few of his own ; he will not agree to abrogate Japan's 1952 peace treaty with Nationalist China as a precondition for negotiations.

What gives Mr Fukuda his strength is not so much his orthodox view on economic growth, trade, and education but his personal following among businessmen. He is of their generation (he is aged 67), went to their sort of college (Tokyo university), and prepared for politics in the proper way (the finance ministry). In their view, he can be counted on to give Japan firm and flexible leadership.

Kakuei Tanaka is the dark-horse candidate who is now given a good chance of overcoming an unconventional background for the top job. The son of a farming family, he is one of the few politicians in Japan who did not graduate from university. And at 53 he is much younger than the traditional Japanese prime minister.

After making his fortune in the construction business after 1945, Mr Tanaka was elected to the Diet when he was 29. He has been a full-time politician ever since and has worked his way up as a hatchet man, most recently for Mr Sato. As party secretary-general he guided the Liberal Democrats to their overwhelming victory in 1969 and thus earned the gratitude of many of his party colleagues.

Mr Tanaka has a "progressive" image ; he is open to new ideas, knows how to compromise and maintains excellent relations with the opposition parties. But he has virtually no policies on any issue. Although he has held two important portfolios—finance and now foreign trade—he has had almost no experience in foreign affairs. On the China issue, his blank record might well prove an advantage.

Takeo Miki is the nearest thing to an idealist in the top ranks of Japanese politics. During the war he refused to support the fascist substitute for political parties and after the war, as a lone wolf, he drifted in and out of three small conservative parties. He developed a reputation as a man of ideas but saw most of these ideas stolen by others. As Mr Sato's foreign minister for two terms, he advocated the return of Okinawa without nuclear weapons—a demand which Mr Sato later endorsed, achieved and took credit for. Meanwhile Mr Miki lost a contest for the prime ministership, called for a more serious attempt to talk with China and took off on another of his frequent trips abroad.

Mr Miki's faction is not part of the mainstream of the Liberal Democratic party and he lacks the support of businessmen. So if he wins it will be as a compromise candidate—or the result of a successful effort to block Mr Fukuda's candidature.

Masayoshi Ohira has inherited the dwindling political base of the late prime minister, Mr Ikeda, and has few other distinguishing features. He is a classic compromiser who accommodates as many conflicting viewpoints as he can and postpones his own decisions until the last moment, making few enemies in the process. Although he served as foreign minister three times under Mr Ikeda and as trade minister under Mr Sato, he managed to avoid committing himself on any policy questions. Since Mr Tanaka and Mr Miki are both suspect to many industrialists, Mr Ohira is their second choice after Mr Fukuda. They count on him to be the sort of prime minister who would never challenge the traditional Japanese balance of power among big business, big bureaucracy and the perennial ruling party.

Ireland

Softly, softly

FROM OUR DUBLIN CORRESPONDENT

The IRA's decision to continue its campaign of violence in Northern Ireland has found little support in the south. The Irish Independent, largest of Dublin's daily papers, declared bluntly that the Provisional IRA, led by Mr Sean MacStiofain, "are refusing to listen to a message which they should be receiving loud and clear : it is now time for that organisa-



Are you receiving it, MacStiofain ?

tion tb put away its guns and close down." On the national radio and television Cardinal Conway, Primate of All Ireland, spoke in the name of the country's Roman Catholics in asking the Provisional IRA by what right the campaign should go on. Mr Conor Cruise O'Brien, the Labour party's spokesman on Northern Ireland, sought to strip away some of the IRA's glamour. The process of change in Northern Ireland, he said, was well under way before the IRA made its presence felt at all.

It is now believed here that the Provisionals are looking for a face-saving way back from the unpopular limb on to which they have climbed. The head of the Sinn Fein faction that supports them indicated on Tuesday that the whole situation might have to be reconsidered. It is thought that they are now ready to agree to stop planting bombs, although they would still attack troops or policemen who, in their view, were too active in patrolling Catholic areas or arresting people there.

But there is a feeling in Dublin that Britain may have to shift still further before the IRA is put out of business. The release of a significant number of internees, the removal of such repressive legislation as the special powers act, and a new form of policing Catholic areas, are suggested. Meanwhile politicians in the republic are keeping their heads down, both to avoid setting off a Protestant backlash and because they recognise that they will soon have to face several delicate questions as pressures for a longer-term solution to the Irish problem mount.

Matters like divorce, contraception, abortion and the special position afforded in the Irish constitution to the Roman Catholic church are among the issues that the political parties in Dublin have not yet faced. Cardinal Conway, in his radio interview, indicated his own belief that a united Ireland would inevitably mean changes in constitutional and legal provisions. He is thought privately to believe that divorce and contraception will have to be legalised, but not abortion.

The three parties in the Dáil have now agreed on the composition of the committee that will be asked to discuss possible reform of the constitution. It will consist of four Fianna Fáil members, three Fine Gael and two Labour. This is the first time the government has accepted minority representation on any such committee, and it suggests that Mr Lynch does not want his own party to incur too much of the electoral disadvantage of trying to amend the constitution on the lines suggested.

He has suggested that the parties should undertake to accept whatever changes are agreed upon in the reform committee. Fine Gael has rejected this idea. Its leader, Mr Liam Cosgrave, will not let his party be committed by representatives who would almost certainly lean to the left of centre.

If it is decided to rush constitutional amendments through a referendum, the most likely date would be in the autumn, when a referendum on lowering the voting age to 18 has already been scheduled. But Mr Lynch would prefer to discuss the more sensitive issues in the context of a new constitution for a federal or a united Ireland. And this, he knows, is still a long way off.

France

Divide and rule

That referendum in France about the enlargement of the European community is proving the two-pronged weapon that President Pompidou intended it to be. An opinion poll published by Le Figaro on Tuesday shows that 45 per cent of Frenchmen will vote yes to letting in Britain and the other applicants ; about 30 per cent intend to abstain and only 8 per cent have decided to vote no. The poll comes just after the publication by L'Humanité, the communist newspaper, of the letter in the president's name that is to be sent to each voter.

The letter asks for approval of the community's agricultural policy and its plans for economic and monetary union and " a confederation which will preserve the personality of the countries composing it, and therefore of France." France's part in the enlarged EEC will be that " to which she is predestined by her geographical position, her past, the labour of her people, the prestige of her culture." Explained in these nationalistic terms, the referendum should get a large majority, which could prove useful to President Pompidou against diehard gaullists such as M. Debré when the European summit meeting takes place in the autumn.

But everyone knows that the president had other motives in calling a referendum. According to Le Figaro, although about 37 per cent of Frenchmen think the referendum is primarily about Europe, 27 per cent regard it as M. Pompidou's device for getting a personal vote of confidence, and 18 per cent as a means of splitting the French



Marchais chose to unravel

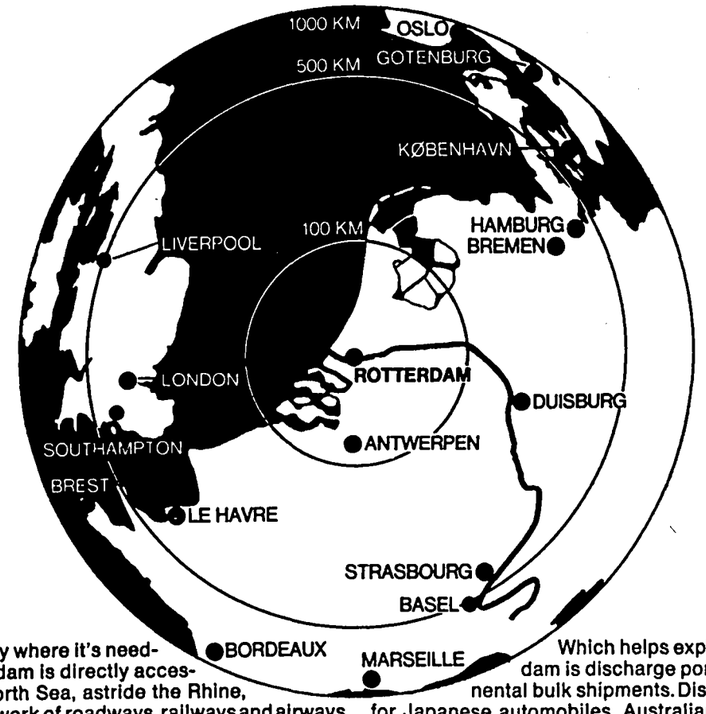
left. And here the president has been successful beyond his wildest dreams. The Communists have decided to vote no, but the Socialists are to abstain. And both parties are now busy heaping accusations of bad faith on each other.

The trap seemed so obvious. Both M. Marchais, the first secretary of the Communist party, and M. Mitterrand, the leader of the Socialists, were quick to remark that although the referendum would have little practical effect on the building of Europe it might do a great deal to unravel the united front which their two parties have been trying to sew together since December, 1970. And a solution seemed equally obvious : a joint abstention. The Socialists could not be expected to renounce their long-standing support of west European integration by voting no ; nor could the Communists be expected to swallow their harsh criticism of the common market by voting in favour of adding to it. The Socialists compromised. But the Communists would not, even though Mr Brezhnev's recent acknowledgment that the common market was here to stay seemed to make it easier for them to abstain.

Both parties are still officially committed to working towards a joint electoral front. But in March the Socialists met to give their share of the electoral programme its definitive form and, in the process, showed up some important differences with the Communists.

On nationalisation the Socialists are reluctant to advance swiftly enough to satisfy the Communists ; the Communists dislike the Socialist proposals for " worker participation," which run against communist ideas of centralising

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power in the hands of the state. The Communists want the immediate cutting of what links France still has with Nato ; the Socialists want to withdraw only when some alternative security system has been negotiated. The Communists want the immediate scrapping of France's nuclear force ; the Socialists want only to halt its development in the context of a general disarmament agreement. Indeed, some notable Socialists have recently been arguing that the *force de frappe* must now be accepted as a fact of life.

These might be negotiable differences, but for the growing sense of estrangement between the two parties. It started with differences of opinion over the purges of Czech writers and journalists early this year, when the Communists refused to join in any joint statement of disapproval ; it was aggravated by the different way the two parties reacted to the shooting of René-Pierre Overney at the Renault works on February 25th ; and it has now become a formal split. Time can be a great healer. But a successful referendum on top of the division of the left may encourage President Pompidou to bring the parliamentary elections, due in 1973, forward to this autumn.

Hungary

In the doghouse?

Russia and Hungary, which have not had a major public row since that one in 1956, may now be heading for a disagreement. Judging by what Mr Fock, Hungary's prime minister, said last week when he came back from Moscow, the two governments do not see eye to eye on a number of economic issues. Mr Fock admitted that he was unable to get any firm assurances about the quantity of Russian raw materials that would be made available to Hungary over the next 10-15 years. Hungary, which has hardly any natural resources of its own, is totally dependent on Soviet supplies of oil, gas, iron ore and other materials. Russia could be using its overwhelmingly strong position to extract higher prices from Hungary; it could also be asking the Hungarians to invest more in Soviet projects connected with raw materials, especially fuel extraction.

There may even be more to it than this, given the hints which Mr Fock dropped about his discussions on wider issues with Soviet comrades, including Mr Brezhnev. For the past six months there have been rumours that the Russian leaders are unhappy about certain aspects of Hungary's economic reforms. In October Mr Bilak, a hard-line Czechoslovak leader with a great deal of pull in Moscow, warned the Hungarian Communist party that it was in danger of losing its grip on the economy and on public life in general. Since then Mr Kadar, Hungary's party boss, has paid at least one rather hurried visit to Moscow (some well-informed east Europeans believe there have been as many as three) and the tone of Soviet references to Hungary has grown cooler.

All this may blow over if Mr Kadar and his colleagues modify their policies in a way that satisfies the Russians. But this would be unpopular with their own people, especially if it slows down the present movement towards greater prosperity. There must be a certain amount of head-scratching going on among party leaders in Budapest. But there is also little doubt that the answer must always be yes, if Mr Brezhnev really puts his foot down.

Turkey

Cracking down, not cracking up

The brutal murder in Turkey last week of the three Nato technicians has produced a typical Turkish reaction : the government has asked for stronger powers to root out the terrorists, and also to carry through the essential reforms which have been talked about for years but never implemented. In a stern, admonitory letter to the squabbling leaders of the four main parties, President Sunay said that both "the democratic regime and the integrity of the country" were in danger, and proposed that, for an unspecified period, parliamentary discussion should be suspended and the government should have the power to rule by executive decree.

On the face of it, the parties will have little choice but to obey, and the "democratic regime" looks increasingly like a facade. But the Turks set great store by facades, and it would be wrong to interpret President Sunay's exceptional action as the prelude to an automatic military take-over. In Turkey—unlike Greece—the army prefers to play the role of back-seat driver.

The past few days have seen a flurry of consultations between Mr Erim, the prime minister, and the leading politicians—and this may continue through the weekend. Both the Democratic and the Reliance parties have now indicated that President Sunay's proposals are unacceptable; but their defiance savours of posturing. What matters is the reaction of the two main parties, particularly the Republican People's party. Its 87-year-old leader, Mr Ismet Inönü, finds himself in a tricky spot ; he has vociferously opposed the more authoritarian measures of the present regime—the continuation of martial law and the imposition of death sentences by special tribunals on terrorists who have not actually committed murder—but the mood of the country, after last week's outrage, is in favour of tough action to end the violence. Many members of the right-wing Justice party would relish draconian measures to crack



Time for Turkish terrorists to take cover

down on the left-wing terrorists, but are not so keen on giving the government carte blanche to carry through social reforms.

The odds are that, as on so many similar occasions in the past, the Turks will muddle through, but without making any detectable advance towards a solution of their basic problems. But by refusing to be blackmailed by the terrorists, Mr Erim's government has at least won a fair amount of sympathy from the rest of the world—though this is little consolation to the families of the three men, two British and one Canadian, who lost their lives.

Egypt

Jobs for the girls

FROM OUR CAIRO CORRESPONDENT

A child is born in Egypt every 40 seconds. The population passed the 34m mark last May and is expected to reach 35m by the middle of this year. The Aswan high dam will eventually increase agricultural land by a fifth but even then only 4 per cent of Egypt's surface will provide food. Too many mouths for too little food is commonplace in many developing countries, but it is just possible that ideas for controlling population growth now emanating from Egypt could offer a model for other nations.

The Egyptian proposals, named after Dr Aziz Bindari, the chairman of the executive board for family planning, have awakened the interest of the World Bank. A team from the bank visited Egypt in January ; it is still mulling over what it heard but a second visit is expected later this month. Dr Bindari starts from the assumption that conventional methods of family planning—education and the introduction of contraceptives—are insufficient by themselves and have failed throughout the developing world. The kernel of his argument is that it is no use providing women with education unless they are also provided with jobs. Such jobs must take the women out of their homes—and out of the area of male dominance.

For Egypt, and for many other traditional societies, this is a revolutionary thesis. It also confliots with the fact that Egypt suffers from a lot of male unemployment. Even so, Dr Bindari insists that any serious effort to control population growth must include the provision of job opportunities for women. One way of doing this would be the development of small factories or workshops where women could find



All she needs is a job

work. And women could be employed in far greater numbers than at present in the service and maintenance industries.

These plans, or hopes, for the economic emancipation of women would go alongside more conventional methods of population control. Over the past three years the annual birth rate in Egypt has dropped from 4.2 per cent to 3.6 per cent, producing a decline in population growth from 2.8 per cent to 2.2 per cent a year. But Dr Bindari, whose board started work five years ago, does not attach much significance to these statistics since the situation has been distorted by the conflict with Israel and the long absence from home of young men stationed on the Suez canal front.

Religious obscurantism is not, in Dr Bindari's view, a serious factor inhibiting birth control. An Islamic conference on family planning in Rabat in November concluded that Islamic teaching was not against contraceptive measures, although it did reject sterilisation and abortion. The debate continues among Islamic authorities, and the Egyptians have been arranging courses for village imams in an effort to persuade them not to oppose the birth control work being done at the 2,400 government health centres. An important part of the work of these centres is to educate women to care more for the health of their children ; this, at least in theory, makes them more receptive to arguments for limiting the size of their families. Infant mortality in Egypt has dropped, though still 118 per thousand, but the health of the survivors remains at the mercy of malnutrition and poor sanitation.

Dr Bindari and his board do not dispute the necessity of present methods of birth control ; they argue that conventional ideas should form the basis for new ideas. This has led to the proposition that women should not only be made more aware of themselves and their children but should also be offered a degree of economic independence ; this, they say, would help to break the social pattern of developing countries and thus the attitude towards childbirth. It is a hard thesis to sell, whether to a traditional society or to the bankers who are being asked to put up the money for the factories and the maintenance centres. But since the World Bank's president, Mr Robert McNamara, is on record as saying that the population explosion is the fundamental issue facing economists, hard thought should be given to Dr Bindari's ideas.

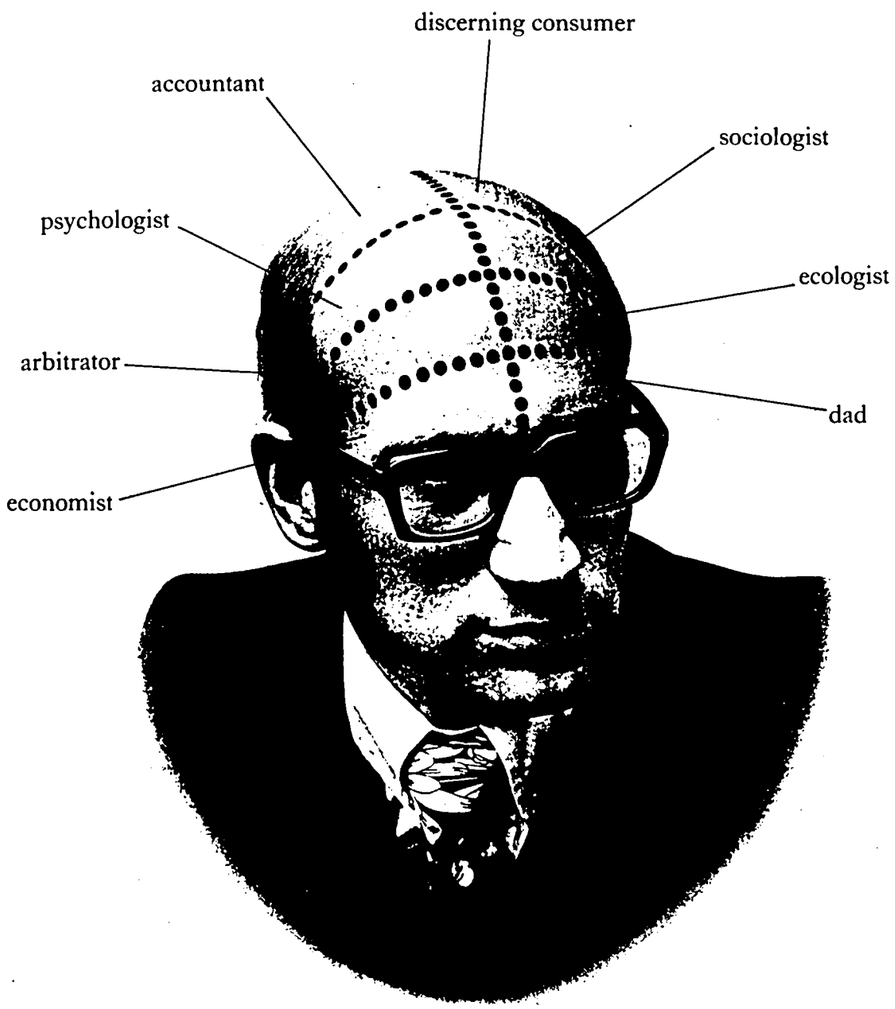
Lebanon

Wife and bitter

FROM OUR LEVANT CORRESPONDENT

The British pub, imported into Lebanon, is encouraging a slow but profound change in the social relations of the sexes. About six months ago Beirut boasted just one pub, The Duke of Wellington. Its owner, a Palestinian, Mr Mounir Samaha, had lived many years in England and started it in order to introduce to the Lebanese an aspect of British life that he admired. Its steadily growing popularity has added half a dozen new pubs in as many months. Their names are robustly British, The Toby Jug and The Rose and Crown, whose half-timbered front is the ground floor of an eight-storied glass-walled office block. Yet in Beirut, as in Britain, not all the new pubs succeed in capturing the authentic old-fashioned atmosphere. Most of them glitter with horse brasses, warming pans and hunting horns, but the shininess of some of the wooden beams leads one to suspect fibreglass-complete-for-export.

It is not so much the draft beer and Cornish pasty that are pulling in increasing numbers of Lebanese customers, now one-third to the foreigners' two-thirds. It is the atmosphere of discreet conviviality that goes along with a pub. It is just about the only place where anyone, especially young couples, can go for a quiet drink. Most of Beirut's bars are repellent places—dark, plastic-coated dens frequented by over-obliging young ladies. The traditional café, serving cloudy arak and an



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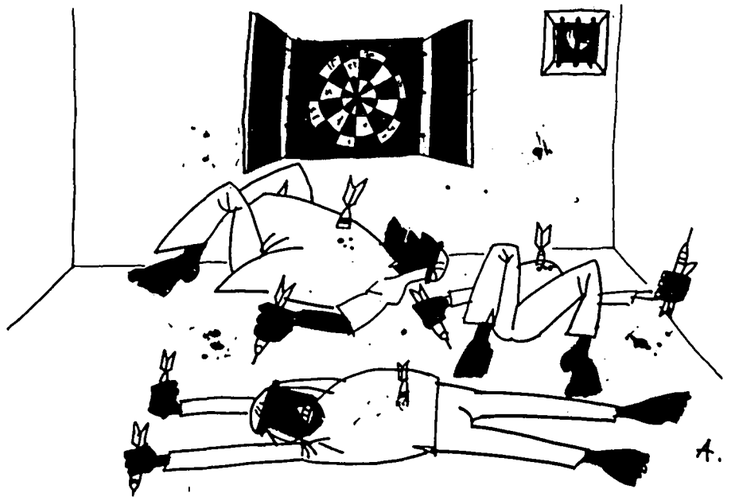
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immense variety of hors d'oeuvres, still retains its charm, but it is a traditionally male preserve; also, with the onrush of modernity, it is disappearing.

So the young middle-class Arab woman, who is no longer content to sit alone in the evenings while her husband in the café puffs a hubble-bubble and plays backgammon, is being taken to a quiet and inexpensive pub. And because of Beirut's many Arab visitors, the institution is likely to spread to other nearby capitals. This could mean, in time, a new social pattern for the urbanised Arab.

Some of Beirut's pubs have installed darts boards, but it is doubtful whether the Arab temperament will adapt to the restrained ferocity of that particular game. Indeed, Mr Samaha says that he expects the Beiruti pub to take on some local colouring but cannot predict just what the outcome will be—bitter and backgammon, gin and tonic and stuffed vine leaves? Meanwhile he is increasing his collection of Wellingtonia. He already has a couple of Waterloo medals, and a sabre used in the battle, and tried but failed to buy the sword carried by the Iron Duke at his famous victory.

Uganda

David's lost star

The closure of Israel's embassy in Kampala which Uganda's President Amin ordered on March 30th is the culmination of several months of rapidly deteriorating relations between the two countries. When General Amin seized power in January, 1971, no foreigners' stock was higher in Uganda than the Israelis'. Indeed, some supporters of the deposed president, Milton Obote, accused Israel of having engineered the coup. Certainly General Amin gave Israel special treatment, making it the first foreign country to be favoured with a visit from the new president, who arrived with a long arms-shopping list and treated himself to an Israeli presidential jet, complete with Israeli crew.

The Israelis' influence was their undoing. Having trained the Ugandan armed forces since 1964, they were heavily involved in both the army and the air force, the backbone of the erratic general's regime. Officials at the embassy had almost unrestricted access to the president and the 700 Israeli civilians—who have now been given orders to leave the country—were at work on many different aid projects and commercial undertakings.

None of this was thought well of by General Amin's numerous African critics, most of whom, publicly at least, are also critical of the Israeli cause. Many suspected, with some justice, that Israel was using Uganda to smuggle weapons into southern Sudan where, until last month, a civil war between the Christian south and the Moslem north was being waged. But the peace settlement in Sudan has raised hopes of taking some of the steam out of the civil war in Ethiopia, where Arab-assisted Eritrean rebels are fighting the Israeli-assisted government forces. There is a new mood in Africa to keep African civil wars African.

But economic aid will still be accepted from outside, and there is little doubt that General Amin has his eye on a bit of cash from Libya which might yet stave off the considerable economic embarrassment that looms large on the Ugandan horizon. It was the general's visit to Libya in early February, during which he pledged support for the Palestinian Arabs, that decisively poisoned Ugandan-Israeli relations. But that in turn was probably preceded by an Israeli refusal to buoy up the regime any more. General Amin began to have worries for his own position and, fearing the influence of the Israelis, sent them packing. The trade gap—if not the power vacuum—that they leave may now be filled by Libya.

Pakistan

The ebb tide

President Bhutto is losing his crowd appeal. He has been shouted down in Lahore, and last Friday had to stop a speech in Sind after 9,000 members of his audience walked out on him. The root of the growing dissatisfaction is his failure to get the 93,000 Pakistani prisoners of war back from India and his inability to get the Indians to withdraw from the areas of Pakistan they still occupy. Lahore is the heart of the Punjab, where most of the army is recruited and which is, understandably, most agitated about the prisoners. Large parts of Sind are still under Indian occupation.

Mrs Gandhi's announcement on Tuesday that India and Pakistan are now in direct touch marks only a very preliminary step towards an overall peace settlement. India is apparently willing to talk about its frontier with Pakistan without preconditions—except, and this is a very touchy issue for Pakistan, that it wants to turn the Kashmir ceasefire line into an international boundary. India maintains that it alone cannot return the prisoners because they surrendered to a joint Indian-Bangladeshi command; and Sheikh Mujibur Rahman insists he will not talk to Mr Bhutto until Pakistan recognises Bangladesh.

The way for Pakistan to accept Bangladesh was smoothed this week when the United States became the 55th country to recognise the new nation, and when Pakistan resumed relations with Bulgaria. This completes the reversal of Pakistan's earlier policy of breaking with all countries that recognise Bangladesh. But Pakistan still insists that Bangladesh is not a sovereign nation.

The dilemma over the prisoners is

Ralph Bunche's responsibilities in regard to operations in Cyprus and the Middle East, while some of Mr Bunche's "special political affairs" tasks will pass to Mr Bradford Morse. Mr Morse, who has shown a lively interest in UN activities during his 12 years in Congress as a liberal Republican from Massachusetts, is a man of formidable energy with a restlessly inquiring mind, and there is no reason to suppose that his lack of diplomatic experience will prevent him from becoming a very effective servant of the UN.

Australia

Two bits fell off

FROM OUR CANBERRA CORRESPONDENT

The Liberal party is in trouble again in Australia, and its chances of still being in power after the election due in November have taken a nose-dive. Before Easter the dissatisfaction of some Liberal members of parliament with their prime minister, Mr McMahon, who replaced Mr Gorton just over a year ago because people were dissatisfied then with him too, came to a head with an attempt to call a party meeting. The attempt failed, because the dissidents did not have enough support, but it left its mark. So have upheavals in the Liberal party's position in two of Australia's six states.

There is to be an unexpected state election this month in Tasmania, where a Liberal government was unseated by the defection of the sole representative of the Centre party, whom it had made deputy premier in return for his support in an evenly divided house two years ago. The Labor party is widely tipped to win this election. The other upheaval was in South Australia, where the Liberals are in opposition. The local Liberal leader, Mr Steele Hall, resigned because he claimed he was not getting proper support from his party. The upshot has been the formation of a group called the Liberal Movement within the state Liberal party, with Mr Hall as its head.

Mr Hall is being mourned more than the government of Tasmania. Mr Hall, who had a short term as premier of South Australia, was widely regarded as bringing a breath of fresh air into a state where Liberal governments had survived for decades under an electoral system which enormously over-represented the country districts and under-represented Adelaide. Mr Hall changed this and some of his supporters have never forgiven him. He will now sit on the back benches and watch the Labor premier, Mr Don Dunstan, make mincemeat of his successor, a blameless veterinary surgeon with two years' parliamentary experience. There is little doubt that Mr Dunstan, in some ways Australia's most attractive politician, has been given an extra lease of political life by this display of Liberal dissension.

South Australia and Tasmania are among the smaller and staider Australian states, with highly parochial politics of their own and only a few seats in the federal house of representatives. But Mr McMahon's federal government has been further shaken by the considerable publicity which the state upheavals have received. The Country party side of Mr McMahon's coalition is as steady as a rock in spite of (or perhaps because of) a rural recession. But there is great dissension in his own Liberal party, largely about his own performance during a year in office. He has been uninspiring in utterance and unfortunate in the timing of damaging events, from Mr Nixon's Peking visit to the announcement of increased unemployment in January. But it seems to be too late to change leaders before the election.

Papua New Guinea

Are we ready?

FROM A SPECIAL CORRESPONDENT
Port Moresby

At last the votes have come in from the highlands and islands, and Papua New Guinea—one of the world's last big colonies, the size of Thailand with 2.4m people—has completed its third general election. The voting in this territory of scattered settlements and inaccessible valleys took three weeks, and counting the votes more than another three. The result is another uncertain step towards self-government.

The new 100-seat house of assembly is more articulate and more radical than its two predecessors. In the two regions that have become the Australian administration's running sores—Bougainville island, where there is a vast new £400m copper mine, and the land-hungry Gazelle peninsula of New Britain island—separatist and anti-administration candidates won overwhelmingly. But the questions of who will lead the first local government, and when, remain unanswered. Neither of the two major parties by itself commands a majority in the new house.

The Pangu party is radical and nationalist, and is committed to immediate self-government. Its support is drawn from among the brightest local people. It won 21 seats, and has the support of 13 other new members, including the representatives of the dissident regional organisations of Bougainville and the Gazelle. It also has a sporting chance with at least eight of the 17 non-aligned members, who are now being frantically courted by both the big parties. But even this does not bring it over the 50 mark.

Its major rival is the United party—conservative, with its strength in the highlands, and backed by foreign business interests. The United party, which had hoped for at least 60 seats, has won only 40, including independent supporters. The swing against non-local candidates has been a body blow to it. Its 10 expatriate members in the last house were essential to its discipline and grasp of the complexities of government; now it has only four. Half the United party's parliamentary group have had no formal education.

The key to the first home government is held by the People's Progress party, eight strong, with the chance of up to four more seats among the independents. The People's Progress party has no platform of its own; it just wants to be a partner with whoever forms the first local administration. Its leader, a part-Chinese businessman, Mr Julius Chan, insists that it will remain uncommitted until the new house convenes on April 20th. Until then the numbers game gives only the most tenuous guide to form.

The attitude of Australia's Liberal government is that it will continue to govern the territory until an alternative government commanding a majority in the house of assembly emerges. The Labor party, which could very well win the Australian general election to be held later this year, would grant immediate self-government, regardless of the wishes of the house of assembly.

At village level the notion of self-government, so far as it is understood at all, denotes the withdrawal of Australian expertise and grants of aid, and is therefore the cause of some alarm. Papua New Guinea is peculiar among colonial territories on the verge of self-government in that no charismatic figure has emerged to mobilise the people in an independence struggle. The people of Papua New Guinea are stubbornly parochial in their politics. The principal problem will be to prevent self-sufficient and developed regions such as Bougainville and the Gazelle peninsula from seceding.

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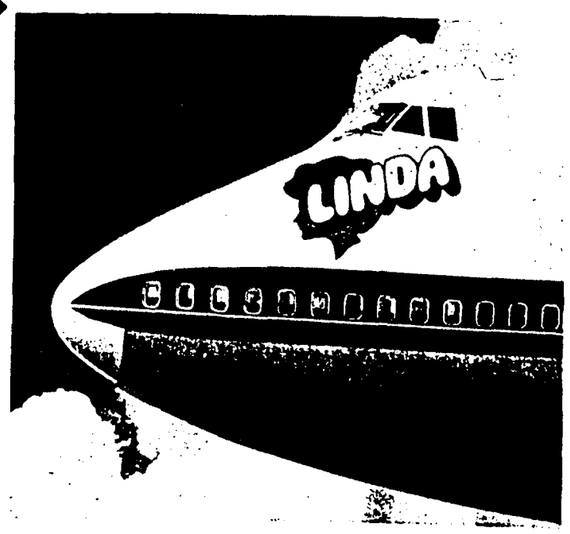
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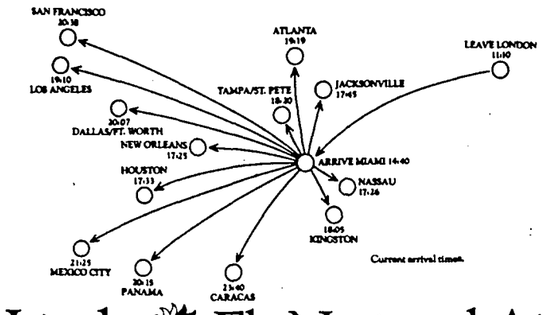
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Spring books

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Charter of the Book, 1972

Books do furnish a year 2 Wilson's economists 3 Francis Drake 4 Nelson 6 Isadora Duncan 8 James Joyce 11 Updike 12 Habsburg empire 14 Toxic metals 17 Fishes 18 Stanley Spencer 20 Fictional history 21 Sherlock Holmes 22

Books do furnish a year

This year is International Book Year. Unesco has said it, so it must be true. And here are the commonsensical French, handing out 2m or so copies of their classics—six at a time—to those of their countrymen who present themselves for marriage, for a year from April, 1972 ; here is the king of the Belgians extending his royal patronage ; here are the other western European countries gathering together serious and impressive committees ; here is the Ukrainian republic organising its own book year exhibitions (whose theme—need one say it ?—is the fiftieth anniversary of the Soviet Union) ; Guatemala and Trinidad and Tobago have apparently been girding themselves for IBY ; Indonesia is organising celebratory competitions ; in Paraguay April is "Book Month." What, cries one half of the British book world, in an orgy of self-exhortation in which the example of Chad appears to be the favourite instrument of flagellation, is Britain doing ?

The other half knows perfectly well what it is doing : selling books. That is rather different from selling The Book. What Unesco intends with International Book Year is fairly clear : the Charter of the Book, composed by the IBY support committee, contains, between the blinding glimpses of the obvious ("Book manufacturing facilities are necessary to the development of publishing") to sweeten all sides of the industry, a clear exhortation to developed countries to help with the eradication of illiteracy and the creation of libraries and publishing businesses in the poor countries. Canada, at least, appears to have got its message. Under the ungainly slogan "To read is to be," Canadians are to be encouraged to contribute towards developing countries every time they buy a book or take one out of a library in 1972. And in America, the Asia Foundation is endeavouring to buy and ship 1m books to Asian students this year.

The Charter of the Book, a trifle defensively (is IBY another conservation year ?) maintains stoutly that "Books remain essential tools for preserving and diffusing the world's storehouse of knowledge." In Britain the defences are being prepared with an April conference, at the National Film Theatre, entitled "Do Books Matter ?" No one could suppose that the conference would be so ungallant as to conclude that they do not.

Unesco's argument is simple enough : everyone should have the chance to read, everyone has some kind of right to literacy, because it is an almost essential step to knowledge, advancement and opportunity. But how much missionary zeal can one have in Britain, where (nearly) everyone can read ? The National Book League, which is organising Britain's main effort for IBY, a National Book Week in November, is making this a kind of mission not to the illiterate but to the non-reader. Its organiser, Mr Simon Newlyn, talks of the librarian "going out into the community" as if he or she were some kind of social worker. If a country village wants a mobile library van, that's obviously a valuable service : if the NBL succeeds in its book week plan for a bus full of children's books to tour Belfast (provided it is not converted into a barricade) then it will obviously be performing another : children need every encouragement towards literacy. But if adults don't want to read, if they prefer television, why should anyone but publishers suppose that that is a bad thing ?

The Charter of the Book declaims :

> Books constitute one of the major defences of peace because of their enormous influence in creating an intellectual climate of friendship and mutual understanding.

Its authors are presumably ignoring



Book Week symbol : divine patronage ?

"Mein Kampf," or indeed "The Prince." Books do still provide the best medium for communicating certain sorts of ideas, beliefs or information. But there is curiously little agreement, or even argument, on precisely what these are. The National Book League extols books-in-general because that way it remains impartial between one publisher and another—just as it fixes on the non-reader because that way it remains impartial between the book-buyer and the book-borrower. Book-bang, the book fair it organised in London's Bedford Square last summer, sold 13,000 books and made a loss of £30,000. But the National Book League could argue that the publicity it received was worth a good deal more.

Campaign spending

The more large-minded of publishers are prepared to encourage and finance such general affairs, but it is very hard to quantify the returns. Even the publicity is of doubtful value. Selling books is a tricky business. Only the popular bestsellers—books-of-the-film, like "The Clockwork Orange," gain from big publicity campaigns. For "Tutankhamen" the publishers—also Penguin—are spending £8,000 on a publicity campaign : but then it is timed to coincide with a major British Museum exhibition and with a BBC television series (and innumerable other new and reprinted books on Tutankhamen) and is expected to sell 250,000 copies. For specialised books the thirst is for more market research : Associated Book Publishers, for example, are concentrating their energies on sophisticated mailing lists. Publishers have at present a passion for regional books, for which the local bookshop is a naturally good advertising point. One or two publishers are retiring into their shells and relying on point-of-sale publicity in bookshops. So the organisers of National Book Week are having a time squeezing £10,000—a ludicrously small sum from an industry with a turnover of nearly £154m a year—out of them.

It is not just that the publishing industry is not geared for corporate effort. It is, after all, impossible to advertise books in general in the way that brewers and farmers can advertise pubs or milk. The printed word is not interesting in itself : one can only sell individual, different books. The Swiss came as near as they could to a homogenised book with a free paperback of extracts : the result was so unappetising that one would be

astonished to learn that it had converted one non-reader.

In Britain, the book week fixtures will at least be more fanciful. Most of the work will in fact be done by local committees—which means, in effect, local libraries, with a little bit of help from their friendly bookshops. Like most of the international book fairs this year that are now flag-waving for Unesco and IBY, the first British National Book Week would have been launched in 1972 anyway : it grew out of the library weeks that were organised in the 1960s, until librarians got fed up of doing publishers' gospel-spreading donkey work by themselves. Of the national events, the Children's Book Show is also a familiar fixture ; this is one of the more hopeful of publishers' regular efforts at co-operation.

But how is the NBL preaching to the adult unconverted ? By organising the exhibition of a "live girl" in an Oxford Street shop window (accompanied by books, of course) ; by a clutch of celebrities explaining why they like to read what : by "Paperback Million," a discotheque-bookshop under Hungerford Bridge in London, with 4,000 different titles on show. With what sort of book can the non-reader be snared ? Publishers, and the NBL, have some down-to-earth answers to that : books-of-the-film, and books on hobbies—how to take your car or motorbike to bits, for example.

They're right, of course : such books sell well, to a wide audience. But it's ironic. These are just the kind of books where one would suppose the medium was at a disadvantage. Who has ever read the book, after the film, without feeling irritated at the discrepancies ? And if the book comes second, doesn't it, for most people, take second place in the imagination ? Who, for that matter, has ever read a really easy-to-follow book of mechanical instruction, one which was preferable to just 20 minutes of instruction by someone with the least understanding of the subject ? How, then, do you make people want books ? By associating them with sex, or glamour, or pop music? That may work for cars or cola drinks, but can one really turn a paperback into a virility symbol ? And if so, what's happened to the book ? There is a notice in an old part of the Bodleian Library in Oxford which says : "Books for reading." Perhaps that should no longer seem funny. Nowadays, there seem to be so many other kinds.

People

Eunuchs at the court of King Harold

THE LABOUR GOVERNMENT'S ECONOMIC RECORD, 1964-70
Edited by Wilfred Beckerman.
Duckworth. 343 pages. £4.95.

Eight of these 10 British economists were driven by progressive sympathies into serving in Whitehall during the Wilson governments. Mr Roger Opie and Mr Michael Posner write the best English ; their essays are the most amusing, the most concise, the most cynical but perhaps the least helpful. Mr Wilfred Beckerman has thought the most deeply and boldly, albeit sometimes round in a circle ; but a power of terse sub-editing is not one of his many virtues. The other essays range from the tiresomely self-exculpatory through the pedestrian to affecting laments from those who joined the Ministry of Overseas Development—without realising that Mr Wilson's political gimmick of hiving aid into a separate department tenanted by themselves was bound to mean that departmental pulling power, and thus the total, of overseas aid would be brutally curbed.

The authors express their individual opinions, but come to a fairly general consensus. The great mistake of the Labour government was not to devalue sterling sooner ; it was this that made Britain's growth record so awful and Labour's planning a farce. Labour moved to greater equality of domestic incomes than is generally credited, but was even more wicked about curbing overseas aid than is usually believed ; however, the equalisation of domestic incomes came largely through curbing profits, which led to the present slump in investment and today's unemployment. Mr Wilfred Beckerman waxes crossest with the trade unions, and wants Labour to rethink its relations with them. Militant unionism, he cries with ample economic logic, "has been against the interests of the working classes. Messrs Jack Jones and Hugh Scanlon are either incapable of understanding this or are guilty of cynical betrayal of the interests of their members." Most of the other authors would probably not go so honestly far.

Indeed, the depressing feature of this book is the way in which these intelligent men codded themselves into playing a eunuch's role. In America academics who go briefly to serve in the Administration generally come back to better jobs, especially if they have become controversial public figures while in Washington. The result is that they go there—and not only during such flowering periods as the Kennedy presidency—with a genuinely burning ambition to set the world to rights. In Britain really able men—as distinct from second-raters—who go temporarily to Whitehall on balance probably slightly disrupt their careers. The only able ones who go are therefore those with a party political commitment. Once in government, they fall easily into the awful British habit of assuming that it is right even for educated men to sponsor nonsense policies if the wicked Tories (or today wicked Labour) would make temporary political capital out of any sensible ones that were adopted. Even Mr Beckerman says at one point here that : "those who assert that the pound sterling should have been devalued in 1964 know their economics but not their politics," and the dust-cover asserts that the authors who have served in Whitehall now "appreciate that the art of economic policy is usually far more difficult inside than it may appear to those outside." On the few occasions when ministers have done what was previously called politically impossible—Butler's dash for freedom from rationing via cutting the food subsidies in 1952-55, Macleod's refusal of an agreed court of inquiry to London busmen in 1958, even Labour's eventual devaluation in 1967—the exact opposite has proved to be true. This reactionary defeatism has not only blighted British governments' policies ; it has now begun to blight British academic economics, as the doctrine of the "politically possible" castrates all progressive or original thought. The proper doctrine for any economic adviser is that eunuchry is neither honourable nor fun.

The big four

A STATE OF DISUNION
By Calton Younger.
Muller. 349 pages. £3.80.

Ireland's partition half a century ago was the result of neither divine intervention nor that English fondness for the strategy of divide and rule. Mr Younger contends that the separation of Ireland's six north-eastern counties from the rest of the country was "a weary compromise tinged with optimism" and not "a wicked British

plot." His readable and unpretentious account of the careers of four of the main protagonists who shaped the 1921 Anglo-Irish treaty—Arthur Griffith, Michael Collins, James Craig, and Eamon de Valera—is fortunately free from easy emotionalism and crude jargon. And he has made thorough use of the readily available British cabinet records for the interwar years.

Neither Lloyd George, nor even his Unionist cabinet colleagues, envisaged that partition would be permanent. The 1920 Government of Ireland Act was drawn up with the assumption that the eventual unification of the country lay, paradoxically, in its temporary division. The cabinet agreed with much reluctance to accede to the Ulster Unionist demand that it should be six and not all nine counties of the province of Ulster that were to separate from the rest of Ireland. In the event, partition seemed to become immovable. The All-Ireland Council came to nothing. The abortive boundary commission applied a narrow view to its terms of reference and merely tinkered with the frontier.

It is possible that either Arthur Griffith or, more probably, Michael Collins might have achieved reunification by peaceful persuasion. Both men emerge from Mr Younger's book as men of compromise. But there are genuine doubts about that. Captain Craig was much to blame for the hardening division, although Mr Younger is honest enough to admit that he was no Protestant bigot. But the main trouble lay with the Irish republican determination to smash the remaining tenuous political links with Britain. And here the culprit was chiefly the inflexible and determined Mr Eamon de Valera, with his vague notion of external association. Mr Younger recalls that Britain offered de Valera unity on a plate, if he joined the war against Germany in the summer of 1940. But Mr de Valera refused, despite the blandishments of Malcolm MacDonald and Neville Chamberlain. Nothing did more to build up the barriers of partition than his extraordinary public condolences to the German ambassador on Hitler's death. Mr Younger concludes that:

> had the republic meant less to him the reunion of his country might have been more attainable. But the more strenuously he worked to dismantle the treaty of 1921, the nearer he brought Ireland to its destiny as a free and independent republic, the more deeply embedded the border became.



De Valera : republic before reunion

The Protestant freebooter

SIR FRANCIS DRAKE

By George Malcolm Thomson.
Secker and Warburg. 368 pages. £3.50.

Now that privateering has again become fashionable—though in the air rather than on the sea—a life of Drake provokes comparisons. Like some hijackers, Drake was driven by ideals; unlike most of them he made a great deal of money. But he fought as well against the Armada, when there was no chance of booty, as he ever did in the Indies or the Pacific.

What made him a legendary figure in his own time, next to the queen herself perhaps the most celebrated Englishman of the age? Bandits on land and pirates at sea had long been part of European society; some of them, like Robin Hood, acquired mythical fame. But Drake, while enjoying the glamour of the bandit, angrily denied the name of "pirate." He was a privateer, product of the peculiar conditions of late sixteenth-century Europe. The vast new opportunities of the new world and the oceans overwhelmed the state machines: the Spanish crown was too weak to protect its monopoly, the English too poor to destroy it. The freebooter of genius, unofficially backed by his government, could win a fortune, serve his country, and advance the true religion. Before the middle of the sixteenth century Drake could only have been an insignificant pirate; after the middle of the seventeenth he would have been a naval officer.

As Mr Thomson very vividly shows, Drake had all the qualities required for the role. He was decisive, brilliantly original, unfailingly energetic. When necessary he was ruthless: the mutineer Doughty was summarily



Drake : strictly privateering

executed and Drake called out "Lo, here is the end of traitors!" Yet he was compassionate to his enemies and, more important still, kept such firm discipline over his men that needless killing was always avoided. He had a charismatic quality of leadership which drew men like Sidney and Essex to his expeditions. He could also obey commands: "I must not omit to let you know," wrote his superior, Howard of Effingham, "how lovingly and kindly Sir Francis Drake beareth himself; and also how dutifully to her Majesty's service and unto me, being in the place I am in."

Drake was in a way a man for all classes. Son of a poor but well-connected family, apprenticed to the skipper of a Channel trading-boat, he could handle gentry and seamen. Speaking to his crew after Doughty's mutiny he tried to reconcile the two:

> Here is such controversy betwixt the sailors and the gentlemen and such stomaching between gentlemen and sailors, that it doth even make me mad to hear it. But my masters, I must have it left, for I must have the gentleman to haul and draw with the mariner, and the mariner with the gentleman.

He could talk as well as act.

Mr Thomson has not written an academic biography and he has probably not uncovered many new facts. But he is well acquainted with the recent literature on the period, which is unobtrusively worked into his account, and he has achieved a successful balance between the life and the times. Above all, he has written a clear, compelling, well-illustrated and honest narrative, free from the heady speculation and romantic colouring which too often pervade books on this period.

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Rhodesia:

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Apprentice Wellesley

WELLINGTON IN INDIA
By Jac Weller.
Longman. 355 pages. £5.50.

With this book on Wellesley, as he then was, in India, Mr Jac Weller has completed a notable trilogy on Wellington's military career, of which the first book, on the Peninsular war, is pre-eminent. It has been a most assiduous achievement, for Mr Weller's forte is accurate detail. Before writing these books he has, for example, tramped over every battlefield. His energy and his care seem to be almost as prodigious as his subject's.

The final result is the most complete military analysis of Wellington as a general yet written. All the facts, one can safely assume, are there. Mr Weller is an ardent and enthusiastic admirer of Wellington. He is not, of course, alone in that; but, taken together, his books are an encomium. This is not too serious a defect; the bonus from Mr Weller's unstinting admiration is that he does succeed in isolating and emphasising those of Wellington's qualities which made him so great a commander.

Of these, Wellington's physical energy and stamina are as important as his common sense. These qualities enabled Wellington in all his campaigns to be very much his own chief of staff, his own chief of intelligence and, perhaps above all else, his own quartermaster-general. In the victor of the short campaign culminating at Waterloo it is easy to lose sight of the man who was a master of what was then known as movement and supply (and is now more grandly called logistics).

It was that mastery of apparently mundane matters that brought Wellington his victories in Spain and Portugal. And, as Mr Weller—treading in the footsteps of Mr Philip Guedalla—makes abundantly plain, Wellington learnt his trade in that and many other respects in India. There, he acquired his skill in military and political administration. There, he was more audacious in his tactics than he ever proved to be in Europe. But yet another of Wellington's virtues was to see into his opponents' minds—to estimate, to use one of his own phrases, what was going on on the other side of the hill—and to shape his battle-plans accordingly.

After Waterloo Wellington rested contentedly on his military laurels. Mr Weller can now rest contentedly on his literary labours. His latest book will, presumably, command only a limited, specialised market, though taken together his three volumes deserve a wider audience than that. But the price is steep.



The sepoy general

The little admiral

NELSON THE COMMANDER
By Geoffrey Bennett.
Batsford. 334 pages. £3.90.

This is the first life of the great naval hero to be written by a professional naval officer since Mahan's appeared 75 years ago. Like its predecessor it benefits from its author's background: unlike it, it is one of a series written specifically to study the man as a commander. It aims to examine the extent to which the little admiral's colossal reputation is justified today, and it ends with that splendid phrase on the monument in Guildhall—"the period of Nelson's fame can only be the end of time." But it only reaches that conclusion after an imaginative but critical analysis of Nelson's service career.

Is there anything new to be said about Nelson, either in the discovery of new material or in the redeployment of accepted knowledge? Captain Bennett has not contributed much to the stock of knowledge; his book is more valuable for its critical reappraisal of the subject. And it must be said that the promised study of the commander's career is not as specific as the title suggests. The historian will find an imbalance between description and synthesis and



Nelson: judged by his profession

he may also cavil at one or two unsupported generalisations, such as the criticism of Keith. Both the historian and the general reader may find some of the footnotes fussy and irritating, and the twentieth-century comparisons irrelevant and unhelpful. But once they get into the book they will find it both useful and well worth reading.

The most important and the best part is that which deals with the Mediterranean from 1798 to 1800. Here Bennett makes good use of the recently published papers of the Russian Admiral Ushakov, and shows a masterly grasp of his subject in describing clearly the changing pattern of events in those waters. The same lucidity characterises the subsequent chapters on the Baltic operations and the last long blockade and chase that culminated in the Trafalgar campaign. There is an excellent sense of professional perspective when naval matters are being dealt with. The author is reluctant to dwell too much on Lady Hamilton, but makes clear the extent to which she seduced Nelson. The First Lord, Earl Spencer, showed great forbearance at that time, remarking merely that Nelson's "further stay in the Mediterranean cannot . . . contribute either to the public advantage or his own." Bennett rightly decides that all to whom Nelson's is "a peerless name" must be dismayed by his conduct when the Mediterranean command was prostituted.

Happily, the Baltic expedition restored the tactical, strategic and diplomatic reputation of the admiral. Then came that superlative last command-in-chief with the final annihilating action of Trafalgar and that glorious, so fortunately timed death. It is a pity that the last chapter produces a disappointing analysis of the career which has been so well described.

Period padre

CLAYTON OF TOC H
By Tresham Lever.
John Murray. 271 pages. £3.

Tubby Clayton's life's work was formed by three years' intense experience of war, based not at the front line but just behind it, where it was the psychological carnage that was most clearly visible. The Old House at Poperinghe, with the chapel in its Upper Room, became a focal point for troops from a wider area than the Ypres Salient; and its impact was immense. But though Clayton, like Florence Nightingale at Scutari, acquired a national reputation during his war years, like her he would not have achieved national significance had he not devoted his considerable administrative and personal abilities to developing his war experience to its organisational conclusion in Toc H.

Clayton was a cult figure in the interwar years, drawing large crowds to his sermons, dining privately with the royal family, and receiving rapturous welcomes from Singapore to Montreal. In some of the battles he fought he now seems farsighted: in his efforts to bring young people into Toc H, so as to prevent it from becoming merely a veterans' association; in his campaign to ensure that no one was barred from ordination by a lack of private means; and in his exploitation of American tours for fund-raising he was ahead of his time. But what emerges from this book is how hopeless it would be to judge Clayton in his heyday by today's standards. Most obviously, he was pro-war and anti-women, and unashamed in his preference for men from public schools with first-class degrees. His concept of spirituality was based not on any free-ranging mysticism, but on rigid discipline imposed from a standpoint of dogmatic orthodoxy. And he showed scant interest in the causes of poverty.

Mr Lever's book is adulatory. He

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manages to convey a period atmosphere by writing totally within the conventions which bounded Clayton's thinking. There are lists of the names of his contemporaries at every stage of his career, whether he knew them or not, together with the high offices they eventually attained. There are proud accounts of the social conventions that Clayton broke and was admired for, like talking to footmen about their families. Above all, there is a total lack of concern with Clayton's methods of work—he is always described as creating an impact by force of personality, and what he actually did is left unsaid.

This absence of methodology is bound up with the purpose of Toc H itself, which was to recreate the selfless comradeship of the trenches rather than to implement any social programme. As the nostalgia recedes, Toc H declines, and it may well be that Clayton's most lasting contribution will be seen to have been on the environmental planning of Tower Hill.

Joining the dance

THE REAL ISADORA

By Victor Seroff.
Hutchinson. 441 pages. £4.

Anyone who attempts the biography of Isadora Duncan is making marks on quicksand; the more he tries to find a footing on the works of others, on Gordon Craig, on Mary Desti, on Alan Ross Macdougall or on Isadora Duncan herself, the more he finds himself engulfed in contradictions. Mr Victor Seroff seems to have a grasp of the elusive and extravagant facts—and even of the elusive and extravagant personality of Isadora herself—but his style is a sore trial to those who faithfully follow him through the 400-odd pages of his narrative. The book reads as though it were translated from Russian into dubious American, and it is daunting to come across such a sentence as this: "A violinist from childhood, at the age of 19, on Ignace Paderewski's advice, he changed to the piano"; there are too many of them.

There is something distinctly odd, too, in reading of Isadora "living and enjoying life" at "Paris Singer's chateau [without any accent] in Paignton in Devonshire." In a way this oddity, this sense of foreignness, in Mr Seroff is a positive asset when it comes to an analysis of a character which ransacked the cultures of the world, now Greek, now Whitmanesque American, now communist Russian,



Isadora: something genuine

trying them on and discarding them like a child.

Unfortunately Mr Seroff lacks the historical sense, the ability to compare and contrast, and this is a pity; there is room today for a book on Isadora Duncan which would put her in her proper perspective. She was, in a sense, the first of the pop stars, appealing to the young and the left, using the dance as her instrument as the Beatles used sound. Like them and their imitators, she reached out for a form of ready-made mysticism, and it would have been fitting had her hilarious trips round the world included a visit to the sacred Ganges and Hindu temples.

As it is, her tour of America after the first world war with her Russian poet husband, Essenin, bears a strong resemblance to those undertaken by another of the (comparatively) moderns, Dylan Thomas, with whom Isadora would have had a natural affinity; only this time it was Essenin who did the drinking, with Isadora supplying parallel outrage in the form of tactlessness and emotional excess.

Mr Seroff, however, once again misses his chances. His book, although it picks up towards the middle and the end, when he is in a position to recount conversations with Isadora and those who were near to her, remains something of a muddle. So, of course, did Isadora's life, from its unpromising beginnings in San Francisco down to the fatal motor accident in Nice. All was an outpouring of talent and generosity, but so often misdirected and fruitless. Everything to do with her was on the preposterous side, but there was something genuine—in her enthusiasm for her "schools," for instance—and heroic in her, and Mr Seroff is sensitive to it.

Places

The vulnerable lagoon

ART AND ARCHITECTURE IN VENICE

By Ronald Shaw-Kennedy.
Sidgwick and Jackson. 254 pages. £1.50.

NO MAGIC EDEN

By Shirley Guiton.
Hamish Hamilton. 209 pages. £2.50.

Quite why "Art and Architecture in Venice" should have wheedled out of Lord Norwich and his British committee the subtitle of "The Venice in Peril Guide" it is impossible to see: the coverage it gives to Venice's problems is confined to a few perfunctory sentences and a bit of exhortation from Lord Norwich himself as an introduction.

This is a nice little guide, which concentrates on Venice's lush profusion of renaissance pictures. Few guides actually tell one in which obscure church the inevitable half-acre of entirely unlit canvas is actually by Tintoretto; Mr Shaw-Kennedy has worked very hard (with, one presumes, a large spotlight) and can tell us. But anyone not about to get lost in Venice, searching from church to church, will find Miss Guiton much more interesting. She actually knows what is happening in the lagoon; after all, she lives there.

Miss Guiton bought, a few years ago, a vineyard on Torcello, that wildly attractive, almost desolate backwater which was once the administrative and cathedral centre of island life in the lagoon until, in the fourteenth century, the Rialto pushed it into obscurity. It was not until the second world war that malaria was eradicated on Torcello. Its population is still declining. Miss Guiton tells us that in 1950 it was 270; by 1970 Torcello had only 70 inhabitants.

Why should they stay? Miss Guiton can write of the difficulties of scratching an economic return out of Torcello's sparse soil at first hand; of the struggle, first of all, to buy her property from its numerous quarrelling owners; of battles with the Superintendent of Monuments, whose mission is to leave every Venetian stone unturned; and with her succession of employees, whom she tries to wean from unprofitable subsistence agriculture. Her first gardener insisted on going, each dawn, to the Rialto market to sell his produce, however tiny it might be: one morning he failed to sell his one bunch of lilies, so he gave them to the nearest Madonna. These are the episodes that give Venice, and this book, charm; but they are not a prescription for prosperity.



Torcello: beautiful problem

Miss Guiton writes feelingly, too, about the general dilemma for Italian towns along that stretch of the Adriatic: whether to exploit tourism to the

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This luxurious edition, 4 volumes of 400 pages each, illustrated, is obtainable from HATCHARDS, 187 Piccadilly, London W1V 9DA, at £2.50 per volume. If ordered direct from Publishing House K. Goranoff, 1 West Berlin 37, Argentinische Allee 20, the books are mailed post free at £2.15 per volume, Europe ; and $7.00 overseas.

limit, or to degenerate into industrial babel. She is rightly angry that Mestre should have allowed itself to become an industrial slum, despoiling itself and polluting the lagoon, when other war-smashed cities were planning, if not for beauty, at least for orderly development. She is less impressive when she allows her mind to ramble on the malaises of society as a whole ; a bit of editing would have improved this book a lot. It still makes for good reading, because she has a retentive and well-stuffed memory and a nice sense of anecdote : there is the story of the Adriatic village of Cavazuccherina, which, with uncommon foresight for the beginning of this century, decided that its name was a non-starter as a tourist attraction. As Jesolo, it's now doing fine.

White tracks

THE LUNATIC EXPRESS
By Charles Miller.
Macdonald. 571 pages. £3.95.
AN ILL-FATED PEOPLE
By Lawrence Vambe.
Heinemann. 278 pages. £3.50.

The first of these books was written by an American ; the second by a native of a colonised country. The theme of both is the way in which Europeans have changed Africa. Taken together, they provide a good insight into the workings of British colonialism in those parts of Africa which the British did not merely govern but came to settle.

The "lunatic line" (as it was immortalised in a jingle) was the railway built from Mombasa on the Kenyan coast to Lake Victoria in Uganda (600 miles inland) at the turn of the century, a gigantic operation which took six years to complete. Mr Miller's book is very much more than a description of a construction project. He has a light touch, and provides an altogether plausible picture of contemporary colonial society in east Africa. The subtitle, "An Entertainment in Imperialism," fits his book admirably (unlike the descriptions on the dust-cover, which have been written by someone who evidently sees Africa as either scorched or sultry—adjectives better applied to his own prose).



The Victoria line

For all his different attitudes and intentions, few of Mr Miller's judgments conflict with Mr Vambe's. By his own admission, Mr Vambe's book is not an analytical but a personal account, and a very good one at that. It is his own story, culled from his own memories and from tales told him by aged relations, of how the advent of Europeans in Rhodesia changed African tribal society, usually for the worse. It is a depressing history, in which the excellent descriptions of the ceremonies and rites of tribal life intermittently relieve the gloom.

Mr Vambe scotches many myths about Rhodesian history propagated by whites. He contests the view that the Mashonas were victims of Ndebele aggression in the nineteenth century, a belief that has often been used to justify the colonisation of the country by Europeans. Had it been Mr Vambe, rather than Mr Smith's information services, who had briefed Lord Pearce's commissioners on the background to present-day Rhodesia, they would have heard a very different story.

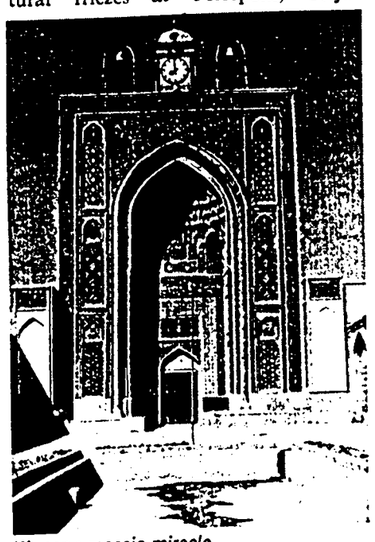
One might be inclined to think that Mr Vambe is unduly pessimistic about his fellow-countrymen. But since writing this book he must have had the grim pleasure of seeing his own prognostications borne out. Last November the multiracial Catholic mission at Chishawasha, on which he was brought up, was given orders to pack up and leave the "white" land on which it stands. A stay of execution has been granted, but it seems unlikely that a reprieve will follow. The people of Zimbabwe do, indeed, seem ill-fated. Perhaps their worst piece of luck was to occupy a land that attracted the sort of settlers it did : there is an old saying that, on leaving Britain, the officers went to Kenya and the NCOs to Rhodesia. These two books seem to bear that out.

Unpreserving poverty

PERSIAN ARCHITECTURE
By Arthur Upham Pope.
Oxford University Press. 120 pages. £1.25 paperbound.

For a scholar who decided, in the 1930s, that Persia's artistic inheritance required six huge volumes of description and illustration, the late Mr Pope performed a remarkable feat in producing this short, exciting account of the country's buildings, which is now available in Britain. And, inevitably, it is an introduction to its history, too, for architecture in Iran cannot be studied in historical isolation. The sadness is that so much has disappeared through violence, neglect or just collapse. Poverty in a country does not encourage costly preservation. And Iran has been keen to modernise and build in the so-called international style, rather than to show off the past. So, despite 2,500 years of almost unbroken monarchal rule, few royal residences have survived. The preservation of those at Persepolis, of course, is miraculous : even so, they are in ruins.

But when one thinks of Persian architecture, it is mostly of the mosques, shrines, tombs, caravanserais and Isfahan's minarets. What is fascinating about these monuments, of whatever age, is that they combine space and repose with structural inventiveness, especially in vault and dome construction, and a decorative energy. In detail and finish, the decorations are unsurpassed, whether in the stunning sculptural friezes at Persepolis, Seljuk brickwork, or the richly patterned mosaics in the Masjid-i-Jami of Kirman. It is this combination of conflicting qualities that gives the architecture of Persia its individuality. Mr Pope was obviously anxious to bring this out and he succeeded. Backed up by drawings and photographs (a few in colour so that the glowing misty blue of Isfahan is not lost), this book is the best possible introduction.


Kirman : mosaic miracle

Literature

Joycean milestone

ULYSSES ON THE LIFFEY
By Richard Ellmann.
Faber. 226 pages. £3.50.
JAMES JOYCE AND THE MAKING OF "ULYSSES"
By Frank Budgen.
Oxford University Press. 393 pages. £3.50 cloth, £1 paperbound.

One does not have to be a devotee of James Joyce to concede that as a literary artificer he ranks among the finest that the western world has ever produced. Frank Budgen, who was his constant companion during the time when "Ulysses" was taking its final shape, compares him to a worker in mosaic, patiently creating a brilliant pattern from a mass of sharply defined elements. But the analogy does not do justice to the three-dimensional quality of Joyce's artefact. "Ulysses" is a book that one can walk about in, exploring its territory. Readers and critics have been doing this for 50 years now. "Ulysses" was first published in Paris in February, 1922. Some of them have charted very serviceable maps ; but the possibilities for cartography have not yet been exhausted.

Professor Richard Ellmann's latest book on Joyce, "Ulysses on the Liffey," proves the point. It is based on a series of lectures given last year at the University of Kent, and it is a learned work ; but not pedantic or unapproachable. It is, however, a closely argued commentary, ideally to be read alongside the text of "Ulysses," and certainly only profitable to readers who are prepared to study Joyce's work with energetic attention. Professor Ellmann discerns in the book a triadic pattern, and the constant play of the dialectic. How contraries are presented and resolved is set out in some elaborate tabulations. These may be compared with the two schemata, provided at different times by Joyce himself, which are contained in an

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appendix. Professor Ellmann stresses the importance of Aristotle and Vico in Joyce's thinking and planning, and demonstrates an even greater intricacy of workmanship than one has come to take for granted. He has also chosen some exceptionally interesting illustrations.

James Joyce once confessed to Samuel Beckett, "I may have over-systematised 'Ulysses'." Readers of "Ulysses on the Liffey" are quite likely to agree; but for anyone who wants to understand something about the genesis and structure of this extraordinary epic, and at the same time to learn how Joyce himself regarded his creation, there is the welcome anniversary reprint of Mr Frank Budgen's book, first published in 1934. It is well introduced by Mr Clive Hart, and is supplemented by Mr Budgen's attractive essay on "Finnegan's Wake" and his later reminiscences of Joyce. This is in many ways the ideal introduction to "Ulysses." Mr Budgen celebrates the humanity, the humour, and the inclusiveness of the book.

Back to Pennsylvania

RABBIT REDUX
By John Updike.
Deutsch. 407 pages. £1.95.

In reading John Updike, one is always conscious of the assignment he has set himself. He pushes at the limits of his considerable talent and does not seem to mind that the stretch marks show. In 1960 he published what many think is his best novel, "Rabbit, Run," the story of the high-school sports star trapped by the poverty of his own personality and the small town in Pennsylvania that adored him. Since then Mr Updike has tried strange exercises. In "The Centaur" he used the familiar Pennsylvania setting but entwined it with a classic myth; he even had to have a key for who stood for whom at the beginning of the book. In "Couples" he shifted to Massachusetts and set his tale of multiple adulteries against the background of President Kennedy's assassination. In "Bech," he put on a false face entirely —that of an American Jewish writer. And now he has tried the trick of revisiting an old character and picking up the story where he left off.

So it is back to Rabbit and to Pennsylvania, and thank God. Mr Updike's penchant for describing and describing and describing is more tolerable when the descriptions are laced with genuine love. The small, stagnant



Updike: home's best

city, flower-pot red, with its coal-black river and overhanging mountain is still where Rabbit lives. Rabbit calls himself Harry now. He is paunchy, conservative, a printer about to lose his job to a machine. His wife, Janice, whom in the earlier book he deserted after she accidentally drowned their baby, has overtaken him in growth and strength. It is she who runs off. It is he who stays home.

If Mr Updike were not so gifted, his experiment would be comic. Against his 1950s' man, he throws the whole catchlist of American worries of the 1970s: women's liberation, automation, black rage, drugs, Vietnam—even Japanese car imports. He interpolates the actual dialogue of American and Russian astronauts into his story, and the Kennedys come in for more digs —Teddy's turn, this time. But Mr Updike pulls it off. By the end, after sour white neighbours put a stop to his new life with a rich white girl drop-out and a revolution-preaching black dope addict, Rabbit finds his way back to health. The Middle American discovers that he has a place in his own country after all.

Too heavy an association with a particular place can be a burden to a writer, especially if he is mobile, ambitious and inquisitive. Mr Updike seems to have tried to escape from Pennsylvania and one suspects that his gimmicky experiments arise from an uncertainty of what his natural subject really is. Sex is too limited, and perhaps manhood is as well. Perhaps his main theme is the individual's struggle to distinguish his identity from his environment. If so, there is no harm in going back to Pennsylvania. For it is Rabbit and his town that echo after the book has reached its peaceful end. Mr Updike, whether he likes it or not, has made this unlovely, undistinguished corner of Pennsylvania, with its old traditions enshrined in neon signs promising "genuine 'Dutch' cooking," into his own literary universe.

Senior citizens?

OLD AGE
By Simone de Beauvoir.
Deutsch/Weidenfeld and Nicolson. 585 pages. £4.50.

Simone de Beauvoir is now 64 years old. Throughout her writing career, age has been almost an obsession. Back in 1954 in "The Mandarins," an intensely autobiographical novel, the age difference between Anne, the heroine, her much older husband and her sexually advanced teenage child serves to explain most of the action. Mme de Beauvoir's preoccupation with the female in society led her to analyse it in "The Second Sex"; similarly, from her preoccupation with age have come two studies: in 1960, at 52, she wrote a book on middle age and, in 1970, one on old age, which is now published in translation.

Because of her closeness to her subject, this book is at times quite heartrending. But it is not always the subjective judgments that make it so. It is divided into two, excessively lengthy, parts. The first is a detailed, objective study of the old, of how they have been treated in different times and environments—from the nomadic South American Indian tribes, who leave their old behind to die when they become useless, to the ancient Chinese, who revered them—and of how we deal with them in present-day western societies. The second part studies the old as they see themselves and react, mentally and physically, to the arrival of old age.

"It is common knowledge," she says, "that the condition of old people today is scandalous." This strikes her as particularly incongruous when—unlike poverty and infirmity—old age is a condition we must all expect. She traces the process of "abandonment, segregation, decay, dementia, death" to which society condemns the old. Her descriptions of some old folks' homes, both in France and elsewhere, and the statistics (in one 54 per cent of those who entered in a healthy state died within the first year) make chilling reading. Society has failed to cope with the successes of medical science in prolonging life: it retires the middle-aged often well before they wish or need to be put on the shelf—97 per cent of the job advertisements in American newspapers, she claims, place 40 as the age limit even though older people may actually be better at some kinds of work.



Simone: age is inescapable

In her second section she describes the process of ageing. This is never subjectively clear: the ageing will often put down their failings to curable diseases. But there is also shock, and revulsion, described by some writers in the discovery of their own old age. Mme de Beauvoir is fascinated by how they react to the discovery—Tolstoy remained buoyant and active; Renoir, though semi-paralysed, would not be put down and went on painting; others became tragic.

Her own solution is clear: "to go on pursuing ends that give our existence a meaning—devotion to individuals, to groups or to causes . . .," although she concedes that this course of action is of necessity confined to an educated elite. In real life Mme de Beauvoir has spent much of her time, in the past few years, campaigning for the militant feminist movement in France—a cause that should keep her going for a good many years.

Plainer tales

THE GOOD KIPLING
By Elliot L. Gilbert.
Manchester University Press. 226 pages. £2.40.

DELUSIONS AND DISCOVERIES
By Benita Parry.
Allen Lane, The Penguin Press. 369 pages. £4.50.

The ghosts of the British in India are not laid yet. They haunt us still because behind the facts of power which permitted imperial rule lay an encounter between two civilisations which still teases contemporaries, luring them back to the literature which is part of the record of that encounter.

Professor Gilbert's book is a work for literature specialists. Through textual analysis of some of Kipling's

WICKED, WICKED LIBELS

Does that scandalise you? Of course you enjoy being scandalised; "indeed life would be dull without at least occasional excesses," says Michael Rubinstein in his Introduction to this sprightly but authoritative account of the libel situation in Britain today by people actively engaged in it as a living issue, and on all sides, to wit: Louis A. Abraham, Louis Blom-Cooper, Eugene Gros, H. Montgomery Hyde, Richard Ingrams, William Kimber, Cecil H. King, Anthony Lincoln. But if *today is too much for you,* **The Habsburg Empire** assembles an exotic after-image, "history made visible . . . a commentary *on human aspirations, pretensions and* mortality" (Observer) in the form of a classic collection of photographs. Or, if *you would escape still farther from the* too-much-with-us, **John Dee: The World of an Elizabethan Magus** evokes again the *age of beckoning possibilities when* maths, magic, art, astronomy, music and theology were unashamed to acknow*ledge kinship, and the true scholar was* he who could show competence in them all. But then there's **William Blake,** if you feel young enough—eternal innocent who never wears a mask; Dr Bronowski's insight into the poetry and lively appreciation of the antiestablishmentarianism may not have come to your notice in 1944, but here is an expanded edition with still more timely relevance.

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short stories he contributes to the current rehabilitation of Kipling as a serious artist, endeavouring to show how simplicity of theme, complexity of literary technique and even the countenancing of imperial power and violence are integral parts of Kipling's artistic expression and therefore aesthetically valid, though all have been used as weapons against Kipling. He defends Kipling as much against those who would divorce his art and politics in the hope of isolating the former, as against those who berate him on extra-literary grounds as the champion of imperialism, the sympathetic chronicler of complacency and brutality, instead of analysing him as a serious author.

He argues that the authentic voice of "the Good Kipling" speaks of a chaotic world immanent with disaster, on which man can never impose order. Here is no consistent view of the historical phenomenon of imperialism. Imperialism is a metaphor for daily work, "an almost mystical act" by which man discovers himself. Such a defence is satisfying at the level of close textual analysis of specific works by a skilled craftsman: but as an overall view of Kipling it is less convincing.

The chapter on Kipling in "Delusions and Discoveries" reinforces this sense of unease at Professor Gilbert's interpretation, showing that even the "good" Kipling was caught in the world view of the white imperialist, and that he never shed his ideological commitment to the raj. But, even so, Kipling emerges from Miss Benita Parry's book as one of the few writers on Anglo-India who really portrayed India with compassion, which removes his Indian writings beyond the compass of imperial ideology. The other author who for her is the supreme example of an encounter with Indian civilisation is E. M. Forster. She makes an illuminating analysis of "A Passage to India" as itself an investigation into this encounter, from the historical level of the personal interaction between English and Indian in the distorting context of the raj, to the metaphysical level of the interaction of two world views, with their different goals and ways of constricting or liberating men; the one dedicated to rationality and definition, the other open to emotional and spiritual ecstasy outside norms conceived of in the west. The other authors who receive consideration by contrast saw India as a frieze rather than as a spirit (to use Forster's words) —whether they were officials caught in a creed of authoritarian trusteeship, the women of Anglo-India appalled at this alien land and driven into isolation as a hedge against fear, or such "heretics" among the British as Edmund Candler and Edward J. Thompson who rejected the raj but never resolved the problems posed by the encounter of west and east.

"Delusions and Discoveries" is a scholarly work. The footnotes on Hindu beliefs tend to be cumbersome; but, even so, it should appeal to the general reader. It is a humane analysis of imaginative writings by English men and women caught in the imperial relationship, who were often the victims of delusions about themselves and their environment, or, more rarely, made discoveries about the possibilities of human life through their encounter with Indian civilisation.

History

Imperial day

THE HABSBURG EMPIRE: THE WORLD OF THE AUSTRO-HUNGARIAN MONARCHY IN ORIGINAL PHOTOGRAPHS, 1840-1916

By Franz Hubmann, edited by Andrew Wheatcroft.
Routledge and Kegan Paul. 320 pages. £5.50.

In 1840, when this gorgeous pictorial chronicle starts, the old order still stood firm in the lands of the Habsburgs. Its guardian, Count Metternich, employed skilful and devious diplomacy to keep the empire's foreign enemies at bay; his secret informers kept a close eye on the empire's assorted internal enemies. But this did not stop the citizens of Vienna from enjoying themselves to an extent that occasionally startled foreign visitors. An English visitor was shocked enough to remark that "there cannot be a more dissolute city, one where female virtue is less prized, and therefore less frequent." The habit of licentiousness was apparently not confined to the upper classes: Vienna's middle class was equally dedicated to the pursuit of pleasure; as the disgusted moralist was forced to conclude, "it never enters their heads that their conduct has anything improper in it." From the (rather romantic) erotic photographs of that era in this book, one can see what he meant.

This solid *Biedermeier* world was briefly shaken by the revolution of 1848, which lost the empire Count Metternich, but gave it another even more solid guardian in the shape of the young emperor. Francis Joseph ruled for 68 years, into the middle of the first world war. Mr Hubmann covers the years when Austria tottered from one military defeat to another, surviving only thanks to Bismarck's protection; when economic and political crises followed each other with monotonous regularity, while the Emperor worked in his study, reviewed his beloved army at countless military exercises which did nothing to make it more efficient, and coped with enormous ceremonial burdens which included his own countless tours of the empire and visits by foreign royalty. These could sometimes be trying: one of the particularly awkward visitors was King Edward VII, whose habits were completely different from the emperor's. Francis Joseph rose at 4 am and went to bed at 7.30 pm; King Edward had his first coffee at 10 am, could just manage to dine at 5 pm and certainly did not go to bed at the same time as the emperor.



Late empire style

Mr Hubmann's brilliant anthology does more than record the ceremonial history of the empire and its most exalted servants; it shows how the ordinary people lived, not just in Vienna, but also in Budapest, Prague, Cracow, Zagreb and elsewhere. Quaintly enough, it has already received rave notices in communist Hungary. But if this splendid book is an exercise in nostalgia, it is an uncommonly intelligent example.

Chain smoke

CIGARETTE COUNTRY

By Susan Wagner.
Pall Mall. 256 pages. £3.

In the seventeenth century more than one pope threatened smokers with excommunication. The Chinese in

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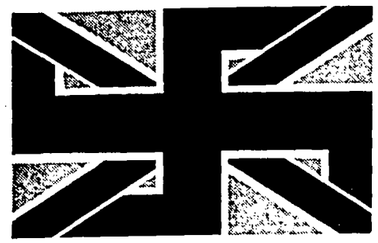
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1638 threatened to decapitate anyone who trafficked in tobacco. At about the same time doctors in Europe were discovering the harmful effects of tobacco on health. In America at the beginning of this century 12 states had enacted restrictive laws against cigarettes, all of which were later repealed. This history of tobacco makes dismal reading for those who supposed that the health scares, the salutary warnings and the preventive legislation of the 1960s would bring smokers to their senses.

Since the early days smokers have been encouraged in their habit by a formidable army of interests. Tobacco was one of the staple money crops of the early American colonies. George Washington urged people to send him tobacco, if they could not give him money, to pay the American army. By 1880 one American manufacturer of cigarettes was sinking $800,000 a year into promoting his product. Even in its early days, Madison Avenue depended on cigarette advertising for much of its revenue.

Miss Wagner makes tobacco's importance in American politics plain. In 1962, before the latest anti-smoking campaigns really began, taxes from cigarettes provided the federal government with $2 billion and the states with $1 billion. In the same year the tobacco crop was worth $1.3 billion to the farmers and at the height of the growing and harvesting season some 3m workers were employed.

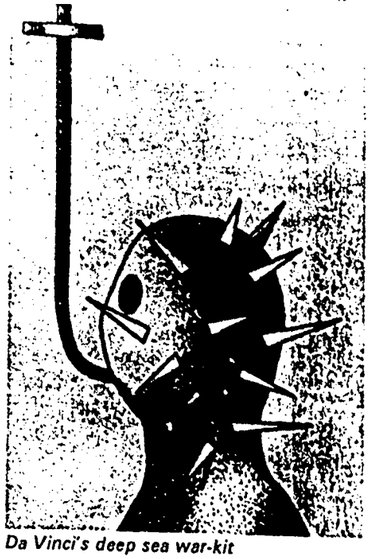
It is little wonder that the progress towards restricting smoking in America has been slow and painful. The Surgeon General's report on the connection between smoking and lung cancer came out in January, 1964. It was not until the beginning of 1966 that cigarette packets were required to carry health warnings and cigarette advertising was not banned from television and radio until January, 1971. Miss Wagner skilfully traces all the twists and turns of the smoking campaign. She covers the brilliant defensive strategy of the tobacco industry; the sympathy of the powerful Democratic Congressmen from the tobacco-producing states in the south; the silence of President Johnson. Unfortunately the smoker gets lost in the telling of the tale. But it is quite clear that whoever is suffering, from the smoker to the small tobacco farmer, it is not the cigarette makers. Sales are still going up (although the tobacco content of cigarettes is going down) and the big manufacturers are hedging their bets and moving into new products.

Deep in history

A PICTORIAL HISTORY OF OCEANOGRAPHIC SUBMERSIBLES
By James B. Sweeney.
Robert Hale. 314 pages. £3.50.

Everything at the oceanology exhibition at Brighton last month displayed oceanography as the new-born science; all future and no past. But it was Alexander the Great who first had the idea of being lowered into the sea in a glass bell. Although the science lay quiet for 1,500 years after that it was in full swing again by the renaissance. Leonardo da Vinci, predictably, could not resist a stab at it, designing the first flippers, snorkel, and an amazing outfit for an underwater warrior. By the eighteenth century the diving bell, developed largely by the British scientist Sir Edmund Halley, was an established "oceanographic submersible." But nobody was quite sure what to do with it.

If the early history of oceanography is sketchy, Mr Sweeney has little difficulty in finding ample illustrations. But he is unable to get into full tilt until the birth of the naval submarine. An ingenious Yankee thought up the world's first sub during the revolutionary war; it never got a chance to sink anything, but the British and the French were horrified at such an undignified addition to the war game. The first sub to draw blood was the Confederate *David* which broke the blockade of Charleston during the civil war. After that there was no holding back, and Mr Sweeney devotes eight chapters of often interesting text (if somewhat identical illustrations) to the last 100 years of submarine warfare.



Da Vinci's deep sea war-kit

This is not quite what oceanographers might expect from an illustrated history of their pet science, but it is a reminder that most of the hardware of underwater technology is still financed by defence budgets. The great spur to the development of deep sea submersibles came only after the American submarine *Thresher* was lost in 1963 and the United States suffered the indignity of having to rely on French help to locate it. Since then the pace of development has been too fast for a pictorial history to keep up, and a number of unlikely-looking artist's impressions creep into the illustrations. Mr Sweeney gives scant coverage of the French—or indeed any European—deep sea submersibles, and the last pages read like advertisements for America's biggest corporations.

Gringos and criollos

NORTH AMERICA DIVIDED: THE MEXICAN WAR, 1846-48
By Seymour V. Connor and Odie B. Faulk.
Oxford University Press. 308 pages. £3.50.

History is as far from agreeing about the Mexican war as leader-writers are about Vietnam. Was the annexation of Texas and the conflict which followed a gigantic conspiracy of the Southern slave power? Or was it the entirely justifiable, as well as the inevitable, extension of civilisation and democracy to an area so feebly held by its decadent sovereign, or, in effect, not governed at all? Results are as disputed as causes, utility as morality. Was the war "a good thing" because it added vast areas of actual, and still more of potential, riches to the Stars and Stripes? Or was it an absurdly costly venture? It was, after all, the costliest war in American history in relation to forces employed (its mortality rate was 110 per 1,000 men per annum). It can plausibly be argued, moreover, that it so intensified the sectional controversy as to make the civil war (for many of whose generals it was a training ground) all but inevitable.

Questions of such magnitude should guarantee the Mexican war frequent re-examination at the hands of historians. And so one ought not to cavil at Professors Connor and Faulk for reopening a file which has only been closed since 1947, when Alfred Hoyt Bill published his "Rehearsal for Conflict." Certainly this latest narrative history is free from obvious bias; it is accurate, clear and sensible. It is also, unfortunately, rather dull and clumsy in presentation and a good deal briefer than its apparent bulk suggests. There is, inter alia, very little said about the conduct of the war on the home front or the intellectual debate which accompanied it and which gives it much of its continuing interest or, in the cant phrase, relevance.

Perhaps in compensation for this, 100 pages are given over to a comprehensive bibliography which is in fact much the most useful part of the book, covering as it does both American and Mexican sources as well as the large output of scholarly articles and books which has subsequently appeared. But it might have been better if this had appeared on its own rather than as the appendage to a rather undistinguished narrative. For a war history, OUP has provided disappointingly inadequate cartography. There are few irritations more galling to a reader than to be constantly encountering place-names in the text of which no mention occurs in the maps.

Ecology

Troubled oil

THE TOXIC METALS
By Anthony Tucker.
Earth Island. 237 pages. £2.50.

Alarm about pollution has shifted from chemicals and pesticides, where the problem is now fairly well understood, to more insidious materials like lead and mercury. Mr Anthony Tucker cannot be accused of thumbing a lift on a bandwaggon; he has for more than a decade been trying, usually single-handed, to get this particular waggon to roll. His book comes out just when his arguments are beginning to collect support.

It is not an easy read. Most of the heavy metals damage the brain without leaving visible signs; the case against them has to be demonstrated statistically, as the case against smoking was. In one of his crosser moments, Mr Tucker argues that if cigarettes have to carry a health warning, then so should pumps selling leaded petrol—something on the lines of "This substance can send you mad."

The Green Revolution
by Stanley Johnson Price £2.75
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BASIL BLACKWELL

The charts, tables, and medical details about blood levels and age groups are necessary, even though this is a book for laymen—the first from a publishing company set up last year to specialise on ecology—because, sooner or later, industry's apologists are going to start saying that Mr Tucker and those who believe with him are emotionally unreliable ecology buffs. Oil companies are already getting alarmed at what they would have to spend on expanding refinery capacity if leaded petrol were banned as the biggest single cause of the extra lead that has come into the atmosphere since the car population began to explode.

Unlike wholly man-made compounds like DDT, all the metals under suspicion occur in nature; many of them in food. A little more, runs the counter-argument, is not going to do much harm. Mr Tucker would not quarrel with that; his concern is that it is not a little, but a lot more lead and mercury, cadmium and chromium that is being discharged, to the detriment of health generally and, when it is discharged in concentrated quantities, causing actual tragedy. He gives his own calculations for the amount of lead being used by the oil companies in Britain: something like 12,000 tons of lead alkyl a year, and rising all the time. This, he believes, is sufficient to create a serious health hazard. The oil companies, obviously, do not.

Does anyone really know if these discharges are heavy enough to be dangerous? Not while it can be said of cadmium, for example, that it is:

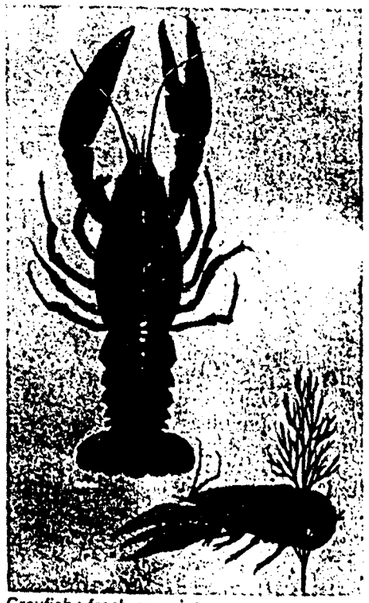
> highly poisonous, poorly understood biologically, grossly under-investigated as an environmental contaminant, but widely dispersed. As a natural component of soils and water it is present only in very low concentrations but its industrial uses are expanding explosively.

What's wrong with that? Only that cadmium gives you ouchi-ouchi disease; and if you think that's a joke, read Mr Tucker.

The first water

GUIDE TO THE FRESHWATER FISHES OF BRITAIN AND EUROPE
By Bent J. Muus and Preben Dahlstrom.
Collins. 222 pages. £2.25.

Some people have fairies at the bottom of their gardens, but the lucky ones have fish. Where the water runs cool and clear, there may even be freshwater mussels with pearls in them, of



Crayfish: fresh as paint

the kind that went into medieval regalia, but the odds are increasingly against that. Mussels need pure water and most freshwater fish have had to learn to adapt to a fair degree of pollution. Not all of them have carried this to the lengths of the inedible and apparently indestructable loach, which burrows into the mud during a drought and can stay there, so it is said, for as long as a year. But tench and carp can both live in water stagnant enough to kill off most other fishes, and the ponds and streams of Europe are full of goldfish that escaped their bowls. However, the coveted salmon, trout, grayling, freshwater crayfish and the rest need clean water and plenty of oxygen and there are fewer and fewer places, outside the commercial fish farms, where they can find those.

This engaging book goes some way beyond the normal naturalist's guide to how to identify what. Pollution apart, fish have not been under the same pressure to adapt to a changing environment as animals have been on land; the water remains much as it was when the last glaciers receded. Consequently, fish have retained some extraordinary habits. Salmon and eels commute vast distances in the course of their lives; and bitterling cannot breed unless mussels first agree to act as temporary nursemaids to their eggs; lamprey turn their victims into soup before eating. Man's reaction to them is full of ambivalence; fish are slaughtered on every pretext from food

to fun, but, at the same time, elaborate modifications are made to big civil engineering works so that fish can pass through, over or round them unhindered. Mr Preben Dahlstrom's illustrations mirror this mixture of emotions; scattered among the diagrams, and his magnificent paintings of all 130 freshwater species, from stickleback to mitten crab, are romantic little pen and ink sketches of pools and streams and fish drying in the sun—happy, sentimental little drawings suggesting that the authors are a pair of thoroughly nice men. They say fishes do that to you.

Tooth and claw

THE WINTER OF THE FISHER
By Cameron Langford.
Collins. 222 pages. £1.60.

THE STORM PETREL AND THE OWL OF ATHENA
By Louis J. Halle.
Princeton University Press; London: Oxford University Press. 282 pages. £3.60.

People who would disapprove strongly of compulsive killers in real life, and howl for the police if anyone touched so much as a feather of one of their budgies, are inclined to take a much more tolerant view of four-footed murder, and it is for them that books like Mr Langford's are written. They use a great deal of violence that would be quite unacceptable if the characters were human; some sex and a lot of background detail to make up for the limited scope for psychological development among the characters. This is not at all a bad example of the genre.

Fishers can best be described as largish, sub-arctic weasels, three to four feet long from nose to tail, razor-toothed, solitary and predisposed to leap straight for the jugular. To lend variety to the rather monotonous round of eating and sleeping that makes up much of a fisher's life, Mr Langford puts his through a series of ordeals by fire, water, traps, snares and open combat from which the fisher is usually rescued, at the point of death, by a sympathetic old Indian. It is a most moral tale; nature ultimately triumphs over civilisation in the shape of hunters, trappers and an unfortunate red setter.

By normal bird-watching standards, Mr Halle has written an inoffensive little series of monographs about the sea birds that crowd each other off the rock ledges of the Shetlands. Then why is his such a difficult book to put down? Because the birds are to him more than a cluster of hollow bones and feathers; without attributing to them anything more than he can see with the naked eye, Mr Halle manages to convey his own feeling that if only he could understand more about them, then he would also understand more about the mystery of creation. Why birds manage on the whole to attract such a high quality of writing is one of the unfairnesses of the animal kingdom, but there it is.

Art

Missing link

DÜRER IN AMERICA
Edited by Charles W. Talbot.
Collier-Macmillan. 368 pages. £5.95.

To the best of anyone's knowledge Dürer has had no significant impact on American art. Appreciation of his work in America seems to have been confined to astute collectors. The title, therefore, is a bit of a cheat. All the same, it is fascinating that Americans were such early hunters of



Dürer: new world taste

Dürer prints: over 120 years ago, in 1849, the Smithsonian Institution bought a print collection off George P. March of Washington which contained 20 engravings, two etchings and a number of woodcuts by Dürer. So it all began.

When, last year, the National Gallery of Art in Washington put on an exhibition in celebration of the 500th anniversary of Dürer's birth, it drew on over 200 prints and a number of drawings and illustrated books from American collections, mostly public

Industrial Power and National Rivalry 1870-1914

Documents of European Economic History 2

Edited by SIDNEY POLLARD and COLIN HOLMES

The editors use documentary material, much of it translated here for the first time, to describe the means by which Europe imposed world-wide control over trade to illustrate the fundamental changes in the agrarian, industrial and financial structure of European society. They also demonstrate that the years 1870 to 1914 saw the growth of social class antagonism throughout Europe created by the continuing inequality in personal wealth, and the struggle to establish bourgeois values. Use has been made of a wide range of English and European sources including official reports, travel descriptions, and eye witness accounts of major developments. Concise editorial introduction puts the documents into perspective. The collection will be invaluable as a background to the present economic situation in Europe today.

£6.50 net Cloth £3.60 net Paper £1.80 net

Land, Work and Resources

An introduction to economic geography

J. H. PATERSON

This is a thorough but concise introduction to economic geography. The author explains the factors of world economy wherever located and shows their interrelationships and interdependence. It becomes clear from the outset that no single aspect can be properly studied, understood or controlled outside the context of the others. The author is also concerned to show the importance of the past, particularly the way in which it conditions present attitudes, responses and decisions. If the subject of this book is necessarily complex, the style in which it is written is correspondingly lucid, and economic theory is explained throughout in terms of real problems and situations.

Edward Arnold

ones. The exhibited prints, in fact, comprised three-quarters of Dürer's known engravings and two-thirds of his woodcuts, most of the books with illustrations attributed to him and his three published treatises. This book was prepared for the exhibition and comprises an introduction and catalogue, with extensive notes on the 312 illustrations.

Engravings and woodcuts (and the writing of his journals) became Dürer's chief interest quite early. He was unique among renaissance artists in having signed and preserved many of his drawings. These are all manifestations, it can be argued, of self-consciousness and self-interest. Certainly his prints, which were easy to transport, meant that his work became known throughout Europe. By turning to printmaking he also avoided the restrictive requirements of patrons. Perhaps this streak of individuality appealed to American collectors, as well as the fact that he had brought the forms and ideas of the renaissance to northern Europe. The subjects of his prints are hugely varied: some have a visionary fantasy which defies interpretation. A curiosity, for example, is number seven in this catalogue: his monstrous eight-footed pig.

Victim's view

A PRIVATE VIEW OF STANLEY SPENCER
By Louise Collis.
Heinemann. 166 pages. £2.75.

The "I" of this book is not the author but Patricia Preece, the second wife of Sir Stanley Spencer, who was publicly blamed by him for all, or most, of his troubles and frustrations in the last 20 years of his life. But it was also she who provided, as this book makes clear, much of the inspiration for the paintings that seemed important to him and that now seem important to those who appreciate his work and bid large prices for it.

Stanley Spencer was never, in fact, unappreciated; he always had admirers who paid well for his output, although he was not popular with the art establishment until late in his life. But it was never easy to understand the huge erotic religious pictures, which led to his much-publicised rows with the Royal Academy and on which his reputation now rests. This well-written, easily read account of a hitherto mysterious aspect of his life makes them much more comprehensible.

It also makes Spencer himself much more comprehensible, giving insight



Patricia: inspiration and excuse

into the "extraordinary convolutions of the inner self" of this insignificant, untidy, dirty, shambling little man, to whom sex and religion were one and the same thing and who believed that "life should be an uninterrupted course of satisfying one's own desires." Both his first wife, Hilda Carline, and Patricia Preece were victims of this belief and also of his fantastic obsessions, his refusal to face reality and his determination to tell everyone everything. But these were also the stuff out of which his pictures were made.

Awkward images

MAN AND MACHINE
Photographs by Henri Cartier-Bresson.
Thames and Hudson. 116 pages. £5.50.

Is man the master of the machine or the machine the master of man? The question is ridiculous. Man designs and operates the machine so of course he is its master. This is only common sense. But where common sense leaves off this evocative collection of photographs begins.

Although it was commissioned by the International Business Machines World Trade Corporation, hardly a radical organisation, the feeling behind this collection is plainly revolutionary. IBM presumably wanted M. Cartier-Bresson to produce a series of artistically accomplished photographs that would illustrate "the mastery by man of his own electronic and mechanical creations," as the foreword optimistically describes the book's theme. But IBM apparently did not reckon with the photographer's artistic conscience, which has led him to compose photographs that contradict the foreword and also the literary quotations, selected by someone other than M. Cartier-Bresson, that accompany many of them.

So, instead of the glorification of man and machine, we see a scientist at Houston's Manned Spacecraft Centre overwhelmed by a huge, mysterious machine that he controls—an up-to-date version of the Charlie Chaplin of "Modern Times." There is a shot of a sports event where the Japanese photographers seem not so much men as devices for holding and aiming their long-barrelled, sensitive cameras. There is an overalled railwayman who looks disadvantaged beside the gleaming metal of his train.

There are photographs, too, of the way modern architecture and the machinery of cities dominate the individual. A workman is scarcely more than a dot on the side of a skyscraper he is helping to build. New York City underground riders are captured in their lonely congestion. A shiny, blurred automobile speeds by a graveyard that seems part of another world. But the collection is not one-sided. There are numerous shots of children (though none of adults) having fun with machines. And there are photographs from the developing countries showing men with simple tools over which they are still, obviously, the masters.

M. Cartier-Bresson's perceptions are not unique. They have been expressed by artists and writers before. However, their repetition by such a gifted man is important since they are always in danger of being forgotten. No political or economic ideology, left or right, takes them much into account. Just the same, they are relevant to all industrialised nations and all classes of men. The government official or business executive gets caught in traffic jams like everyone else.

Church parade

THE DECORATIVE ARTS OF THE CHRISTIAN CHURCH
Edited by Gervis Frere-Cook.
Cassell. 296 pages. £8.50.

Virtually any book on medieval or renaissance art is perforce a book on the art of the Christian church; this book is novel only in that it takes the subject matter, and not a painter or a period, as its frame of reference.



Cross-culture Christianity

Then again, there are innumerable books on church decoration, from which this book differs only in that it takes Christianity, and not churches, for its theme. But what matters is not that other people have been here before, but that this is a particularly good, very thorough, very free-ranging book: it is also large, beautifully and copiously illustrated, and the essays are of an extremely high standard.

It is still incomplete. There are chapters on standard themes: on the origins of Christian art, the monasteries, Rome, post-reformation England and rococo; but also on the eastern Orthodox, Russia, North and South America, Africa and the Far East. But even in a book of this bulk, a chapter on Christian art in Australasia means that much less on the renaissance.

This book requires a strong taste for diversity: some of the modern Christian churches illustrated are breathtakingly ugly, and one feels an instinctive recoil at the bastard art inspired on the missions, heavy with colonial Christianity, and Europeanised New Testament figures. But this book performs a service in showing how so much of this is so good; how much of it, particularly in carving or sculpture, is free of European influence or how (particularly in the Far East) the artist's imagination actually throve on it. One of the most curious examples is a Mogul miniature of the Virgin and Child. She is plainly oriental: only her attendants are in (Elizabethan) European dress. How's that for accurate reporting?

Eccentrica

Bloody Someday

HORATIO'S VERSION
By Alethea Hayter.
Faber. 109 pages. £1.50.

IF IT HAD HAPPENED OTHERWISE
Edited by J. C. Squire.
Sidgwick and Jackson. 328 pages. £3.25.

Everyone must at some time have got infuriated with history: the imbecility of our predecessors, setting off a chain of actions that any fool could (a few centuries later) have told them would lead inexorably to disaster, is sometimes too much to bear. And any schoolchild, grinding through "Hamlet" for an external exam, must surely itch to rewrite that story. One starts Act II with such high hopes that Hamlet will murder his uncle forthwith; Shakespeare's conclusion is really most unseemly.

Miss Hayter has not set herself quite the same exercise as the several distinguished authors of "If It Had Happened Otherwise," who rewrote history with great aplomb, but she obviously found the last scene in Hamlet too untidy to bear. Her book takes the form of a commission of inquiry into the events at Elsinore (Bloody Someday?) with Voltimand—away with Fortinbras at the relevant time—as chairman. The commission's proceedings are interspersed with extracts from Horatio's diary, and the result could not be bettered. Voltimand is the archetypal inquiry chairman (not exactly in Lord Widgery's class); a touch dyspeptic, suitably dampening to Horatio, whose explanations of Hamlet's behaviour towards Rosencrantz and Guildenstern do sound a trifle wild; crossly incredulous at his allegations of poisoned rapiers and quite unable to understand how the queen, of all people, came to be poisoned; but unbiased almost in spite of himself. Fortinbras is a canny monarch, refusing to see either side until the inquiry is over, and at first Claudius's old supporters make the running: but thanks to Horatio's persistence, Hamlet is vindicated. It is a very satisfying, funny story. And there is a nice piece of detective work on the bouquet Ophelia distributed in the mad scene, from which it appears that it must have been more than a little difficult to put together such a bunch of blooms at any time of year, but with a good deal of pre-planning it could have been managed in July. The inquiry therefore takes place in September, after a decent interval of six weeks.

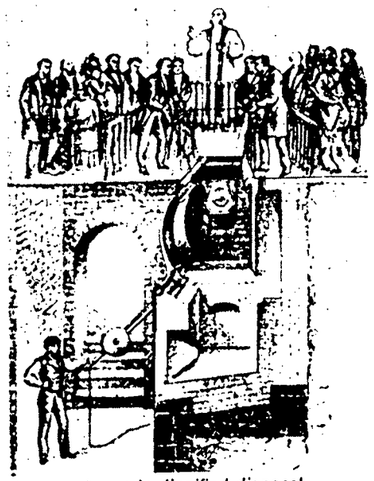
"If It Had Happened Otherwise" is not new: it was published in 1932, but has long gone out of print. Trevelyan's "If Napoleon had won the battle of Waterloo," the most enticing if of all, is said to have inspired the fashion for such essays when it won a competition for an essay on that subject run by the Westminster Gazette in 1907. It was not included in the original edition, and two more essays have been added: Sir Charles Petrie's jacobite fantasy, and an extract from Mr A. J. P. Taylor's "The First World War" entitled "If the Archduke Ferdinand had not loved his wife." This last is rather out of style: most of the others are designed as tongue-in-the-cheek fictional histories, nicely stuffed with the historian's grumbles about shortages of documents or unreliable sources.

There is an account from Sir Harold Nicolson of Byron's reign as king of Greece; another of how in 1930 it was discovered that Bacon did write Shakespeare, by J. D. Squires; what happened after Lee lost the battle of Gettysburg, by Winston Churchill; and the story of Don John of Austria's marriage to Mary, Queen of Scots, by G. K. Chesterton. Best of all is perhaps Hilaire Belloc's account of how Drouet's cart stuck so that he was unable to block the road and Louis XVI and his family escaped safely from France. All the essays are slightly dated, because that which they are caricaturing—the writing of popular history—has changed. The most obscure is now Ronald Knox's edition of The Times after a successful general strike. But it is nice to see them all back in print.

Funeral progress

THE VICTORIAN CELEBRATION OF DEATH
By James Stevens Curl.
David and Charles. 238 pages. £2.95.

Publishers love to encourage one along the literary trail with suggestions for further reading on the back of dust-covers, but really, sometimes they do go too far. David and Charles here offer the memoirs of a nineteenth-century executioner, "Bloody Versicles," and a collection of postmortem



An experiment in dignified disposal

reports with the inspiriting subtitle "The Correspondence of Murder." It's perfectly true that anyone who has got through "The Victorian Celebration of Death" from cover to cover must have a strong stomach and a peculiar taste for the morbid. But not necessarily a taste for the macabre: only in parts, when Mr Curl surveys the gaping, shallow burial places, the robbed, overcrowded graves of the rapidly expanding early Victorian cities, does the tale become positively unpleasant.

To begin with, at least, it is a detailed and painstaking survey of one of the most expensive, detailed and painstaking rituals in Victorian life. The mourning emporia stocked everything from mourning stationery through black lace for underclothes to black wedding-dresses and—when the life expectation of a middle-class male mid-Victorian was only 30 years, his wife's even less and the industrial poor's expectation was less than 18 years—presumably did good business. One could wish for rather more from Mr Curl on their accounts, but he is more informative on undertakers. He tells us, for example, that a good middle-class funeral in the 1870s would cost £1,000 (excluding the construction of a suitable tomb). Prolonged and elaborate mourning was not just a middle-class fancy or an enthusiasm for public celebration of the great (though Lord Nelson's funeral car would not have disgraced Tutankhamen); it was a burden even on the poor, for whom elementary saving schemes existed to spare their families the public disgrace of a burial "on the parish."

Plainly, even a hideously expensive funeral was an unpleasant business in earlier years of the reign: Mr Curl's real enthusiasm is for the splendid burial grounds laid out by the mid-Victorians: the overwhelming, grossly classical, solidity of the mausolea and memorials: the gothic chapels of remembrance, most desolate survivals of an age that tried to entrench memory in stone. Mr Curl's particular passion is for little maps and diagrams of cemeteries and the experimental crematoria, in which the Victorians, sentimental but not squeamish, invested so much industry and imagination. The Victorians overproduced death and upstaged sex: will we, who do our best to outlaw death to the seaside towns and reserve the capital for sensuality, seem any less unbalanced in another century?

Commemorators' passion

THE LONDON OF SHERLOCK HOLMES
By Michael Harrison.
David and Charles. 232 pages. £2.95.
A SHERLOCK HOLMES COMMENTARY
By D. Martin Dakin.
David and Charles. 320 pages. £3.75.

There is something about Conan Doyle's detective that arouses man's grossest commemorative urges. At the Reichenbach Falls there is a memorial to his desperate tussle with Moriarty, to the mildly incredulous amusement of the Swiss; at St Bartholomew's Hospital the pathology lab sports a plaque commemorating Holmes's lightning deduction that Watson has just returned from Afghanistan from tell-tale traces of this and that. A lot of Dickensian characters have their names up in stone, or metal plaques, all over south London (partly, one suspects, because the borough of Southwark finds this the most salubrious way to commemorate, say, Marshalsea debtors' prison); but surely no London street has been so dredged for literary association as Baker Street?

"The London of Sherlock Holmes" paces up and down the pavements yet again. Mr Harrison himself has already written "In the Footsteps of Sherlock Holmes": the footprints must be getting pretty worn by now. But this is a nice book; full of early illustrations and contemporary photographs. Their connection with the stories is sometimes rather tenuous: there is, for example, a fine view of Whitehall which must have been familiar to Holmes's brilliant brother at the Foreign Office.

If you had forgotten that Holmes was suitably endowed with relatives, "The Sherlock Holmes Commentary" is the book to turn to. This is a hilarious work, of formidable precision: even the bibliography is daunting. Its length alone testifies both to Mr Dakin's industry and to the quite terrifying voraciousness of Holmes's admirers for the most weird scraps of information: Mr Dakin, for example, contributes a list of all the characters in the Sherlock Holmes stories who wore moustaches. But much of the book is taken up with time-honoured controversies about the order of Holmes's triumphs, when he went where, what he did after his reported decease at the Reichenbach Falls, and how to explain unseemly discrepancies in the narratives. Poor Conan Doyle: perhaps in some place of torment the fiends are cross-examining him for inconsistencies with the aid of such books: but one hopes he is elsewhere, basking in the attention or at least in blissful ignorance.

Soft centre

CORPORATION MAN
By Antony Jay.
Cape. 269 pages. £2.50.

The only trouble with Mr Antony Jay's newest book is its central theme. The new biology of such writers as Mr Konrad Lorenz, Mr Desmond Morris and Mr Robert Ardrey is not only unconvincing when used to interpret behaviour inside business corporations, it is also unhelpful even if you do persuade yourself that it is relevant. The theories are simply too broad to shed much light on such a specialised area. However, they provide a broad framework for Mr Jay to roam in at will, for which readers of management books should be grateful.

Mr Jay made his name as a writer for television's David Frost and he is always clever and entertaining; adjectives that cannot be applied with justice to many other writers on management. Moreover, he had some managerial experience when he was with the BBC, and the insights this gave him are usually shrewd. But he would contribute more if he constructed his own theoretical scaffolding rather than attempting to borrow it ready-made from other people.

THE WORLD

American Survey



His balloon didn't burst

ELECTION '72

McGovern on his way

Madison, Wisconsin

On the morning after a famous victory it is easy to exaggerate its significance. But however much caution is applied in assessing the consequences of Senator McGovern's triumph in Wisconsin's primary election, it has certainly changed completely the pattern of the contest for the Democratic presidential nomination. With 333,000 votes, 30 per cent of the total, Mr McGovern was well ahead of Governor Wallace of Alabama who had 248,000 votes and inched Senator Humphrey out of second place. They each had just over 20 per cent of the ballot, although Mr Wallace probably would not have reached double figures but for the cross-over of Republican voters, a complication that is a speciality of Wisconsin's election law. Senator Muskie lagged far behind with 115,000 votes, 10 per cent, a little ahead of Senator Jackson with 8 per cent. Mayor Lindsay, with only 77,000 votes, has decided to go back to running New York City.

In Wisconsin not only did a quiet man of decency and principle score a victory on a scale few, including most of his own staff, had regarded as possible, but he also did it with the aid of a superb army of amateurs. Mr McGovern proved that he could win votes, which had been in doubt until then. The old-time Democratic party professionals, most of whom were closely identified with the Humphrey and Muskie organisations in Wisconsin, were thrust aside by hundreds of eager and devoted young men and women, the majority of whom had never before been involved in a political campaign. The Kennedys never possessed such a machine, nor did even Senator Eugene McCarthy in 1968.

The overwhelming mood of these young people is one of anger and disgust at the state of American politics and at what they regard as the cynical evasions of most of their political leaders. They are impatient and to some extent self-righteous, but after this week's events in Wisconsin they are again a powerful factor in American politics, as they were in 1968.

It will of course be said that Wisconsin was a special case, that Senator McGovern had admitted that if he could not do well there he could not possibly succeed elsewhere, and there is some truth in this. He comes from near-by South Dakota and he began his campaign purely as an anti-war candidate, although he has broadened his appeal lately. Wisconsin is militantly against the war in Vietnam and in the 48 hours before the polls opened that war became once again a political issue of the first magnitude, but it is hard to believe that this issue was by itself decisive.

Last weekend, travelling through the north-eastern part of the state, one was struck by the curious phenomenon of people saying that they were proposing to vote either for Mr McGovern or for Mr Wallace. At first this seemed too absurd to be taken seriously; yet it did have a curious logic. Both men are regarded as anti-establishment; both have stated their views clearly and unambiguously. Both represent a major change of direction from the politics of the past—precisely what a large number of voters in Wisconsin wanted.

The old guard of the Democratic party in the state did not appreciate the depth of this protest. In Green Bay, a large paper mill and shipping centre on Lake Michigan, the Muskie and Humphrey organisations were content to coast along gently, secure in the knowledge that they had divided up all their party's top brass behind their candidates. But an energetic man whom they all cordially detested was meanwhile in command of the McGovern forces. Mr Owen Monfils, a lawyer in his fifties and the leader of a small group of Democrats which has for years defied the local hierarchy, cleared out all the rooms in his offices for a horde of young people who worked almost night and day during the campaign. Nearly 90 per cent of the houses in Green Bay were canvassed and

every canvasser on his return to the office had to sit down and send a personal letter to everyone he had called on, covering any issue of policy that had been raised on the doorstep. The Humphrey and Muskie people did not take this seriously. Their men would never be deserted by a large Roman Catholic, working class population. But they were. Mr McGovern carried the district.

If anything, Mr Humphrey's organisation throughout the state was slightly better than Mr Muskie's, but his tactics were a disaster. Mr Humphrey belongs to a period and style of politics on which voters are turning their backs in, it appears, growing numbers. His support in Wisconsin came from the most conservative elements of the Democratic party—the trade unions and the middle-aged and elderly Negroes, who remembered the fighting young crusader for civil rights from Minneapolis that he once was. Poor Mr Humphrey did not understand, and probably never will, that the adroit side-stepping on almost every issue of principle, the easy promises, the habit of saying at inordinate length only what he thought his audience most wanted to hear, could only damage him.

It is difficult to assess who among Mr McGovern's major opponents was most seriously hurt in Wisconsin; probably it was Mr Muskie. Many of his supporters are taking to the lifeboats and his campaign is in growing financial difficulties. Now that he has lost the aura of victory, he has shown himself a poor campaigner, tiring easily, rambling in his speeches. A man of determination, he will stagger on, but unless he achieves a major victory soon, in the primary in Massachusetts or in Pennsylvania, at the end of this month—and this seems improbable—it will be hard for him to get the nomination. But Mr Humphrey too is in grievous trouble. He had so many natural advantages in Wisconsin that the extent of his defeat must have come as a bitter blow. If the scale of his defeat was significant, so was the attitude of many of Mr McGovern's supporters towards him. Most of them respected Mr Muskie and Mr Lindsay, but they regarded Mr Humphrey with almost violent dislike.

Mr McGovern is still a long way from getting the presidential nomination at Miami Beach next July. But his young chief of staff in Wisconsin has left to take over the organisation for the Nebraska primary on May 9th, and a large contingent of workers has departed for the battle grounds of Massachusetts, where Mr McGovern should do well. He is going to be a difficult man for any of his rivals to beat. With the withdrawal from the race of Mr Lindsay, liberal loyalties are no longer divided and money and volunteers will flow in. But the party regulars, who have laughed at Mr McGovern until now, will rally against him—although whom they will rally around is now the question.

Even if Mr McGovern should obtain the nomination President Nixon would remain the favourite to win. And yet one wonders. Mr McGovern is the peace candidate at a time when there is every indication that the Vietnam war may after all be a central issue in the campaign in an increasingly war-weary country. He has made America's system of taxation, with its built-in tax privileges for the few and savage property taxes for the many, a major issue of this campaign. At a time when Americans are seriously concerned about the integrity of their political leaders and about the quality of their public life, he is a man of honour and conviction.

Plot not proven

After a week of deliberation, the jury in the Harrisburg trial, of a group of active Roman Catholic opponents of the war in Vietnam, has failed to reach a decision on the more serious charges of conspiracy and five of the seven defendants will go free. The other two, Father Philip Berrigan and Sister Elizabeth McAlister, were found guilty of smuggling letters out of a federal prison; they face the possibility of heavy sentences. *Our correspondent reports from Harrisburg, Pennsylvania:*

The trial's most interested follower may have been Mr J. Edgar Hoover, the head of the Federal Bureau of Investigation, who first publicised the alleged plot in a statement to a Senate committee in November, 1970, weeks before any formal charges were laid. The defence alleged that the case was brought by the government in spite of weak evidence to bail out his public accusation. The trial revealed that several pieces of information available to the government for months before Mr Hoover's statement were only analysed in a sudden burst of activity by the FBI just after his statement to the Senate. But for those who expected the political trial of the decade it turned out to be inevitably anti-climatic.

The trial dealt with anti-war actions. The self-proclaimed pacifists clung to a legal defence within the system rather than speaking out in anger inside the court. In fact the bilious green courtroom was nearly devoid of politics but tied up in a lawyers' nightmare. Neither the judge nor the jury ever seemed to understand just what the conspiracy charge was all about. Conspiracy law, derived from the British code, is vague at best. On this occasion the government charged the seven defendants with one general plot which had three aims: to destroy conscription files; to blow up heating tunnels under government buildings in Washington, DC; and to kidnap the President's aide, Mr Henry Kissinger.

While stressing the cohesiveness of the plot the government argued that the jury had only to accept any one of these aims to convict the defendants. The defence insisted that all three aims had to be proved. The balding, dour judge, who repeatedly supported the prosecution in remarks to the jury, gave its members such murky instructions on the conspiracy law that the hapless twelve returned three times to have them clarified. Basically, the government's case boiled down to two elements: first, the 24 letters exchanged



The Harrisburg seven: Ahmad, Rev. McLaughlin, Rev. Wenderoth, Sister McAlister, the Scoblicks, Fr Berrigan

WOOD GUNDY

WOOD GUNDY LIMITED

and its subsidiaries

Summary of Consolidated Financial Position
December 31, 1971
(with comparative figures at December 31, 1970)

	1971	1970
Assets		
Current assets:		
Cash	$ 943,934	$ 2,145,174
Securities owned at market value plus accrued interest thereon—		
Maturing within six months	358,707,995	276,346,434
Maturing from six months to one year	28,325,386	16,732,287
Other	25,446,815	14,211,935
	412,480,196	307,290,656
Due from brokers and dealers	22,971,593	14,486,517
Due from clients	98,778,803	67,950,692
Other accounts receivable	752,036	811,581
Total current assets	535,926,562	392,684,620
Furnishings and leasehold improvements at cost, less accumulated depreciation and amortization	1,702,599	1,617,264
Stock exchange seats, at cost, and sundry assets	1,266,365	872,910
	$538,895,526	$395,174,794
Liabilities and Capital in the Business		
Current liabilities:		
Call loans and accrued interest thereon	$267,159,223	$263,153,138
Securities sold but not yet purchased at market value plus accrued interest thereon—		
Maturing within six months	8,520,290	236,566
Other	8,509,252	5,259,687
	17,029,542	5,496,253
	15,587,127	17,642,879
Payable to brokers and dealers	217,083,599	90,626,871
Payable to clients	5,390,715	4,136,539
Income taxes and accounts payable	522,250,206	381,055,680
Total current liabilities		
Capital in the business:		
Subordinated loans	1,000,000	1,000,000
Debentures subordinated by shareholders and shareholders' equity	15,645,320	13,119,114
	16,645,320	14,119,114
	$538,895,526	$395,174,794

Summary of Consolidated Income and Retained Earnings
for the year ended December 31, 1971
(with comparative figures for the year ended December 31, 1970)

	1971	1970
Gross revenue from operations (including dividend and interest income 1971 — $12,044,867; 1970 — $12,159,730)	$ 38,550,795	$ 31,908,834
Deduct:		
General and administrative expenses	19,224,866	15,684,307
Interest expense	11,296,491	11,895,305
Depreciation	305,684	364,679
	30,827,041	27,944,291
Income before taxes and extraordinary items	7,723,754	3,964,543
Income taxes	3,824,417	2,143,124
Income for year before extraordinary items	3,899,337	1,821,419
Extraordinary gain (loss)	623,391	(200,342)
Net income for the year	4,522,728	1,621,077
Retained earnings, beginning of year	6,016,045	5,601,721
	10,538,773	7,222,798
Deduct cash and stock dividends paid	1,592,083	1,206,753
Retained earnings, end of year	$ 8,946,690	$ 6,016,045

Auditors' Report

Wood Gundy Limited:

As auditors of Wood Gundy Limited and its subsidiaries, we made our normal examination of the company's detailed consolidated financial statements as at December 31, 1971, and reported thereon without qualification to the shareholders on February 9, 1972.

In our opinion the above summaries of consolidated financial position and consolidated income and retained earnings fairly summarize the information contained in the detailed consolidated financial statements upon which we have reported.

Toronto, Canada.
February 9, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

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between Father Berrigan in prison for destroying conscription files and his good friend, Sister Elizabeth McAlister, which blended personal feelings, gossip and cryptic references to anti-war actions ; second, the evidence of the government's star witness, Mr Boyd Douglas, a chubby baby-faced ex-convict who played illegal postman for the nun and priest while attending a university near the prison under a special study release programme and then turned the letters over to the FBI.

Mr Douglas, who became the priest's trusted personal emissary, reeled off in parrot-like fashion alleged talks with the defendants about heating tunnels, explosives and anti-conscription raids. His motive for turning informer was, he said, patriotism and a return to the Catholic principles of his youth. The defence lit into Mr Douglas, painting him as a provocateur and worse ; they brought out a record of assault and fraud which financed an eight-year spree of high living (interspersed with several prison stints). His face impassive —he would never glance at the defendants—he admitted lying to them and to student friends in the peace movement, telling them that he was a dedicated revolutionary and an expert on explosives.

Mr Douglas's only blush came on revealing that he "possibly" proposed to a girl whom he had just fingered to the FBI for attending a rally to which he had invited her. Under pressure and often reprieved by the judge, who consistently intervened to save him from the defence's queries, Mr Douglas admitted recruiting students into the anti-war movement but denied pressing them to take part in raids on conscription boards, in contradiction to testimony given by two university students. More important to the defence, he admitted receiving over $9,000 from the FBI for the information, though he had asked for $50,000 tax-free.

If Mr Douglas's credibility was an easy target, the letters proved more solid, though their breathless "James Bondness" often gave them the flavour of a novice's fantasies. Two of them did discuss a "citizen's arrest" of Dr Kissinger. Sister Elizabeth stared at the floor when they were read in court. In fact the defence presented the letters as "fantasies" written by a worried nun to bolster the spirits of Father Berrigan in jail and to assure him that the Catholic left was not dying. There may have been discussions of kidnapping and heating tunnels, the defence indicated, but they were only talk. "Dr Kissinger is alive and well in Peking," as the defence counsel pointed out at one stage. The defence insisted that any discussion of explosives was incited by Mr Douglas.

The defendants never emerged as personalities in the trial, perhaps because the defence presented no witnesses, a surprise move which stunned the court. The defendants argued that the government's case was too weak to answer, but their real fear was that, if they took the stand, the prosecution's cross-examination might force them to implicate other activists. They also considered it highly unlikely that the judge would have allowed them to make political statements in court. In fact, concluded one defendant sadly as the trial drew to a close, the Harrisburg case may have proved that political trials can no longer serve as forums for airing dissent to the war.

ELECTION '72

Campaign hay

Feeble and seldom enforced, the Federal Corrupt Practices Act of 1925 was replaced this week by legislation which, it is hoped, will pinpoint the sources of funds for political campaigns and will limit spending on television and radio. But the old, unlamented law showed, even as it was passing from the scene, that it had its uses after all. Under it Mr Tony Boyle, president of the United Mine Workers, has been convicted of making illegal contributions to political candidates from his trade union's treasury. The money involved amounted to about $50,000. In his autocratic way Mr Boyle had neglected to set up a separate organisation to accept voluntary contributions for political purposes from members of his union ; this would have been legal under the old law and will continue to be legal under the new one. The suit shows the Department of Justice in a crusading light which was notably lacking in 1968, 1969 and 1971 when it was offered evidence that the main political committees and a host of candidates had broken the law by failing to submit facts about their finances.

Common Cause, the national public-interest group headed by Mr John Gardner, means to monitor enforcement of the new law. But this year, on the Republican side, it may be a case of shutting the barn door after the horse has been stolen. Apparently President Nixon has no intention of disclosing contributions to his cause made before the new act came into effect. Indeed, his chief fund-raiser, Mr



Stans : early birds get the anonymity

Maurice Stans, is said to have been urging businessmen all over the country to get their donations in before April 7th ; any contribution made after that date which exceeds $100 must be reported along with the name, address and occupation of the donor. Letters from lesser Republican fund-raisers which have reached the press make the point quite explicitly.

The Demoorats, infinitely more hard-pressed for money than the Republicans, agreed early on to limit their pre-convention spending. But some of the contenders for the presidential nomination would have been happy to follow Mr Nixon's example and postpone disclosure of their benefactors until it was required by law ; publicity inhibits generosity in some cases. But these Democrats reckoned without Senator McGovern, who in February became the first presidential candidate ever to volunteer a full financial accounting. His needling has forced Senator Muskie and most of the others (Senator Jackson is the main exception) to come clean. Mr McGovern's total of $1.5m up to early March was built mainly upon small contributions of $10-$15, although recently the number of larger gifts has been creeping up. Mr Max Palevsky, of the Xerox Corporation, has given him over $100,000. Senator Muskie's total of $2m donated up to January 31st included contributions of over $1,000 each from 493 people ; one man gave $50,000, another $40,000. Senator Humphrey's dependence on big givers was greater : 90 per cent of his war chest of $838,715 came in $1,000 packets. But Mr George Wallace's claim to speak for the little man seems justified : over the past three years only 23 people gave gifts of $1,000 or more to his campaign fund, which stands at just over $900,000.

Swindled cities

Even New Yorkers, used to a scandal a day, have been shocked by the indictments just handed down by a federal grand jury against estate agents, government housing officials, a mortgage banking firm and the prestigious credit-inquiry firm of Dun and Bradstreet. If the government proves its case, poor people desperate for houses have been victimised ruthlessly and the tax-payer defrauded by perhaps as much as $200m. But that is not all. The same thing seems to have been happening in other cities: Philadelphia, Los Angeles, Chicago and Miami.

By a sad irony, the door was opened to the swindlers by idealists and reformers. Before 1968 the Federal Housing Administration had been allowed to insure mortgages only in economically sound areas, chiefly the suburbs. This caused much indignation and in the landmark housing legislation of 1968 the FHA was instructed to accept the greater risks in the city. At the same time Congress approved a programme of subsidies to encourage home-ownership among the poor; pride of possession, it was thought, would lead them to keep up their houses.

In the best circumstances, this would have been a gamble; the poor, often black or Puerto Rican, lacked the experience and knowledge to make a go of it. But in Brooklyn and Queens, two boroughs of New York City, they never had a chance, according to the indictment. The estate agents, it is charged, bought up houses cheaply, did a few superficial repairs, and obtained, by bribery, appraisals for mortgages far in excess of their value which local FHA officials were, in their turn, bribed to approve. Poor people were persuaded to exaggerate their incomes to satisfy the authorities that they were acceptable credit risks (this is where Dun and Bradstreet is alleged to have come in).

All too often the purchasers found themselves unable to keep up the payments; frequently costly repairs were necessary. Foreclosures followed, with the houses reverting to the FHA which had insured the mortgages. In New York City alone there were 2,500 foreclosures of this kind in 1970-71 and 2,500 more are expected in the next two years. In the country as a whole the FHA may soon have as many as 240,000 abandoned houses on its hands. Each costs, on average, $10,000 to rehabilitate unless it has deteriorated so far that it must be pulled down.

The cost to the taxpayer may run into billions of dollars but the grief to the poor who have been swindled and lost their homes is worse; so is the damage to any city when whole areas are blighted and housing for the poor is reduced. A cost which must also be reckoned is that Congress may conclude that housing for the city poor is a lost cause. Mr Romney, the high-minded Secretary of Housing and Urban Development, is off on another "save the cities" crusade but he might have done them a better turn by keeping a sharper eye on his own department: the signs that something was going wrong with the home-ownership scheme were visible over a year ago.

Strike for base

Professional baseball teams in the major leagues have decided to sit out the first days of the new season which began this week. Their strike seems to have caught the owners of the teams, the public and even some of the players themselves by surprise. They have chosen to make a stand, their first in the history of the game, on a minor point. They want the owners to make larger contributions to the players' pension scheme to compensate for the rise in the cost of living since the last contract was signed (it comes up for renewal next year). While the owners have agreed to increase their contributions for health and insurance benefits by $400,000 they have refused to add anything more for pensions to what they already pay into the benefit fund; at present they contribute $5.4m to it in all each year. The players argue that most of the money is already available to meet the increase that they are demanding for the pension section of the fund for this year, anyway. A surplus of $817,000 has been built up; on top of this each of the 24 baseball clubs would only have to raise another $11,000 to make up the additional 17 per cent the players want.

It is the principle rather than the money which is at stake. The owners maintain that the players have become too powerful. In their turn the teams think that the owners, playing on the sympathy of the public who hate to see their idols behave in the same way as lesser mortals do, are out to break what unity and strength the players have.

The gulf between the professional players and the owners of teams gets wider each season as the former stick out for better conditions and greater freedom. Under the present rules footballers and baseballers have great difficulty in moving from one team to another. In baseball the most notorious reason for this is the reserve clause: this in effect binds a player to one club throughout his career unless it decides to sell his contract to another. Thus he cannot bargain between clubs for better pay and conditions. The owners argue that if players were free to do this they would drive up their fees, jeopardise the smaller teams and give the wealthy ones the monopoly of the stars. Mr Curt Flood, the maverick baseballer who refused to be traded by the St. Louis Cardinals to the Philadelphia Phillies for a salary of $100,000, is now appealing against this situation in the Supreme Court. He claims that baseball should no longer be allowed exemption from the anti-trust laws, a privilege denied other sports.



St Louis Cardinals boycott their game

This announcement is published as a matter of record only.

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April, 1972

Bankers' spring

New York

For bankers it was like the good old days. For the second time in less than two weeks, America's banks announced an increase of a quarter of a percentage point in their "prime" or rock-bottom interest charge on loans to businesses. The latest round of increases, to 5 per cent, reflected a new, if belated, strengthening in the demand for business loans, which in turn was in line with the broadening economic recovery. Many bankers also felt flush enough to offer somewhat higher rates of return on deposits, especially the large sums ordinarily left with banks by corporations. Thus a concerted movement is under way to stockpile additional cash against the likelihood that the central bank, which began in February to retreat from an aggressively expansionary monetary policy, will now become even less open-handed.

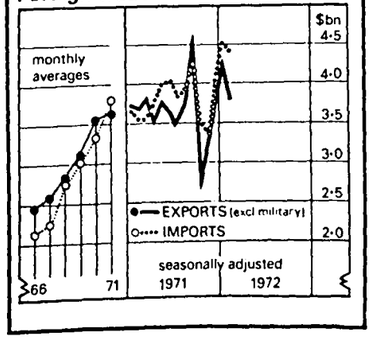
As a result of the very easy monetary policy earlier, the supply of money spurted in the past three months by an extremely rapid 9 per cent after increasing at an annual rate of only 1 per cent in the previous five months. Another consequence was that interest rates on the short-term market plunged, setting off a flight of dollars to higher yielding securities abroad that led to renewed international jitters earlier this year. A new dollar crisis was the last thing that Washington wanted. So few knowledgeable observers were surprised when the Federal Reserve authorities abruptly pulled the plug on the excessive liquidity that they had created to stimulate economic recovery. In the space of relatively few weeks, the bellwether Treasury bill rate rose from an unusually low 3 per cent to nearly 4 per cent (it has since slipped back to 3.8 per cent). Similarly, intervention by the central bank was credited with causing an almost identical realignment in the market rate for the so-called "federal funds" that banks lend to one another, usually overnight.

But while international monetary concerns first prompted the move away from aggressive ease, the Fed can now justify its somewhat tighter stance by pointing to the recent quickening in economic activity. This is not an unmixed blessing, however, because it has again raised the spectre of a possible resurgence of demand-pull inflation. The scare became all the more real when February's report on the cost of living showed that consumer prices were again going up by a worrying 6 per cent a year.

But there has been one consolation and it has come from an improbable source. In spite of the President's warning that the deficit on the federal budget for the fiscal year ending in June could finish as high as $40 billion, a combination of unexpectedly slow outlays by the federal government and unexpectedly heavy advance payments of personal income taxes since the start of the year has enabled the Treasury to reduce its immediate demands on the money markets. Specifically the government discontinued, after only a few weeks, its plans to borrow an additional $300m each week in its regular auction of bills; it also cut back its recent offering of new three-year notes to $1.75 billion. But the Treasury is still expected to require considerable cash by late spring and by a year from now, from the present outlook, its financing needs may have grown to the point that new taxes will be required.

In February the deficit on America's trading account, at $597.6m on a seasonal basis, was the second largest on record; it had been exceeded only last October. Both exports and imports fell as a result of the dock strike on the west coast, but exports probably suffered more. In addition the costs of imported goods were pushed up by last summer's devaluation of the dollar; eventually this is supposed to discourage imports but the goods now coming in were ordered before devaluation. The total trading deficit for 1971, the first deficit year this century, was $2.047 billion.

Foreign trade



Commuters in the air

FROM A CORRESPONDENT IN WASHINGTON, DC

Promises, promises, promises. This is what has kept America's 200-odd commuter airlines—those air taxi operators who fly regularly scheduled routes using light aircraft—alive for the past decade. The latest promise was made to them by the Civil Aeronautics Board. Its chairman, Mr Secor Browne, told the commuter airlines recently that there is a plan in the works to award them some of the government subsidy which is now going to the regional or second level carriers. A bit more than $50m a year is now divided up between the 10 domestic "local service" airlines, together with four Alaskan carriers and one Hawaiian airline.

The CAB's plan calls for $2m to be diverted to no more than a half-dozen of the third level commuter airlines. In return they would be expected either to take over some of the local airlines' losing routes or to bring new service to communities now lacking any air service at all. The CAB said that the first contracts might be let to carriers in such sparsely settled states as Kansas, North Dakota and Alaska. Commuter airlines would be expected to submit bids for their subsidised routes—with the frequency and quality of the service specified by the CAB. Mr Browne says that in this way subsidy payments would be directly related to services rendered, rather than being used to prop up the whole route structure of a subsidised airline, as is now done for the regional carriers.

The reaction of the commuter airlines is one of disappointment. The idea is well meant, they agree, but the board has no authority to subsidise in this way; a change in the law will be needed before bids can even be asked for. Moreover, the promise of a possible $2m in subsidy to a half-a-dozen carriers at most is not going to sustain the other 200 commuter airlines which are scraping a precarious living from mail contracts and air taxi work.

Even if Congress acted promptly and the money was made available within a reasonable period, the bidding would be so cut-throat as to make the cake not worth the candles—or so the commuter lines believe. What they would like is for the CAB to grant them certificates of convenience and necessity. Even if these were limited to an experimental period, they would enable the commuters to borrow money at better rates and for longer periods than is possible under their present status as marginal operators with temporary mail contracts.

Sometime before long Congress will consider a bill to authorise the CAB to grant such limited operating certificates. The commuters would like the board to support this legislation and also to support them in their fast-developing battle with the already certificated and subsidised regional carriers. In a recent petition the "Big Ten" local service airlines told the CAB that the commuter airlines had far surpassed the mini-industry contemplated in 1952; then the board exempted their rates and routes from regulation with the proviso that the lines would limit their operations to small aircraft.

The purpose of this petition is to curb the growing competition from the commuters, even though such competition is in some cases encouraged by the local carriers on unprofitable routes to give an excuse for getting rid of them. As they have continued to expand, the commuter airlines have also been attacked by trade unions who see their members' jobs threatened as the regional carriers abandon unprofitable services to the commuters. The CAB's authority to approve such substitution of service was recently challenged by the Air Line Pilots' Association.

Faced with these threats, some commuter carriers are having a hard time surviving, particularly in areas where the recent recession has cut into revenues. Executive Airlines, a commuter operating in New York, New Hampshire, Massachusetts, Vermont, and in Florida, recently filed for reorganisation under the Federal Bankruptcy Act. And Air Michigan suspended scheduled flight operations in January and put its certificate and its fleet of Beech 99As up for sale after suffering continuing losses. Other suspensions are expected as hope for immediate help from either the CAB or Congress gets dimmer, rather than brighter.

Retail Business

Issue No.170 April 1972
This month's edition examines the following topics:
FORTIFIED WINES
Part 2 SALES AND MARKETING
PATTERNS OF CONSUMER EXPENDITURE
COSMETICS *Part 3*
PERFUMES, MAKE-UP, FACIAL PRODUCTS
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Pedlars come to town

FROM A CORRESPONDENT IN SAN FRANCISCO

Whether they are described as "a renaissance of beauty in our midst" or as "parasites and pests cluttering our doorsteps," the artists, musicians and pedlars who have sprouted all over San Francisco's streets during the past year constitute a major public problem. They have spread from the street bazaars of the University of California's plaza across the bay in Berkeley. Most of them are intelligent, earnest and talented individuals who are purposely rejecting a conventional style of life. But it is not easy to fit these colourful, long-skirted or jeans-clad young bohemians into the pedestrian traffic of a modern city—in their present numbers, at least. They squat to display their sculpture, bead work, leathercraft, photographs, paintings, weaving and free-form candles wherever they can spread a scrap of carpet.



Trading on the pavement

Permits are required by law in San Francisco to peddle handmade wares on the streets. But as a result of pressure from established tax-paying shopkeepers, no permits have been granted. So craftsmen and artists, acting with a sophistication that belied their surface simplicity, banded together in a "Street Artists' Guild." They lost their appeal to the courts but their lawyer made a bargain with City Hall under which they were permitted, for a time, to display their goods inside Union Square, a park in the heart of the downtown shopping district but discreetly removed from the actual doorways of the stores. Leading businessmen have asked for a crack-down on all peddling in the streets, but so far the police have contented themselves with passing out warning leaflets instead of hauling lorry loads of long-haired girls and bearded youths off to jail.

Recently a compromise was reached which both the young pedlars and the shopkeepers seem willing to live by. Six sites have been designated as places where displays on the pavement and the sale of handicrafts will be acceptable, but none is near the shops in the business district. The plan gives the young people access to regions visited by tourists and other people with time to loiter: Golden Gate Park; a park in the Mission district, a polyglot part of town; Fisherman's Wharf, a much-frequented dockside area with restaurants and specialty shops; a lawn beside the main city library; and Ferry Plaza, at the foot of busy Market Street. When the plan goes into effect, the pedlars will have to leave Union Square.

The mayor, Mr Alioto, has been acting as intermediary, placating the businessmen while trying to find places where the artists might congregate without interfering with legitimate trade. Meanwhile harpsichord, flute and bagpipe, seriously and often brilliantly played by musicians exercising their constitutional right to freedom of expression, tinkle sweetly in the ears of the shoppers. The mayor is not alone in thinking that such quaint and unconventional activities are an asset in the grim canyons of a modern city. The San Francisco Art Commission is also working for a policy under which the city will favour such activity. But the commission has to be wary of antagonising wealthy shop-keepers who subsidise the opera and the symphony. One of its members claims that

> an artistic renaissance is going on right under our noses. The modern city has an obligation to recognise its legitimacy and to encourage and protect it. This is the young generation rejecting conformist American merchandising and impersonal urban life for more human values.

San Francisco's officials are trying to write a law that will limit peddling in the streets to genuine artists and that will show other metropolitan communities how to mesh the creative "free spirit" into the commercial rivalry of a city. But this is not easy. No sooner were the six acceptable sites made known than protests arose from the shops on the touristy waterfront. One spokesman, Mr William Roth of Ghirardelli Square, argues that the presence of street vendors in large numbers holds up pedestrian traffic and that the barefoot bazaars compete with the existing shops. Other San Franciscans fear a repetition of the tragedy of Haight-Ashbury, the haven of the flower children which has now faded into a drug-ridden near-slum.

Business Brief

The nuts and bolts of Vat

Industry has been getting private briefings on those details of value-added tax not spelled out in the white paper, through a series of more or less confidential discussion papers that the Customs and Excise has been circulating during the past year. The customs will not publish detailed regulations until the Finance Bill gets the Royal Assent in July or August. But a Confederation of British Industry seminar on Vat, held on Thursday, had two senior customs officials explaining the first points. So if you want to start your preparations now:

Registration : All businesses will get a general guide to Vat later this summer, together with registration forms. These have to be returned by a given date to one of 70 local Vat offices. The A to Cs will register first, in October ; the Zs should be finished by next February. A certificate of registration will come back, with the company's Vat number, the length of period for its Vat returns and other details. Groups will be allowed to register as one trader if they want to avoid paying Vat on intra-company sales ; indeed customs will insist on group registration if it suspects a company is deliberately splitting itself up to get its constituent parts exempted as small traders.

Accounting period : Generally three months, but one month for exporters and other zero-rated traders who will regularly be in Vat credit. Vat will be payable within a month of the end of the accounting periods which will be staggered to save the taxman from coping with a quarterly bulge. Probably calendar quarters will be observed by retailers ; quarters ending in January by wholesalers, and those ending in February by manufacturers. This would avert the possibility of unfair competition, and allow retailers to complete their Christmas stocking-up and clearing out in one quarter. Partially-exempt traders will have to account for tax on an annual, as well as a quarterly, basis ; they may be allowed to align their Vat quarters with their normal accounting quarters or with calendar quarters.

Partial exemption : Partially-exempt traders will be those who deal with both exempt and chargeable sales. Two schemes have been suggested to ensure that they do not reclaim Vat on purchases used for exempt sales :

(1) a straightforward "pro rata" rule ; traders would get credit for Vat on purchases in line with their proportion of taxable sales to total sales. Or,

(2) full credit for Vat on taxable goods that are bought for resale in the same state (eg, leather for shoes) and the "pro rata" rule for other taxable purchases.

The second scheme might be the better one for retailers. As a general rule, traders will be able to choose which form they want. Traders will also be free to suggest alternatives. The two proposed schemes would work as follows :

Scheme 1.

	£
Taxable sales (Vat-exclusive)	10,000
Exempt sales	5,000
Total sales	15,000
Percentage of sales taxable	66⅔
Total tax on purchases	1,200
Deductible tax on purchases = 66⅔% of £1,200 =	800

Scheme 2.

Taxable sales (Vat-exclusive)	10,000
Exempt sales	5,000
Total sales	15,000
Tax on goods bought for resale in same state	900
Tax on other goods	300
Deductible tax would be	900
plus 66⅔% of £300=	200
Total deductible tax	**1,100**

Retailers : No problems for shops, so long as all goods are on the same Vat rate ; ie, all charged at 10%, or all at zero. Some shops will be able to segregate the two groups in different departments. But supermarkets selling sweets, washing powder (10%), butter and meat (zero-rated) obviously would not, and it would be unreasonable to expect them to keep different cash registers for goods with different Vat rates. So customs is proposing special arrangements here, with no fewer than five different options, all designed to keep paper work to a minimum.

Cash and carry wholesalers will need different treatment again, because the retailers who buy from them need a breakdown of their purchases for Vat. Wholesalers will therefore have to provide very detailed invoices. Where the invoice is a till roll, it should be possible to use colour and letter codes to categorise by tax rates the items on the roll.

Agents : One of the trickiest problems under Vat is provided by agents, who can work for the buyer or the seller (either of whom may be taxable or not) or who may themselves be principals. Many principals employ agents to preserve confidentiality, which will introduce further complications. As a rule, customs will allow the parties involved to choose their own classification once Vat comes in. In general, taxable agents will want to bill taxable persons. An art auctioneer is usually the seller's agent ; but if the seller is a non-taxable person and the buyer and the auctioneer are taxable, the auctioneer would do well to bill the buyer, and deduct the tax due from the selling price. The best choice depends on the tax status of buyer and seller.

Imports : Vat will normally be charged at the point of entry, but registered traders will be able to pay Vat on imports with their quarterly Vat bills. Imports for re-export will largely be handled by such taxable traders (who can deduct the tax on purchases at re-sale), so there is no need for a special scheme. Postal imports will pay Vat under the arrangements now used to collect customs duty.

Imports liable to customs duty pay Vat on the duty too, but this will not became payable until the goods are removed from the warehouse. Goods in the warehouse will be outside the scope of Vat.

Specimen VAT account for fully taxable persons

Period 1-1-74 to 31-3-74

	£		£	
TAX DUE				
OUTPUT TAX at standard rate				
January	9827	80		
February	7938	40		
March	8556	90		
TOTAL			26 323	10
TAX CREDITS ALLOWED BY SUPPLIERS				
January	327	10		
February	37	00		
March	NIL			
TOTAL			364	10
UNDERPAYMENTS				
(a) notified by Customs and Excise	NIL			
(b) other	196	70		
TOTAL			196	70
TOTAL TAX DUE			26883	90
TOTAL TAX DEDUCTIBLE			26120	20
TAX PAYABLE			763	70

	£		£	
TAX DEDUCTIBLE				
INPUT TAX at standard rate				
(a) Capital goods				
January	NIL			
February	702	90		
March	2156	00		
TOTAL			2858	90
(b) Other goods and services				
January	8096	20		
February	6732	20		
March	7962	30		
TOTAL			22790	70
TAX CREDITS ALLOWED TO CUSTOMERS				
January	73	10		
February	27	80		
March	132	60		
TOTAL			233	50
OVERPAYMENTS				
(a) notified by Customs and Excise	NIL			
(b) other	237	10		
TOTAL			237	10
TOTAL TAX DEDUCTIBLE			26120	20

Invoices : The whole Vat mechanism hinges on tax invoices, which must be produced by all businesses liable to the tax so that they can reclaim the tax element on their purchases. The information needed for these invoices will be : the buyer's and the seller's Vat number, name and address, the date of issue, the type of transaction (eg, sale, hire, lease), the type of goods or services supplied, their quantity and tax-exclusive price, the rates of Vat chargeable on them, and the total Vat charged. In some trades this will be too much to ask. There will probably be some allowance for sales under £10. In some cases the tax-inclusive price, from which the tax element can be inferred, will be enough.

Records and accounts : Our charts give an idea of the amount of form-filling that will be needed under Vat. Computer-owners can contact the customs' computer research unit if they have problems—as they certainly will have. Documents will have to be kept for three years ; storage on a computer or on microfilm is acceptable provided the information can be easily got at. The minimum information required would be the amount of tax, the value of chargeable sales, the value of exports and the value of other zero-rated sales. The same range of data would be needed for purchases, with modifications for imports. Credits given, eg, for returned goods, would have to be similarly documented to make Vat adjustments possible. Where the accounts of a business are independently audited, the auditor's report may have to cover the Vat account.

Exports : In principle, zero-rated. Services supplied to exporters—such as shipping, insurance and dock handling—are not necessarily zero-rated although in effect any Vat charge will come back to the exporter as a Vat credit.

Trading documents will normally serve as proof of export, but where pre-recording of exports is now required for duty, it will be for Vat too. Personal export schemes will be allowed as for purchase tax, but only for taxable retailers, not exempt ones. The same rule applies to personal exports of cars.

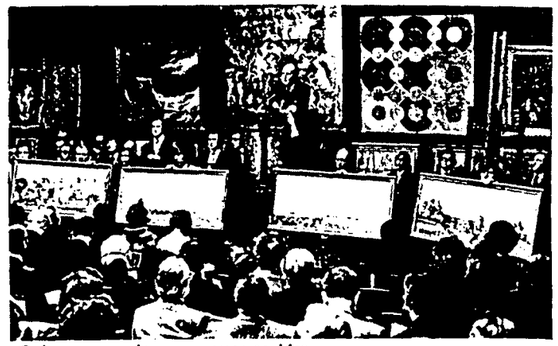
Services provided for customers outside Britain will be less easy to monitor. Services exempt in Britain will probably have to be exempt if exported. This is tough on the City, because it will not be able to reclaim tax paid on equipment used for exports, such as computers.

Tax value : Normally the tax value for assessing Vat will be the price payable. Where goods are sold at an artificial price, as to friends, or the price includes considerations other than money, there will have to be an adjustment to "open market value." For hire purchase deals, the tax value will be the cash price on the agreement. The treatment of discounts will vary. A discount conditional on prompt payment will normally be allowed, and so will trade discounts. Service charges incurred in supplying taxable goods will be included in the tax value.

Tax point : Vat becomes due at the earliest of the following three dates : when the goods are moved from the supplier's premises (or, for items like machinery built on site, handed over to the buyer) ; three months after the goods have been made available to the buyer if they have not been shifted by then ; and the date on which the tax invoice is issued. This last point is intended to stop buyers claiming Vat credit before Vat is paid. Hired goods will be charged on the rental payments as they fall due. Progress payments on a long-term contract may be treated similarly. On services, there may be concessions where invoices are normally rendered before providing the service. Buying on credit will be no excuse for not paying up promptly.

Free samples, trading stamps : Free samples are generally not to be chargeable : but if they are worth more than £10 a year they may be chargeable at cost price.

A retailer who buys trading stamps from an independent company will be allowed to reduce his gross takings by the cost of the stamps. If he runs his own scheme, stamps redeemed for cash will reduce his gross takings, while stamps redeemed for goods will affect his purchases. Either way, no problems will arise if he is using a method of paying Vat that involves gross takings. The customs has not yet made up its mind what to do if he is not.



Going . . . going . . . over to Vat

Return of Value-Added Tax

Part 1. Account of tax payable or repayable

(This part must be completed by all registered persons. Partly exempt persons should complete Part 4 before completing Part 1.)

			£
Tax due during the period		3	
Tax credits allowed by suppliers during the period		4	
Underpayments in respect of previous periods	(a) notified by Customs and Excise	5	
	(b) other	6	
Total tax due *(sum of boxes 3-6)*		7	
Deductible input tax during the period on : (a) Capital goods		8	
(b) Other goods and services		9	
Tax credits allowed to customers in the period		10	
Overpayments in respect of previous periods (a) notified by Customs and Excise		11	
(b) other		12	
Total tax deductible *(sum of boxes 8-12)*		13	
Net tax payable to Customs and Excise ☐ repayable by Customs and Excise ☐		14	

Part 2. Input and output records

Enter the value excluding tax of :

	OUTPUTS £		INPUTS £
Outputs chargeable with tax	16	Total taxable inputs @ positive rate	22
Exports	17	Total taxable inputs @ zero rate	23
Other zero rated taxable outputs	18	Imports (excluding capital goods)*	24
Total taxable outputs (sum of boxes 16,17,18)	19	Imports of capital goods*	25
Exempt outputs	20	Zero rated imports	26
Total outputs (sum of boxes 19 & 20)	21		

*chargeable with tax

Part 3. Retailer's notification of special accounting method

(This part must be completed by a retailer who uses one of the special methods.)

Enter in the box the number of the method you have chosen to use 27

Part 4. Calculation of deductible input tax

(This part must be completed by all partially exempt persons.)

			£
Enter 1 or 2 in the box to show which scheme you have chosen to use		28	
Capital goods			
Percentage used to calculate deductible input tax		29	
Total amount of partly deductible tax shown on tax invoices received during the period		30	
Amount of tax which is deductible for the period	(Box 29 x Box 30) / 100	31	
Other goods and services			
Percentage used to calculate deductible input tax		32	
Total amount of partly deductible tax shown on tax invoices received during the period		33	
Amount of tax which is deductible for the period	(Box 32 x Box 33) / 100	34	
Total amount of fully deductible tax shown on tax invoices received during the period		35	
Total deductible input tax for the period (sum of boxes 31, 34 and 35)		36	

Abbreviated version, the remainder of the proposed form is immaterial

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BUSINESS

Which way to the Wired City?

Cable television seems likely to turn into the urban communications system of the future. But it needs a strong push to beat the monopolies in broadcasting and telecommunications

If cable television is to fulfil half the hopes of its enthusiasts, it will have to change its name. It is a much misunderstood phenomenon, particularly in Britain where national policy on broadcasting has prevented cable (or wired, piped or relay) television systems from using their excess capacity to bring a great many more television channels into the home.

It is the cable that deserves most emphasis, not the television. The kind of cable that most American and many British systems use to obtain clear television reception is a coaxial cable. Hardly thicker than a telephone wire, it can carry about a thousand times as much information. And while the current interest and alarm about cable television concern the 12, or 20, or 40 television channels (depending on the sophistication of the equipment) that the cable can hold, the deeper excitement is the cable's capacity for carrying information in a great variety of forms and for carrying it in two directions. This has led to the futurologists' vision of the Wired City, to be followed in time by the Wired Nation and the Wired World.

In the Wired City, communications cables would be installed as a municipal service like water or electricity. If the cable network were combined with television sets which can produce print from rolls of paper (technically possible already), it could be used to deliver quantities of print at high speeds to specific addresses. It could, therefore, replace the postal service ; it could link computers as well, and deliver newspapers and library books. The two-way capacity of the cable is expected eventually to be used for a picture telephone service. It might also be used for voting, banking and shopping from the home, and for instructing central libraries of films or video cassettes to transmit particular programmes to individual television screens. These are not futuristic fantasies: the Federal Communications Commission in the United States has just ruled that all new cable television systems must have at least one two-directional channel.

The anticipated benefits of the Wired City range from the convenient to the utopian. At the Rand Corporation in California, sociologists believe that cable television can be used to help in solving the problems of racial ghettoes, as local television systems can bring information about jobs and medical care, as well as instruction, into the homes of the poor. The hard-headed Electronics Industries Association in the United States maintains that the kind of communications system offered by coaxial cable (called a broadband system because it carries a broad band of frequencies) will eventually enable the population of cities to become more dispersed.

Before that millennium, if it is one, arrives, cable television can bring a new dimension to existing television services. The Minister for Posts and Telecommunications, Mr Chataway, had this in mind when he decided in January, against considerable oppositon within the ministry, to allow Greenwich Cablevision to use one of its spare channels to put out local programmes—without advertising—as an experiment. Cable television can offer very local television indeed. Because the cables that lead into homes cannot be more than a few hundred yards long without losing the signal's strength, they extend back to central feeding-stations, or head-ends, that are quite close to the viewers, and that can serve as neighbourhood television stations. There are also filtering techniques available to cable systems that allow them to transmit programmes to some sets but not to others. What this means is that cable systems can create networks at random —reaching out to all the homes in a particular political district at one moment, and to all the hospitals or schools at another. Cable television is also the logical medium for pay-television. With so many channels to spare, the cable operators can easily (and would eagerly) fill one of them with a signal that can be viewed only on payment of a special fee.

Cable television has grown in both the United States and in Britain primarily because it has offered clearer reception than was available with roof-top aerials. The American cable or CATV (for community antenna television) industry has been built on the willingness of subscribers, particularly in rural areas, to pay about $6 a month to get a clear picture. In recent years, the industry has sought to win more subscribers by snatching television signals from distant cities out of the air and piping them into homes. People who are "on the cable" get more television than their neighbours who are not. This practice understandably aroused the fierce hostility of the broadcasting industry, and the resulting legal battles have kept cable television from expanding into the largest American cities. Only a few weeks ago the FCC lifted the so-called freeze, because of what it believes to be cable television's great potential.

In Britain, the relay industry has grown up solely by

offering better reception, plus the rental of the television set. Although many British systems are based on what is more properly called wire than cable, they have had the capacity to carry more than the three television and four radio programmes allowed them by Minpostel. But until Mr Chataway's advent they were forbidden to use this excess capacity (apart from the small experiment in pay television conducted by British Relay from 1966 to 1968). The rationale for this restriction was the television licence fee. "All pay the same; all receive the same" was the argument much repeated, especially at the BBC. The restriction has now been relaxed, however, and some relay companies can offer programmes from several of the ITV or BBC regions in addition to what is available over the air. Exactly how much further the relay companies may go will be decided in the national review of broadcasting policy which must take place by 1976.

Neither the BBC nor the ITA is happy about the prospect of local television (the ITA is well aware of the ambitions of the larger relay companies to be allowed to produce local programmes, financed by advertising, after 1976). Both can fight cable television by improving their transmitting facilities. But too fierce a protection of the national television services and too timid an encouragement of local television and other special services can blight the development of British cable television at the start. For it must grow piecemeal, out of the willingness of new or established companies to invest in stringing up coaxial cables.

The alternative is to wait until the post office is in a position to make a commitment to rewiring Britain. It can hardly do that while it struggles to put the telephone service right, and meanwhile it does not want to see its monopoly in public telecommunications eroded by new companies offering new services. (The post office has just managed to emerge as low bidder, against fierce commercial competition, for the contract to supply the cable communication system for the new town of Milton Keynes.) The worry is that the post office will not be as eager to develop local television or two-way communications as it is simply to install and own the cable.

The economics of cable television's future are by no means understood. Much of the American industry believes that it will spread by selling non-broadcast services —the use of the cable as an electronic burglar and fire alarm is expected to bring in much new custom. On both sides of the Atlantic optimists believe that local television programmes can be supported out of increased subscriptions, with no sale of advertising. This is the view of the Greenwich Cablevision team, which hopes to recoup the £20,000 it will spend on providing a year of local television, an hour and a half a day, by attracting new subscribers. In France a major new television company, Multivision SA, has been set up, with some American backing, to offer financial, technical and managerial assistance to municipal governments or commercial organisations interested in local cable systems.

The Sloan Commission on cable communications in New York last December made this prediction :

> By the end of the decade a cable television system will be in existence which covers 40 to 60 per cent of all American television homes; which provides in a majority of instances a capacity of 20 channels and in many instances a capacity for 40 channels or more; which possesses a limited capacity for return signals from the home receiver back to the point of transmission and which will be extensively interconnected, most probably by satellite.

What about Britain? Mr Chataway has licensed the Greenwich experiment and a few similar licences are expected to follow. But more adventurousness is needed; so is speed. The Television Advisory Committee, which he set to work in 1970, has not even made its report yet on the new communications technology. And much more experiment should be wrung out of the existing network of cables and wires. Parts of central London are wired already; so are parts of Newcastle, Hull, Sheffield, Leeds and south Wales. To see the black cables crisscrossing the wet slate terraces of towns like Ystradgynlais is depressing; they could be used to provide television coverage of local politics, school concerts, community meetings—and very much more than that—tomorrow.

The world man-made fibre cartel

The German authorities have fined nine fibre producers £6m and accused them of rigging the market and price-fixing on a world scale. Governments themselves have been rigging the textile industry for long enough

The Bundeskartellamt, the federal cartel office, has found nine west German fibre companies guilty of rigging prices in the domestic market, and of reaching agreements with Japanese companies to keep Japanese competition out. It has also accused them of participating in market-sharing arrangements with other European fibre companies. But since its jurisdiction stops at the German borders, it cannot fine them for that. Britain's Imperial Chemical Industries and the big American companies were found not guilty; there was no evidence of cartel activities in polyester.

The charges follow a year's inquiry, part of a much wider investigation conducted by the competition division of the European commission. So far, the commission has moved slowly; it has not found evidence of cartel activity outside Germany, but it is still looking. Back in November, *The Economist* reported that European fibre producers had visited the commission to discuss the prospects of an information-swapping agreement, so that investment plans could be better planned and co-ordinated. The exploratory discussions were still going on last week. The dramatic intervention by the Germans should have well and truly spiked them.

Pressure will continue. Mr Cyril Colton, chairman of the British Man-made Fibre Federation recently called for "sanity in the international pricing of man-made fibres," and added: "If it is a heresy to suggest that the conditions created by the existence of such institutions as our Monopolies Commission and similar bodies must be surmounted, then I am a heretic."

The problem that the companies faced in 1971 was a sudden overcapacity in fibre production, especially in polyester, as plants commissioned in the days of the textile industry's up-cycle came on stream during the down-swing. Evidence of excess capacity abounds. The Italian company, Snia Viscosa, has reported a loss of £5m for 1971, and glumly says that 1972 is no better so far. ICI is almost certainly trading at a loss in its £150m of fibre sales in Britain. AKZO, the Dutch multinational company, is planning to streamline its fibre activities. The Japanese companies have also been feeling the pinch. On some estimates, polyester capacity grew by nearly a half during 1971, and demand most certainly did not. The producers want a nice cosy system of information exchanging to save themselves from creating such a sudden surge of overcapacity again; once they got it, however, the interests of consumers would be planned away.

If the German findings stick—and the companies are loud in their protestations of innocence—then it will be much more difficult for European governments to be sympathetic to the cries for greater protection that the users of fibre, the textile industries, are putting up. Their war is against imports; the enemy is Japan, its economic satellites in south-east Asia, and any developing country rash enough to exploit the first big manufacturing industry—textiles—in which there is a chance of competing against the industrialised nations. For a while the rich countries thought that the changing technology of textiles was working on their side so that they could compete freely with low-wage countries. Man-made yarn, produced in capital-intensive plants, and then spun and woven, or knitted, on fast and efficient—and expensive—machinery would produce fabric as cheap as that made in countries where there was an abundance of low-cost labour. The rationalisation and concentration of the industry into a few powerful companies, as has happened to a large extent in Britain's cotton textile industry, would make the most of the technological revolution. In line with this thinking, the Board of Trade, under Mr Anthony Crosland, told the industry that quotas on imports of cotton goods were to be abolished from January 1, 1972, and that there would then simply be a tariff, as there was on imports of man-made fibre goods.

January 1st has passed, but the British industry now has both tariffs and quotas on cotton textile imports—and is pushing hard for quotas on imports of man-made fibres and the fabric and clothes made from them as well. The technological route to cost cutting has not, it would appear, worked (partly thanks to the cartel); the Nixon measures against textile imports have distorted the pattern of world textile trade, so that the goods previously sent by Japan, Hongkong, Taiwan and Singapore to the United States are pouring into Europe, especially Britain; and the Japanese are using some very dubious methods.

But if the Japanese are not playing fair, then the appropriate remedy is anti-dumping action, and the industry is preparing the case on polyester filament for the Department of Trade and Industry. The result is expected in a few weeks. But that leaves the whole broad question of what the appropriate economic policy for the industrialised nations should be.

European textile industries are totally opposed to the sort of level of textile imports—around 50 per cent of consumption of non-wool textiles—that Britain is used to. The commission at Brussels is still working on a textiles policy for Europe. The Italian government has just announced a £16m fund to restructure its textiles and is not going to open the doors to further imports. Britain's textile lobby wants imports down to the 25 per cent or so in the rest of Europe.

This is the kind of harmonisation that the British Government should resist. The British textile industry should be able to stand on its feet without further props. And European industry should be encouraged to think of doing the same, so that when the General Agreement on Trade and Tariffs next deals with world trade in textiles, a substantial lobby can make the case for freer trade. It remains bad economics to make things more expensively than they can be bought from abroad; it is bad politics to hand out aid to developing countries and then deprive them of the means of being more self-sufficient.

Towards inflaccounting

The Confederation of British Industry is right to take a look at how company accounts should be adjusted for the effects of inflation

Good luck to the CBI committee that is "to examine the problems posed by the effect on financial statements of changes in the value of money, and to make recommendations." If it takes its courage in both hands, it will recommend that published accounts be rectified for changes in price levels. The effects could be far-reaching: on the decisions made by companies; on the profits available for distribution to shareholders; and on the processes of inflation itself.

It is popularly assumed that profit-making companies will always emerge as victors in the fight against inflation. Hence the belief that equities are among the best protections in an inflationary age. Unfortunately, published profits today are grossly misleading for any company which eventually has to replace both its capital equipment and its stocks. At present, assets stay in the books at what they cost, and are depreciated on that basis; but the amounts set aside for replacement will be insufficient by

the time they do have to be replaced. Published profits are also raised artificially by a pure inflation gain from stock-holding : the £100 worth of widgets in stock at the beginning of the year will be worth £110 at the end, creating a paper profit of £10.

Profits are therefore expressed in year-end pounds, as a percentage of capital employed which is expressed in pounds of varying past years. This means that the return on capital employed can be temporarily made to look larger by keeping old-fashioned equipment running for longer than is economically desirable, and by undertaking less new capital investment than one should. The £1m spent on building a factory in 1960 can be added to the £1m spent on another one in 1970 to produce assets "worth" £2m. The only sense in which this is true is that £2m was in fact spent, and for legal purposes that is important. But economically meaningful accounts should be something more than a numerate history book.

The literature of accountancy is now full of attempts to deal with the theoretical problem that the unit of measurement most commonly used is an unreliable one. In Britain, a practical basis for price-level-adjusted accounts has been demonstrated in a discussion paper published by the Institute of Chartered Accountants. The institute is now working on one of its exposure drafts, which, it hopes, will be subsequently embodied in an accounting principle that will some day be adopted in practice. As part of the exercise, 30 companies are preparing their accounts for the institute on an adjusted basis in order to see what problems crop up.

So far the results are encouraging. It does not take very long to go through the books and adjust the figures. Monetary assets—like cash and holdings of fixed interest securities—would be shown as effectively worth less. Non-monetary assets would be shown as becoming more valuable by the amount of inflation. On a balance sheet basis, those companies which have a lot of real assets financed by a lot of monetary liabilities would come off best. Property companies are a prime example. The companies that would come off worst are those which have a lot of cash and little debt. The effect on the profit and loss account would be to deflate profits as depreciation is charged on a higher base and to eradicate stock profits. Capital-intensive, but old-established, manufacturing would be shown to be much less profitable than it is sometimes supposed to be.

No company director is going to like the job of explaining to shareholders that, if they want to maintain intact the real value of the capital which is generating their earnings, then less of their earnings can be regarded as distributable. That is why the CBI initiative is so necessary. Accountants cannot go too far ahead of their clients on such an important principle.

Not all accountants are united in wanting price-level-adjusted-accounts. The institute calls them current general purchasing power accounts. Someone will have to think of a catchier name. Inflaccounts ? Several British companies simply charge an additional amount of depreciation. Many accountants argue that, since the main disadvantage of conventional historic accounts is to underplay the reserves needed for asset replacement, the simple reform is to go over to replacement cost accounting, as the Dutch Philips company has done. Compared with "inflaccounting" this would provide companies with accounts which tend to keep more reserves aside, but which are still expressed in a merry mixture of many different years' £s. If a company finds that the price of its fixed assets rises faster than the general level of prices, and that inflaccounts do not produce enough depreciation, then it can do replacement cost accounting as well.

The amounts at stake are very large. In 1969 and 1970 companies had a massive cash deficit after paying dividends and paying for new investment. The deficit came to over £1 billion in 1970, beside which the relief in free depreciation measures, etc, in the budget (costing around £200m in a full year) may look almost paltry. In order to generate internally the funds for investment, companies will have to raise prices. Under inflaccounts there will also be pressure on companies to raise prices so as to show "real" increases in profits—just as the trade unions would want to show real wage increases under a system of indexed wages. But the economy will gain if companies show how small their profits really are. The present system of misleading reporting must be leading to a maldistribution of resources.

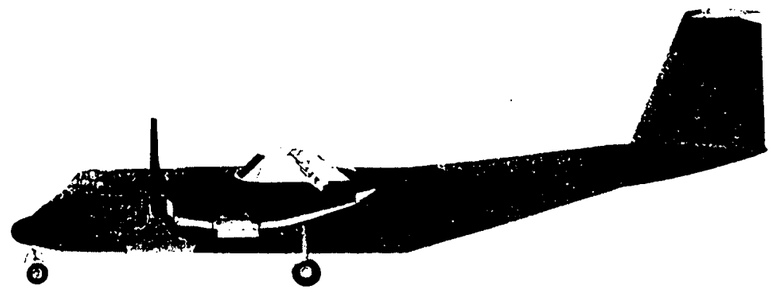
Inflation = less profit

Profit and loss

	Historical basis £000	Adjusted £000
Profit before depreciation and taxation	1,136	1,088
Less depreciation	241	293
Profit after depreciation	895	795
Less inflation loss (see below)	—	72
Profit before taxation	895	723
Less taxation	395	395
Profit after taxation	500	328
Dividends	303	306
Retained profit for the year	197	22
Balance sheet		
Ordinary share capital		
Historical	1,495	1,495
Adjustment for inflation	—	674
Undistributed profit	2,217	1,982
Total equity interest	3,712	4,151
Current assets	3,804	3,842
Less current liabilities	1,524	1,523
Net current assets	2,280	2,319
Fixed assets less depreciation	1,486	1,886
	3,766	4,205
Less preference shares	54	54
Net assets	£3,712	£4,151

This exercise was done by one of the English Institute of Chartered Accountants' field testers and released to *The Economist* by the company, a medium-sized engineering concern. The principles used are those in the embryonic exposure draft. The £72,000 inflation loss is from holding monetary assets less a £4,000 gain to the ordinary equity from having some preference capital. The institute would welcome more field testers. It took 27 man-hours to adjust the 1969 accounts, as all the assets had to be gone through, but only five hours for the following year.

Tough as a truck, agile as a bird.



In the 1970s, the Buffalo will continue to be the world's best tactical support STOL aircraft.

Whatever comes off the drawing board, based on proven technology, the Buffalo will be the plane to beat. Its big rear door loads 41 troops or seven tons of cargo as fast as men can move.

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World Leaders in STOL
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Gordon Richardson MBE, Chairman of Schroders Limited, reports on 1971.



In 1971 the Group achieved profits comfortably in excess of any previously earned.

In London, Schroder Wagg participated to the full in the increased activity in the new issue market, and played a leading part in the field of takeovers and mergers; the growth of institutional funds under our management continued; and the fall in sterling and Eurocurrency interest rates worked strongly to the advantage of our banking business.

Our banking subsidiaries in the United States again expanded the volume and scope of their business and achieved increased profits.

Our Swiss subsidiary reported good results for the year, and developed further its banking and investment activities.

The parity changes which occurred during 1971 are reflected in the Balance Sheet in a reduction in the sterling value of consolidated assets and liabilities.

A final dividend of 7½p is recommended, making a total of 10½p for the year, compared with 9p for 1970.

Schroders Limited

For the year ended 31st December	1971 £'000	1970 £'000
Capital, Disclosed Reserves and Loan Capital	25,435	25,876
Deposits and Acceptances	461,152	475,186
	486,587	501,062
Liquid Assets	202,786	219,359
Loans, Acceptances, etc.	260,998	268,451
Other Assets	22,803	13,252
	486,587	501,062
Consolidated Disclosed Profit	2,107	1,653

Group Companies, Associates and Representative Offices in: Argentina, Australia, The Bahamas, Bermuda, Brazil, Canada, France, Germany, Hong Kong, Republic of Ireland, Lebanon, Spain, Switzerland and the United States of America.

If you would like a copy of Schroders Limited Report and Accounts for further information, please write to the Secretary, 120 Cheapside, London EC2V 6DS.

schroders

BUSINESS *Britain*

British steel buys itself a deal

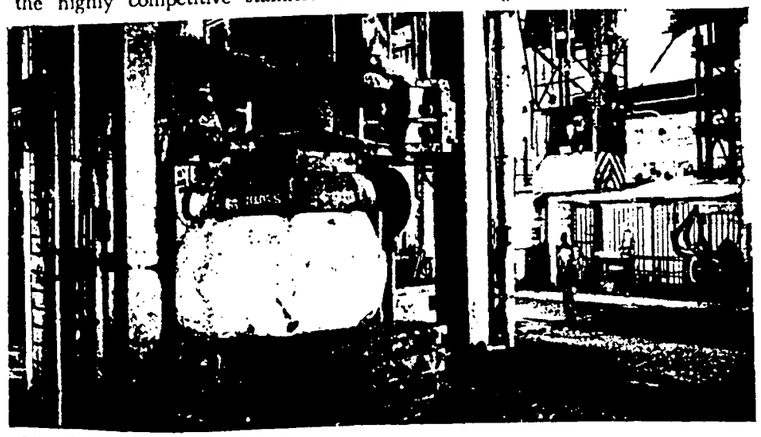
The Government will spell out, next week, its plans for the future of the British Steel Corporation. Meanwhile BSC has begun the first two of up to 40 tidying-up operations. They involve selling off its brickworks in two parcels and turning its constructional steel operation into an independent subsidiary, in the hope that one day it will be able to attract private capital. But they are small beer compared with what is expected to be the next piece of surgery: the complicated swap deal with Firth Brown, the biggest private steelmaker in Britain. This weekend it moves towards completion.

Two nominal companies are being set up to take over the various plants being transferred. The British Steel Corporation is to get the much-coveted third of the modern Shepcote Lane stainless steel plate rolling mill that it did not get after the arbitrary carve-up of the steel industry on nationalisation. It also gets the other half of Firth Vickers. More important, it will get complete control of these companies in the highly competitive stainless steel market. Firth Brown will take over the so-far unprofitable medium forge at River Don, with its vacuum arc and ESR furnaces. This will take the private sector deeper into stainless and high alloy steel forgings, although it will move out of stainless flat products.

It is bound to cost BSC a fair bit. Firth Brown is expecting to get a substantial net sum out of it, even though it will need to invest in the River Don medium forge to knock it back into shape. BSC is likely to have to pay at least £5m for the one-third share of the Shepcote Lane assets, with probably more for the potentially highly profitable Firth Vickers, particularly for the name and goodwill. It will be some time before the stocks and work-in-progress can be assessed, but BSC seems bound to have to pay more than it receives.

The deal will leave BSC with the heavy River Don forge to sort out: some time ago it was estimated that a capital injection of at least £10m would be needed to make it profitable. But to a large extent the future success of this plant is outside the corporation's control: it depends mainly on the demands of the electrical generating industry.

BSC will not be getting much gravy from selling its two lots of brickworks, although it will be more than the book value of £2m or so. One group of 10 brickworks with a refractory plant has been sold to Butterley Brick Company, giving an annual capacity of 85m bricks and 31,000 tons of refractory. The other sale, to a private, unquoted company, Innes Lee Industries Ltd, is of four works producing 25m bricks a year. In all, 680 workers will transfer with these works. So far, the changes to BSC's constructional steelworks division are in name only. A shell company has been set up, so that private money can be accepted if any should offer itself.



River Don: hiving off is hot business

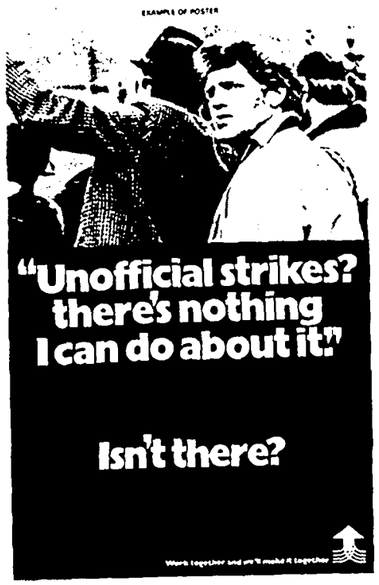
Industrial relations

Very unsettled

Next Tuesday a £1m campaign will be launched to try to promote a better climate of industrial relations in Britain. Over the next three years, the theme of "working together" will be drummed home in newspapers and on hoardings. The idea originated with Aims of Industry, although it will not be running the campaign. Industry is paying for the show, and, although the Government will not officially back it, it will no doubt pronounce a blessing.

It is a propitious moment for the campaign to start. Already this year 12m days have been lost because of strikes, nearly as many as in the whole of 1971. On Thursday, the rail unions were firmly told by British Rail's chairman, Mr Richard Marsh, that BR could not raise its 11 per cent offer. Southern region drivers immediately called for a work-to-rule, and others may follow suit. More talks, however, are billed for next week.

The phoney war between the engineering employers and unions in Manchester entered its second week with the General Electric Company's Trafford Park plants joining the list of 16 sit-ins.



£1m for a better climate

The 3,500 hourly-paid employees there failed to turn up after Easter, having been told they must work normally. In common with many of the 200,000 engineering workers in the area, they were banning piecework and overtime in support of a local campaign for more money and improved hours and holidays. The engineering unions had chosen Manchester as the battleground after the national wage talks broke down. But the employers there are remaining pretty solidly together so far.

So far both sides have kept their cool. The sit-ins are purely nominal (a representative sample of men in an unheated, unlighted factory) and amount to a strike. The unions prefer to call them lockouts. Any plant-level deal made within the employers' terms is simply rejected by full-time union officials. In turn, they claim that 20 companies have made deals on their terms, but they do not say how many were with firms outside the 250 members of the local employers' organisation.

Mr Hugh Scanlon may be beginning to wonder if, rather than when, real cracks will appear in the employers' resolve. It was his decision that put Manchester (with Sheffield to follow) in the front line. A little pointed comment was directed this week at his offer to resign early, if it would help in the proposed merger with the Electricians' and Plumbers' Trade Union. And next week he has to face the wrath of Mr Danny McGarvey at the full meeting of the executive of the Confederation of Shipbuilding and Engineering Unions in York. Mr McGarvey has negotiated a deal with the shipbuilders for three £2 instalments. The engineers are blocking it while their own claim is fought. The boilermakers could decide to accept regardless, but it seems more likely that they will lead a push in the confederation to get the engineers back to the national table.

Heathrow

More trouble to come

This week's work-to-rule by British European Airways pilots failed to stop a single flight in the first five days. But the work-to-rule could be intensified and cause serious trouble. The last work-to-rule, in the summer of 1970, lasted 12 days and stopped 402 flights. However, it seems this time that many pilots are not in a militant mood, and are aware that BEA, facing a deficit of £2m, is in no position to shell out for a big pay rise. Besides, there is not much public sympathy for the pilots, who already earn up to £8,000 a year.

But even if BEA and the pilots patched things up, there is likely to be more trouble soon. The 60,000 ground workers at Heathrow have been demanding more pay, and so far have been offered only a £1 a week rise. Since most earn close on £40 a week, this offer is worth under 3 per cent. Some of the clerical workers are prepared to accept this, but, as usual, the militant engineering and maintenance men are talking about a strike.

As if this was not enough, the dispute about General Aviation Services is still dragging on. Last autumn, when GAS was awarded a new contract, a strike crippled Heathrow for three days. GAS was first called in by the British Airports Authority over three years ago to give airlines a wider choice in handling services. But shop stewards reckoned that GAS might win too many contracts from BEA and the British Overseas Airways Corporation, and thus cause redundancies. Mrs Barbara Castle, when Secretary for Employment, set up an inquiry, which concluded that there was no reason why GAS should not be allowed to compete. After last autumn's trouble, Mr Robert Carr sent in a mediator to try to sort things out. A compromise was reached, whereby GAS would not be allowed to handle more than 8 per cent of total flights. But the shop stewards still have not accepted this. They now have the whiphand, since no airline is going to give GAS a new contract if this threatens to close Heathrow again.

The industrial relations chaos at Heathrow seems to be endemic. The 16 unions are badly organised, and there are too many of them. The union officials have no control over the shop stewards, and communication is atrocious. Both the airlines and the BAA have a poor reputation for industrial relations management.

Mr Carr ought to bring in the Commission on Industrial Relations to investigate why Heathrow's troubles have been so persistently bad. At the same time, he should advise the BAA and the airlines to have no hesitation in dealing with wildcat strikes, which have so plagued the airport in the past, by taking the leaders to court under the Industrial Relations Act.

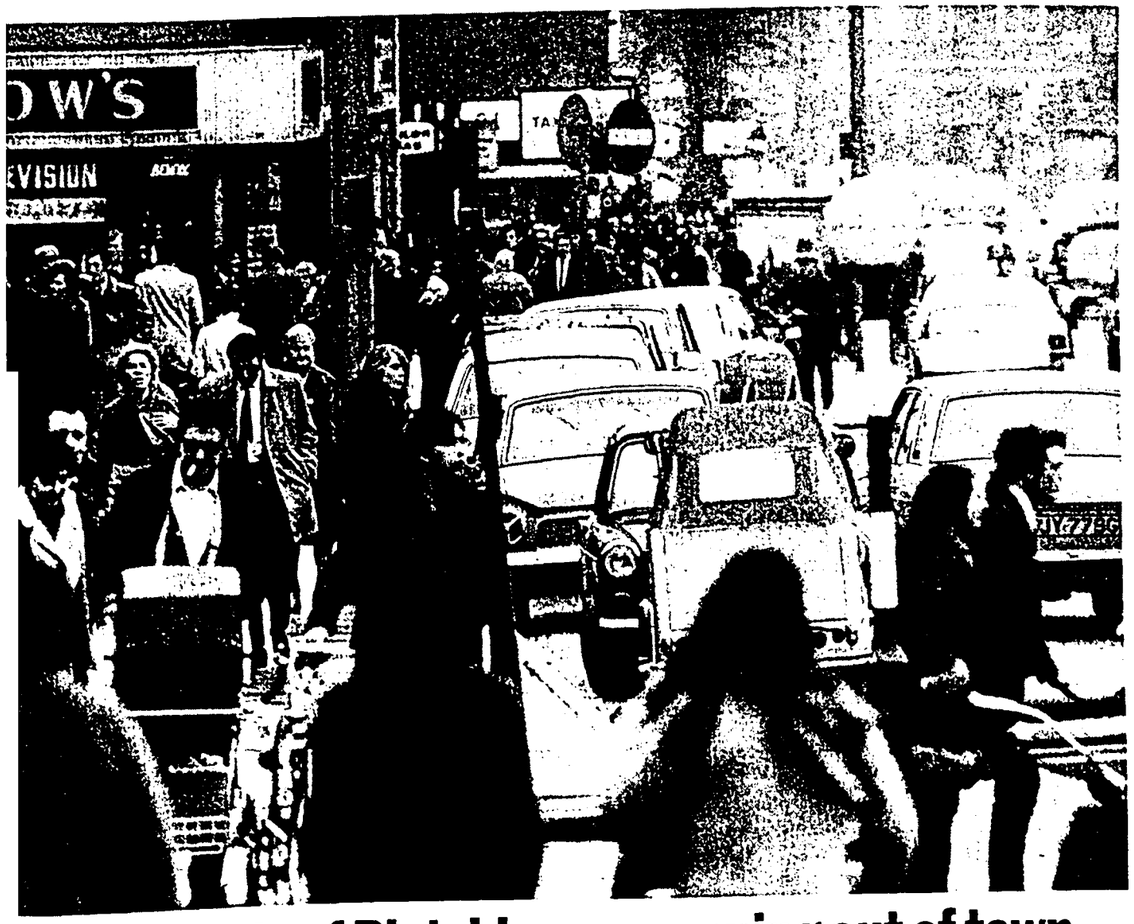
Investment

Sting in the budget's tail

The changeover to the "imputation" system of corporation tax, announced in the budget, is going to be a disincentive to investment in the coming year, as *The Economist* argued on February 5th. This effect will outweigh the impact of the change Mr Barber announced to "free depreciation—that is to say, a 100 per cent first-year allowance." In fact, a 100 per cent first-year allowance is not the same as free depreciation. If next week's Finance Bill provides for a 100 per cent first-year allowance, businesses will have to depreciate 1972-73's new plant at the 40 per cent rate of tax, only to have the profit from it taxed at 50 per cent.

If the bill provides for free depreciation, businesses that invest in 1972-73 will have to wait another year to take their full write-off at 50 per cent, so they will have to do without any depreciation in the first year. This will be a mild disincentive to 1972-73 investment. Leasing companies provide a good illustration, because they isolate the cash flow effects of investment, and also because they do precise calculations of the cash flow effects of investment incentives and tax changes.

A five-year lease with complete amortisation and quarterly payments, taken out in October, 1971, on equipment worth £1,000, would have cost £60.50 a quarter, assuming a constant 40 per cent corporation tax rate



The people of Bletchley are running out of town.

It's a race against time: in the next five years or so, the number of people coming into Bletchley to shop and do business is expected to double.

(This is because Bletchley is within the designated area for the new Milton Keynes city development.)

But Bletchley (in collaboration with Milton Keynes) is planning ahead. Well before the influx reaches its peak the town centre will have been redeveloped.

The new centre will be ready in 1974: and it's vitally important that this date is met. (Take another look at that picture!)

To make sure that it is met, Bletchley Urban District Council is using a computer throughout all stages of planning, development and implementation. Already its use has saved many months' delay.

What the computer does is help coordinate the activities of the multidisciplinary committee responsible for the new centre. Using critical path analysis techniques, the computer analyses week by week, the proposals–and reports–of each working group. And indicates whether these dovetail in a way compatible with the 1974 completion date.

The computer is saving time. And money.

But to us at IBM, the Bletchley redevelopment means even more than that. Not merely because one of our computers is playing a part. But because it is demonstrating how even smaller local authorities can make use of the most advanced management techniques and tools. And because it is yet another example of what we think computers are all about: helping make life in the community a little better for all of us.

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The new Hotel Bristol, Piccadilly. The age of elegance is not past.

In Spring the age of elegance will be reborn with the opening of Hotel Bristol on the corner of Piccadilly and Berkeley Street.

It will be a luxury hotel with 200 bedrooms all with private bathroom, 7 luxury suites, a bar, restaurant and underground car park designed to appeal to people from all over the world.

The accent throughout will be on fashionable elegance. The interiors are designed by a team of experts in traditional decoration, who have captured the best eighteenth century French style of Louis XV.

You will see this from the moment you enter the foyer, reached via a covered courtyard from Berkeley Street. It will have walls and floor of the finest marble in the chosen colours of Hotel Bristol. A domed plaster ceiling by the lifts will carry an elegant chandelier, and the reception area will have a coffered ceiling with cut glass pendants.

The bar, situated at the approach to the restaurant, will have a sophisticated elegance with a raised floor and walls of painted plaster. Cut glass ornament and secret lighting will be used to outstanding decorative effect.

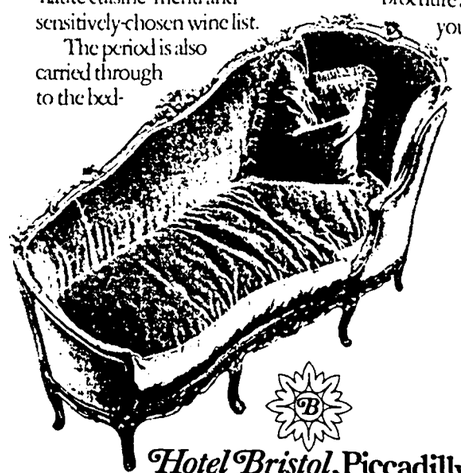
The restaurant will be a room that might have come out of Versailles itself. Its niched walls and liberal use of hand-painted panels, plaster mouldings and ornaments will give it a charm and grace which will add to the enjoyment of the 'haute cuisine' menu and sensitively-chosen wine list.

The period is also carried through to the bedrooms and luxury suites even down to the furniture and furnishings. Both in proportion and shape as well as design, they will have an elegance that distinguishes them from the usual hotel bedroom.

At Hotel Bristol, our aim will be the highest quality of personal service. All our staff will be selected for their courteous and pleasing manner as well as their competence.

Also, thanks to our efficient internal organisation, our manager will be able to spend most of his time ensuring that Hotel Bristol puts your comfort and convenience before anything else.

Send today for our colour brochure and see for yourself the elegant style of the new Hotel Bristol.



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throughout the five years. The corporation tax change cuts the return for the lessor by a quarter. But, if 100 per cent first year allowances are introduced by the Finance Bill, the cost for the same contract in October, 1972, would go up to £69 a quarter, nearly 15 per cent higher than it would have been last October. If, on the other hand, there is free depreciation, so that businesses take their 100 per cent in the second year, the quarterly payments on the same lease next October will be £62.25, not such an astronomic increase, but still £1.75 a quarter above last October's cost. A similar contract in April, 1973, will only involve quarterly payments of £59, a quarterly saving of £3.25 for five years for the man who delays the installation of equipment for six months from next October until April, 1973. The incentive to make such delays will be the stronger, the nearer to April, 1973, the investment would otherwise have been made.

North Sea oil

Can Scapa flow?

A joint top-level reconnaissance in the Orkneys by men from Shell, British Petroleum and the American drilling company Sedco, scheduled for next Monday, has caused a local stir. It may be too big a stir. Whenever oilmen go north nowadays, everybody seems to expect them to announce the discovery of a new oilfield. This is unlikely to happen on Monday ; but there should be scope for development at Scapa in the wake of the oil industry's arrival in the North Sea.

Scapa Flow is ideally placed as a service base for rigs and production platforms working round the top of Scotland. Aberdeen is a considerable distance from these new exploration areas, and is losing favour with some service companies because of congestion ; its harbour board is desperately pressing the Government to finance a major expansion. Already Hudson's Services is looking to Scapa to supplement its Aberdeen depot. An even more important attraction at Scapa is its immense existing capacity for oil bunkerage. It was able to refuel the Royal Navy, when Britannia really had one. Provided the naval authorities can be won round, it would be an ideal transhipment terminal at the end of an oil pipeline.

Orcadians are probably being optimistic in hoping for more. They think that Sedco will want to build rigs or platforms there, or, at the least, carry out major repairs and servicing. Timorous non-islanders must point out that there would seem to be difficulties and costs in carrying steel, heavy equipment and spare parts across a difficult sea.

Consumers

Still waiting

Retail spending was down in February, which was predictable because of the power cuts. But the figures published on Wednesday showed a drop of only 1 per cent in volume from January, rather less than might have been expected. It is a fair guess that without the miners' strike spending would have kept up its momentum. Food sales held up well : there was probably just enough hoarding to offset the inconvenience of candlelit supermarkets and occasional closures. But clothes and shoe shops suffered : those without their own generators have probably lost some sales for good. The purchase of durable goods petered out a little, too, but not that much—perhaps surprisingly, since many a customer must have been buying electrical goods for a blacked-out home. All in all, the volume of retail spending in the three months to February was level with the previous three months.

February's hire purchase figures tell much the same story. New credit was down a bit, particularly in durable goods shops and department stores, where the effect of last July's measures was beginning to wear rather thin. Still, the total consumer debt outstanding at the end of February was 19 per cent higher than a year earlier.

Retailers are now reporting a marked pickup in buying enthusiasm, spreading well beyond colour television sets. And hire purchase sales of cars in March were the highest since last October. Since official figures are always tantalisingly far behind, private market researchers are trying to catch a more current mood. The British Market Research Bureau published its latest consumer confidence poll just before the budget ; even then confidence was on the up and up, particularly among women. Gallup got in just after and recorded the biggest impact ever from a budget. It investigates consumers' expectations on incomes, prices, their financial commitments, business activity and unemployment, all of which are rolled into a "consumer confidence" index. Action is usually found to follow about three months later.

Key indicators : British economy

Reserves
Rose by £32m in March to £2,715m.

Consumer credit
New credit extended in February was £184m, seasonally adjusted, slightly below the level of recent months.

Retail trade
Sales by all but food shops fell back in February, but probably because of power cuts and holding-off by consumers before the budget.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	January	124.4	+0.4	−0.2	−1.9
employment*	January	89.8	−0.1	−1.1	−4.7
productivity*	January	138.5	+0.5	+0.9	+2.9
Export trade*‡	February	148	+1	+5	+7
Eng'g orders on hand*	December	114	nil	−2½	−9
Retail trade*	February	112.1	−0.9	−0.7	+6.2
Unemployment*	March	176.6	+1.6	+3.7	+33.2
Average earnings*	January	192.4	+0.5	+1.5	+8.7
Retail prices	February	154.2	+0.5	+1.6	+8.1
Export prices	January	148	nil	+2	+7½
Import prices	January	135	+1½	+1½	+7

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.9 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *International*

Back to that old time growth talk

Tokyo

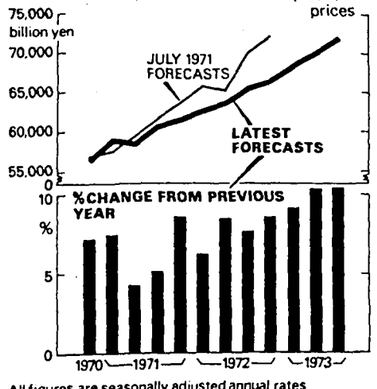
Businessmen are saying that the Japanese economy could be well on the way to recovery by the summer. Recovery to them means putting aside the 5.9 per cent real growth of 1971-72 (year ended March 31st) and talking Japanese-size figures once again. The authoritative Japan Economic Research Centre (Jerc) is sticking to the 8½ per cent growth for 1972-73 which it forecast in early December, although it was then expecting a smaller upvaluation of the yen than actually happened. Jerc's forecast implies that by next winter Japan will be on a 10 per cent growth rate, back to what has been normal over the past decade. It says, in fact, that the Japanese miracle is not over. Still, last summer it was foreseeing even rosier times.

Japan's overseas trading partners will be relieved to learn that exports are expected to rise by no more than 0.9 per cent next year (with a minute rise for 1973-74 also). But—and this is the catch—that forecast is in yen. In dollar terms the rise will be substantial: from $24.67 billion to $27.07 billion. Not much of the increase will be offset by upvaluations of European currencies: Europe, west and east, takes only one-seventh of Japanese exports. However, despite the economic revival, Jerc does not expect Japan's imports to rise much either, and it expects the trade surplus, at $8.60 billion, to be much the same as last year's. This huge figure will be only slightly trimmed by invisibles (a deficit on them of about $2 billion is expected) and by long-term capital exports of $2.95 billion. So the reserves could rise from $16.75 billion at the end of March to $18.87 billion a year hence.

Even that would be a relief compared with the $20 billion by next December that Japanese ministers had been forecasting. Moreover, the Japanese have begun to implement several measures to hold down their reserves. In the past two months the central bank has lent $600m to Japanese foreign exchange banks on condition that they reduce their foreign borrowings by an equivalent sum. It is thought that these deposits may eventually swell to some billions of dollars, if the banks do not scream too loudly over the disruption of their traditional connections with American banks. The Ministry of International Trade and Industry and others plan to stockpile non-ferrous metals, and possibly also iron ore and coking coal, with finance from the Bank of Japan; importers would have to pay up after one year. The World Bank made the largest single borrowing in its history when it took Y100 billion ($320m) from the Bank of Japan last month. And there are distant plans to expand the Asian dollar market just opened in Tokyo into a long-term dollar capital market. Japan is not just lying down under the weight of its reserves.

Japan heads back for 10 per cent

Gross national expenditure at constant (1965) prices



All figures are seasonally adjusted annual rates

Source The Japan Economic Research Centre

Australia

Angry with the Japanese

Sydney

Great indignation has been aroused in Australia by Japanese steel companies insisting on cuts in their long-term iron ore contracts. Deliveries of Australian ore to Japan in the year to March, 1973, are to be trimmed by 6 per cent below the minimum contractual tonnages. The largest producer, Hamersley Iron (45 per cent owned by Rio Tinto-Zinc), has announced its agreement to such a cut. The Mount Newman consortium is reported to have agreed too, although its partners have not said so. A similar reduction will probably be made in contracts held by the Mount Goldsworthy consortium (of which Consolidated Gold Fields is a one-third partner).

The Japanese had already used their options to cut deliveries by 10 per cent. However, since the full 16 per cent reduction applies to this year's



Ore to spare

He knows the way from London with his eyes closed



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Bristol from Paddington	16	1 hr. 40 mins.
Cardiff from Paddington*	14	2 hrs. 7 mins.
Glasgow from Euston*	8	5 hrs. 59 mins.
Leeds from King's Cross	10	2 hrs. 35 mins.
Liverpool from Euston*	12	2 hrs. 30 mins.
Manchester from Euston*	15	2 hrs. 30 mins.
Newcastle from King's Cross*	13	3 hrs. 35 mins.

*Sleeper services available.

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130,000
110,000

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Newsweek International
-growing awareness

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*Facts from the Newsweek International 1971 Readership Survey.

expectations rather than to last year's deliveries, and since the contracts provide for an increasing volume of iron ore, the net result will be a relatively small reduction in Australia's total ore deliveries to Japan and all other destinations of perhaps 3m tons below the 50m tons exported last year. The companies will lose no more than between £9.6m and £10.9m in revenue, but they reckon that new production capacity worth some £90m will now be surplus to requirements for the time being.

Apart from gold a century ago, no commodity in Australia's history has had so sudden and profound an impact on the economy as iron ore for export has in the past six years. Between 1965 and 1970 the Japanese steel industry signed long-term contracts to import ore worth more than £3.6 billion from Australia, thus promoting an investment of £455m in new mining investment. Iron ore exports, begun only in 1966, accounted for 30 per cent of Australia's mineral exports last year, and both businessmen and politicians have been abruptly reminded of their economic dependence on Japan.

The Japanese steel industry produced only 88.5m tons in 1971, compared with the expected 100m tons, leaving steel mills holding large stocks of ore. Now a recovery to 95m-96m tons is expected, requiring 107m tons of ore. But the Japanese had contracted to buy 120m tons from various sources. Hence the cutbacks.

South African budget

Mildly for growth

Johannesburg

Having grown at 3.1 per cent a year over the past decade, South Africa's gross domestic product per head advanced a mere 1 per cent last year. Not surprisingly, therefore, the minister of finance, Dr Nicholas Diederichs, produced a mildly expansionary budget last week, only three months after the rand was devalued by 12.3 per cent (against gold). Government spending is to rise only 6 per cent in the new fiscal year, compared with a 20 per cent jump a year ago. Even so, because of the impact of the recession on tax revenues, Dr Diederichs is to pump 800m rand (£470m) additional purchasing power into the economy through deficit financing. Credit ceilings are relaxed (although interest rates are to be pegged) and there are tax incentives and concessions for industry, exporters and individuals.

Business reaction has been generally favourable, but the widespread view is that Dr Diederichs is taking a considerable gamble. Having suffered acute balance-of-payments problems last year, South Africa now faces the alternative possibilities of a rapid revival of the economy, or an acceleration of inflation (over 6 per cent in 1971), and a still bigger payments deficit.

Certainly there is a good deal more slack in the economy than a year ago. For whites, asians and coloureds, unemployment has risen about a third in 12 months; capacity in private manufacturing has risen 10 per cent over the past two years but output has risen hardly at all.

Yet the market for skilled labour remains tight. Unemployment among skilled whites is only 1 per cent. There is obvious scope for the powerful white labour unions to take advantage of Dr Diederichs's expansionism. Demands now in the pipeline from white mining unions, textile workers and railway staffs are the shape of things to come. At the same time, while import controls —imposed immediately before last December's devaluation—remain in being, the restraining effect of foreign competition on South African prices is blunted.

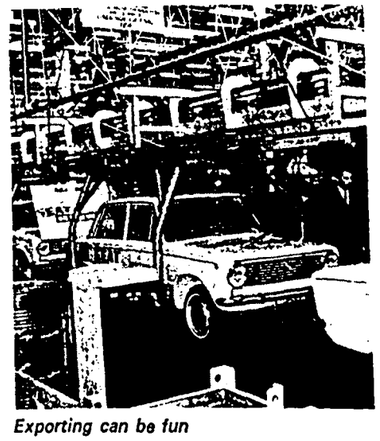
The obvious solution would have been for Dr Diederichs to announce big relaxations in the industrial colour bar. But, to industry's disappointment, he did no such thing. The only concession is that industry in towns will now be allowed to employ additional black labour to work multiple shifts—something that was previously forbidden in any firm where the ratio of black to white labour exceeded 2.5 to 1. Pretoria evidently has no intention of making white unions give a bigger share of skilled jobs to the blacks. Nor was there even a hint that the proportion of the gnp going into black training and education will be raised. South Africa looks set fair—with devaluation, import controls and an expansionary budget —to boost output. The extent of the inflation that will follow—the economic price of apartheid—remains to be seen.

Spanish cars

With seats

Barcelona

For the first time cars from Seat, Spain's leading motor firm, are making an impact on the French market. Hitherto, Seat's export effort in Europe has been concentrated on smaller countries with little domestic car production, but last year it sold 3,700 vehicles to west Germany and this year 4,000 will go to France. Like Brazil (see *The Economist*, April 1st) Spain is well placed to collar a big slice of the growth in the world's motor manufacturing in the 1970s. With a gnp per head three times that of Brazil but a population one-third the size, Spain's carmakers, like Brazil's, need to boost exports sharply to maintain the industry's prodigious growth rate. Unlike the Brazilian industry, however, the leading carmaker in Spain is



Exporting can be fun

Key indicators: world commodity prices

Rubber
Continued lack of consumer demand, coupled with increased production, stocks and over-capacity among synthetic producers, have combined to push rubber prices to new lows at little over 12p a kilo. Only intervention by the Malaysian government has prevented prices tumbling further.

	Index 1963=100 Mar 29	Apr 5	Percentage change on one month	one year
All items	130.2	129.8*	− 0.7	+ 3.9
Food	143.8	142.8*	− 1.9	+ 6.7
Fibres	98.8	98.7*	− 1.0	+24.0
Metals	187.9	188.1	− 0.1	−13.6
Misc	112.2	112.4*	+ 6.4	+ 5.8

*provisional

locally-owned.

The Sociedad Española de Automoviles de Turismo was formed in 1950 with 51 per cent of the shares held by Ini (the Instituto Nacional de Industria, the state holding company) and most of the remainder by Spanish banks and private shareholders. Fiat undertook to provide technical assistance and the licence for the use of its designs, but held only 6 per cent of the capital. The Seat factory went into production in 1953. From then to 1966 the number of cars registered in Spain soared from 8,000 to 250,000: now there are 4.8m. Seat sales boomed accordingly, and the company now has the biggest sales in Spain, worth £156m, or £50m more than its nearest rival, the Bilbao steel firm of Altos Hornos de Vizcaya. Seat is also the showpiece among the companies under the Ini umbrella. Apart from a popular image it has an excellent profits record —which cannot be said for all of them—and has been paying a regular 15 per cent dividend for some years.

However, the Spanish car market has increasingly become a replacement one, and Seat, along with other producers, has had to turn abroad. This necessitated a revision of its agreement with Fiat (which originally confined Seat's sales to Spain). From 1967 onwards, Seat gained the right to export through its own sales organisation, with help from Fiat; in return for this Fiat became entitled to appoint more directors to the board and to raise its shareholding to 36 per cent. Seats are now sold to over 30 countries, including Holland, Belgium, and Finland (where they are now the most popular car); a tenth of the output of the Spanish car industry goes abroad, and a fifth of Seat's.

At home Seat holds 60 per cent of the market. Imports are negligible because of a protective duty of 80 per cent and limits on import permits; competition comes from French and other foreign manufacturers producing in Spain. The Seat 850 holds the lead in sales of Spanish cars as a whole and the Seat 124D among cars of medium class. Last year output (255,621 cars) was hit by Spain's recession, labour troubles and the Catalan floods, but by 1975 or 1976 output is expected to reach 500,000. A second factory, with the same capacity as the present Barcelona one, is to be built at the nearby town of Martorell, and the company is scheduled to make capital investments of £74m in the 1972-75 development plan. Seat's export drive is only beginning.

Pakistan

Better without Bangla?

Islamabad

Despite President Bhutto's present political troubles, his economic policy-makers reckon that west Pakistan can achieve a real growth rate of 10 per cent once the problems of adaptation to the loss of Bangladesh have been overcome. The west wing achieved 6½ per cent annual growth in the 1960s, but, according to the conventional wisdom in Islamabad today, the east wing during this time was becoming an increasing liability. Visiting foreign aid experts endorse, though less enthusiastically, the view that the west may now be better off without East Bengal and its large, poor population.

All the same, sales to the east before the break-up were rising faster than exports and the loss of the east has already led to setbacks in the production of cotton yarn and fabrics, cigarettes, and certain chemicals. To divert these goods to world markets will require an upgrading of quality (eg, in cotton textiles), even if markets can be

Tilting at the float

New York

The Federal Reserve Board's new proposals for speeding up America's cheque-clearing procedures call for one-day payment of all cheques. This is already standard in downtown financial districts, but elsewhere it is not unusual for five or six days to elapse between deposit of a cheque to a payee's account and its subtraction from that of the payer. Manipulation of the resultant "float"—in-transit cash which is in two accounts simultaneously—is very widespread. One universal practice is kiting: risking overdrafts by writing cheques that, with luck, will not be collected until a later deposit is made; done professionally, this is a fraud which plagues many banks.

Some non-bank float results inevitably from delayed deposit of cheques and from postal delivery time, but it is the float within the banking system itself which is the target of the Fed's pressure for promptness. In-transit items held by the largest banks amount to more than $30 billion every day. And there is a further $3 billion in the Fed's float, resulting from its crediting cheques to receiving banks several days before charging them to paying banks. This fluctuates sharply and unpredictably, thereby complicating the Fed's critical role of managing outstanding bank credit in pursuit of monetary policy. And since it amounts to a perpetual interest-free loan of $3 billion to the banks, the Fed has an immediate incentive to reduce it, even beyond the broader benefits.

At the same time, however, the Fed is proposing to make uniform the now-different sets of rules for city and country banks that determine the minimum reserves they must hold against demand deposits. The result will be a net release of funds available for lending of $2.9 billion, which will be partially offset by the $2 billion the Fed reckons to chop off the float. The net increase of funds in the banking system, however, will be counteracted by monetary policy.

Two years ago, the Fed established a regional cheque-clearing centre in the Baltimore-Washington area, where cheque-kiting was notorious. Its success led to the Fed's declaration last June that it would, if necessary, set up as many as 18 new regional centres. The Fed's problem is not one of insufficient facilities, since it already has a nation-wide computerised wire-transfer system capable of achieving its goals, but it has not yet found the key to inducing the banks to use its system. They uniformly use it for a large volume of small transactions, but reserve the large ones (and the float involved) to direct transfers between banks. Even the elimination of fees for transmission of amounts over $1,000 failed to produce increased use.

For their part, the banks argue that many corporate customers prefer present methods and have hinted that a reduction in the board's reserve requirements is in order if it persists in pulling the float plug. Bankers note that not only do regional centres reduce float, but that the leading bank in Baltimore, for instance, has already lost more than $10m in interest-free deposits maintained (mainly for cheque-clearing services) by banks for which it acts as correspondents.



Heavy going

Gallaher-1971

Extracts from the Statement by the Chairman, Mr. Mark Norman

Trading Results

Turnover increased in 1971 to £453 million compared with £436 million in 1970. All sectors of the Group, including new acquisitions, contributed to the increase except for cigarettes which declined by about 4½%. Trading profit before interest increased to £22.58 million compared with £20 million in 1970; again all sectors except cigarettes contributed to this profit increase.

The Group trading profit is about 12½% up on the previous year. Tobacco profits overall showed a modest increase. Our Optical interests contributed greatly increased profits. Our Engineering interests would have produced a satisfactory profit increase (including Saunders Valve for only 9 weeks) but for losses on exchange rates arising from the revaluation of currencies. Our Wholesaling operations swung from a loss to a very small profit.

Group profits attributable to Ordinary Shareholders are 1971—£12.98 million, 1970—£11.38 million.

The Directors now recommend a final dividend of 13 per cent, making a total of 21 per cent for the year compared with 19 per cent for 1970.

Tobacco Marketing and Sales

The total cigarette market declined over the whole year by about 4½%. Gallaher maintained its market share.

The KING SIZE sector increased volume by 25% and, despite four new competitive brands being launched during the year, BENSON AND HEDGES KING SIZE has held its share.

In the last quarter of the year, sales of SILK CUT more than quadrupled due to the brand being positioned at the top of a tar/nicotine league table published by an independent survey. Additions to the SILK CUT range have been introduced in 1972 and total SILK CUT volume is expected to grow.

HAMLET is now the largest selling cigar, having overtaken MANIKIN which itself beat last year's volume. BENSON AND HEDGES SMALL CIGARS had a successful first year.

CONDOR maintained its market leadership. In the roll-your-own sector OLD HOLBORN continued to improve its market share in a sector of the market which declined during the year.

Mono Pumps Limited

In spite of rather difficult trading conditions the Mono Group, including F. A. Hughes & Co. Ltd. for the first time, increased its sales substantially and its profits before exchange rate adjustments modestly.

Mono Pumps (Engineering) Limited improved its turnover in packaged sewage equipment and associated pumping equipment and returned its best profits yet.

Metering Pumps Limited produced record sales and profits.

Saunders Valve Company Limited

In September 1971 we purchased the whole of the issued share capital of this well known engineering company.

The Dollond and Aitchison Group of Companies

The Dollond and Aitchison results were excellent.

In August 1971, we acquired for about £1.25 million cash more than 90% of the share capital of Clifford Brown Ltd., the well known firm of Dispensing Opticians with 31 Branches; their profits for 8 weeks are included in these results.

Wholesaling

1971 has been a year of considerable re-organisation and expansion and the Division is now beginning to make a significant contribution to Group sales and profits.

People

I must particularly mention again those who work and live in Northern Ireland—about 5,600—where the violence and conflict impose a dreadful pressure on the home lives and daily travel of all. To the great credit of management, staff and workpeople, both men and women, there has been little interruption to the production and distribution of our goods. Community discord has rarely moved inside the factory, warehouse and office walls, and so long as this good sense prevails there is hope that solutions will be found outside.

Outlook

For 1972 our main concerns are profit margins and the future consequence of Britain's entry into the Common Market.

Costs of all kinds have continued to rise, albeit at a slower rate; prices of our products have been held steady in most cases for well over a year. The time is coming when we shall need some price increases to restore profit margins to the level necessary for the maintenance of our facilities and the continuing financial health of our undertakings.

Joining the Common Market is going to pose some special problems for the tobacco industry, in particular those related to tobacco taxation and to the enlargement of a 'home' market from 55 million to 250 million people. We must be prepared for these changes.

SUMMARY OF RESULTS 1971

Total Sales	£452,870,000
Profit before Tax	£21,922,000
Tax	£8,615,000
Ordinary Dividends (gross)	£7,734,000
Profit retained	£5,251,000
Net Assets	£138,739,000

"Oh God, not another conference on Europe."

It's an understandable reaction.

But the fact is that for all the hot air about Europe there's been precious little discussion about the nut and bolts.

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You'll hear how the Americans have responded to Europe. How consumerism is likely to affect you. Which British industries will be first to feel the crunch of Europe.

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It would be a shame if you were booked to do something else on the day your competitors were learning how to run rings round you in 'The Common Market Place.'

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Euro Advertising. With acknowledgement to Punch



We're much more modern without Bangla

found at all. Equipment would need to be imported (for which foreign exchange may be lacking); because of Pakistan's high-cost structure, subsidies may be needed. However, considerable scope is seen for expanding the output of other industries like cement, garments and light engineering products.

When it comes to agriculture, the west is self-sufficient in wheat, its staple food in normal years, and has a surplus of 1m tons of rice. With the further spread of the green revolution, surpluses ought to materialise also in raw cotton, oilseeds and tobacco, which could become trade-offs for the jute and tea which came from East Bengal. A rice-for-tea barter deal has just been negotiated with Ceylon. But all this will depend on several imponderables. More power will be needed to extend the green revolution; more inputs will be needed too, yet half Pakistan's fertilisers and all its pesticides are imported. Above all, whatever the long-term benefits from Mr Bhutto's land reform plans, a breakdown in the traditional landlord-tenant relationship could lead to a reduction in crop credit and a fall in output, quite apart from the political discontents which continue.

Even more serious will be the need to cut the army down to a size appropriate to Pakistan's new dimensions; the political difficulty, given that most of the army was recruited in the west, is obvious. On the other hand, Pakistan's aid prospects are now improving. Residuary Pakistan is now expected to enjoy an aid inflow of $250m a year, or more than half the previous total for the united country. And the Aid Pakistan consortium has agreed to a moratorium on capital repayments of existing aid, but not of interest, thus cutting the current outflow by about half, to $100m a year.

Ski Soviet style

The Russians are planning a ski resort in the Caucasus. A consortium of French businessmen, banks and ski technicians hopes to be able to sell knowhow (possibly in partnership with Swiss and Austrian interests) for a centre modelled on Courchevel in French Savoy. With 20,000 beds, it would be fully equipped with lifts and entertainment facilities to take one million visitors a year.

The one largish ski resort as yet in Russia, Alma-Ata near Tashkent, has very limited equipment and is almost inaccessible. All the same, French salesmen may be optimistic in thinking the Russians need the kind of help they are offering. A deal over communications could be more likely. Whichever resort the Russians choose, they will need to build a nearby airport.

There are still a lot of uncertainties. Might the ski resort be largely reserved for Olympic training and domestic use? Or for tourists from the European communist countries? Or will it be used to attract high-spending hard currency skiers from America, Europe and Japan?

Over 5m skiers take to the Alps every year, and the number of skiers in west Europe as a whole increases by 10 per cent a year. If Russia can sort out the travel problems, it has some hope of creaming off some of this growth, if only because of one supreme attraction: the Caucasus has snow all the year round.



Courchevel sets the style

Germany

Looking east

Hamburg

On Tuesday a high-level team of negotiators from the west German foreign office, as well as from several other ministries and the Bundesbank, left for Moscow to put the final touches to a new Soviet-German trade pact. Trade between the two countries has been going on without a formal agreement ever since the last one ran out in 1963—and was not renewed because the Russians insisted on excluding trade with west Berlin. However, thanks to Herr Willy Brandt's Ostpolitik, the political climate has improved sufficiently to make it likely that a provisional trade agreement will be reached before the end of this week. The final decision will then still have to wait until the four power agreement on Berlin comes into operation. This, in turn, will hinge on the ratification of the eastern treaties, whose fate will be decided in a key vote in the Bundestag on May 4th.

Even during the period while the trading agreement has lapsed, Russia has remained Germany's biggest trading partner in the eastern block. There are still quotas on some 40 per cent of Russian exports to Germany. Obviously, the least that Russia will hope for now is a liberalisation to the same level as for German imports from Poland, Czechoslovakia, Hungary, Bulgaria and Rumania, all of which have long-term trade agreements with Germany and quota restrictions on only some 15 per cent of their trade.

BUSINESS *Investment*

The European connection

Perhaps it was the fixing of the date of the French referendum that turned the thoughts of the market to the joys of Europe on Wednesday. A more likely explanation of the 7.2 rise in the Financial Times industrial ordinary share index that day was the celebration of the end of the tax year. But even on Thursday, ordinary shares were edging up; indeed the index closed at a new all-time peak of 522.2, although it was the first day that the investment and unit trusts could sell and become liable for a tax charge of only 15%.

Unit and investment trusts are once more going to attract a lot of new money from investors. But those that have a new angle will, in this marketing-conscious age, pull in the most.

Rothschild Investment Trust is certainly a trust with a difference, but it will be interesting to see how eagerly the public responds to the £10m it is issuing in the form of convertible preference shares with a 5% coupon. From RIT's viewpoint, the addition to the existing £9m equity base gives more scope for gearing, and the payout makes good use of the pattern of the trust's franked income. Preference shares will have the same advantages in capital gains tax to trust shareholders as the ordinary shares. While the trust is becoming increasingly multinational, through the holding of the Netherlands-based Magnum fund, it is making active use on the London market of big dollops of money. When the **Grand Metropolitan Hotels** offer document for **Watney Mann** comes out, RIT will be revealed as the holders of £9m worth of Watney shares, the bulk of the 4.2m shares that were built up "in concert" with the offerer before the bid was announced. The larger the trust, the more muscle can be exercised in this anglicised version of block trading that has been coming into fashion. At a market price of 570p, the shares are at a premium of, very roughly (RIT does not publish a detailed portfolio), 5% on net asset value, which is less than some of the other glamorous trusts around, although it is nearer 20% on a fully discounted basis. The point about RIT is that since N. M. Rothschild and Sons is not a quoted bank, there are all kinds of fancy things that the trust will do that the bank will not, and a lot of management and effort is being put into this showcase fund. At the end of the month, or thereabouts, Rothschilds will be launching another bigish trust, destined for investment in Europe.

Suddenly Europe is all the rage among fund managers. Ivory and Sime are buying control of a Dutch investment trust. John Govett's £20m **Govett European Trust** was sent off to a flying start, as clients of Hoare and Co Govett, the stockbrokers, had agreed to take £13m in advance.

The theory of the investors on the European scene is that European stock markets have failed to provide their companies with the kind of rating that they deserve. Over the next few years, partly under the influence of British investment managers, the p/es may climb towards British levels. As most of the European economies and stock markets (Italy excepted) are showing good signs of recovery, now is a good time to get on the rolling bandwagon. There are bound to be disappointments en route; Europe is, financially, a very different country, with different attitudes to stock market investment. But so is Japan, and the experts are making money for the non-experts there.

While the investment dollar premium lasts, the funds have to get round it, either through negotiating back-to-back loans, or by lending to feeder funds. Baring Brothers quietly launched the **Treaty Trust**, whose £5½m was subscribed by the institutions, and which is not destined for consumption by the general public. It will be fed through a Geneva-based subsidiary. Geneva was chosen in preference to the traditional offshore havens, most of which are proving to be more trouble, politically and in communications, than they are worth. There will be some tax liability, but only about 7.6% on capital gains, as Switzerland benefits from tax treaties with the other European countries in which the money will be invested.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Apr 5	1971-72 high	1971-72 low	one week	one month	one year	record high
Progress continued all round, except in Canada and Australia. Paris particularly firm.							
London	520.1	520.1	305.3	+ 2.0	+ 3.5	+50.1	− 0.3
New York	954.6	954.6	798.0	+ 1.9	+ 1.0	+ 4.6	− 4.1
Canada	204.1	210.4	162.6	− 0.1	− 2.0	+10.0	− 3.0
Australia	569.9	584.9	405.0	− 0.1	+ 4.4	+14.2	−14.0
Japan	237.2	238.9	148.3	+ 2.3	+ 5.0	+33.5	− 0.7
H'kong	355.2	406.3	201.1	+ 0.7	+ 2.4	+67.2	−12.6
Belgium	108.8	108.8	90.7	+ 0.3	+ 2.8	+ 7.7	—
France	79.5	79.5	61.6	+ 3.4	+ 8.9	+ 2.8	− 7.7
Germany	114.5	116.4	87.6	+ 0.4	+ 7.5	+ 2.9	−18.4
Holland	130.1	130.1	93.0	+ 2.4	+ 3.8	+ 2.4	− 2.8
Italy	45.6	60.1	43.9	+ 2.2	+ 2.2	−18.6	−60.9
Sweden	343.6	343.6	245.7	+ 2.1	+ 7.1	+24.9	− 8.5

Stock prices and yields are on pages 99 and 100

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Damn it all, Simpkins!..

Sir?

What on earth is all this? . . .Not the tax people again is it?

Your report, Sir, on other premises, Sir. Expansion, Sir.

Why didn't you say so man? Get on with it then—how much, where, when and why?

If I might be permitted to start with 'where' Sir—the other side of Hadrian's Wall actually, Sir.

The other side of where, Simpkins?

Hadrian's Wall, Sir. Scotland, Sir—just.

But, Simpkins! We've always been down this end of the country—always.

Sir. With respect, these files represent all the available data from S.D.D., D.T.I., D.E., Development Authorities, New Towns and half the Towns and Burghs in the U.K. I've got data on T.T.C.'s and T.W.I. and T.D.S. courses and . . .

Hadrian's Wall, Simpkins? Surely that's away north of Watford, dammit Simpkins.

That's where we should investigate, Sir . . . the Central Scottish Borders. Sir. They do appear to have everything we need, Sir.

How *do* you pick them, Simpkins?

They are expecting us on the 22nd Sir.

We don't have to go by pony, Simpkins, do we?

(YOU WILL FIND OUT ON 22ND APRIL HOW HELP WAS AT HAND: HOW MUCH LONGER CAN YOU DO WITHOUT HELP?)

SCOTTISH BORDERS

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Melrose Road,
Galashiels, Selkirkshire.
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French bourse

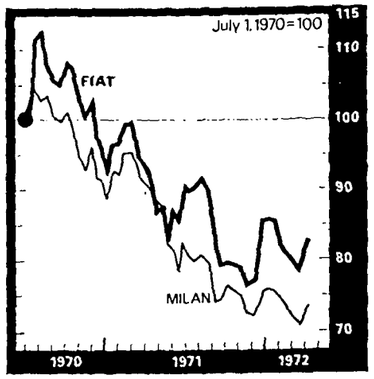
April and the bourse is in blossom

Paris

The Paris bourse has finished the first quarter of the year in a rapturous way, having started in gloom. What is particularly encouraging is not just the continued influx of foreign money which originally, in February, woke the bourse from its long sleep, but the realisation that the French themselves feel that they are on to something more seductive than gold bars, and are investing. French shares still look undervalued. Although they have risen by nearly 20% this year, they are still 15% below their value 10 years ago. With few exceptions, company results for last year have been excellent, with a number of companies announcing increased dividends for this year.

The volume of transactions has been running well above average, at a daily figure of roughly Fr275m. Most of the buying has been in French blue-chips, but there has been an increasing amount of interest in speculative shares as well ; many private investors with small portfolios are buying shares for short-term profit rather than solid, interest-bearing bonds to pass on to their heirs. However, the bourse may be ready for a short rest. Already, investors have cashed in on the phenomenal rise during the last month in **Carrefour**, a supermarket chain, which has now dropped back from its high. Financial shares have been a particularly strong sector recently, perhaps too strong.

In the long term, the bourse and French companies will have to do something more positive in order to attract a steady flow of investors' money, and break the current pattern of long periods of stagnation interrupted by spots of frenzied trading. There is, of course, a considerable fear that London will come to be considered as the one place in Europe to raise money and get a quotation. Several technical measures easing bourse operations have been announced, but the quality of companies' reports to stockholders still leaves much to be desired. A pleasant break with tradition has been announced by **Jacques Borel International**, the restaurant chain, in declaring its annual meeting open to everybody, whether they are shareholders or not.



Fiat

But the market drives downhill

Rome

One of the few encouraging indicators of the Italian economy is Fiat's 1971 operating profit. At just over £10m, it was almost triple that of 1970. Admittedly, it is still less than half that of 1968, the last of Italy's unchecked boom years of the 1960s, when the figure was just under £23m. And to maintain a dividend of L120 per share, as paid out in previous years, Fiat's board has had to withdraw £13.8m from taxed reserves. Nevertheless, the dividend was maintained and the small rise in the share price to L2,143, from a low of L1,975, demonstrates the appallingly low morale of the Italian stock market. Shares are now worth only about a third of their market value of some 10 years ago, and the treasury minister, Signor Emilio Colombo, has been asked to try to use legal powers to limit the scope of the bear raiders.

Despite numerous strikes and constant labour agitation, 1.6m vehicles were produced by Fiat in 1971, a good deal fewer than planned but still more than in previous years. Fiat's exports (616,000 vehicles) also held up well.

Part of the credit must certainly go to the popularity enjoyed by Fiat's latest models, the 128 and the 127, in common market countries. Britain has also provided one of the strongest markets for Fiat, tripling purchases since 1969 ; this year Fiat aims, and expects, to sell 50,000-60,000 vehicles on the British market. Another recognition of the importance Fiat gives to the British market is the appointment of Lord Poole, chairman of Lazard Brothers, to its board.

Wall Street

Cooling that pooling

New York

Should security firms and banks be allowed to invest in corporations for which they provide banking services? Should bankers be permitted to sit on boards of client companies? These questions have again come to the fore with added urgency as a result of the **International Telephone and Telegraph** affair—besides the questions raised, of course, for the politicians. While a Senate inquiry drags on into whether a contribution by the Sheraton Hotel subsidiary of ITT was linked to an anti-trust settlement last summer that was favourable to the big conglomerate, reporters have been busily sifting through recent congressional records to keep the ITT story alive.

One opulent vein that has been unearthed is a report on an investigation of conglomerates filed by a House judiciary sub-committee last September. ITT, not surprisingly, is featured prominently because of its spectacular growth in the past several years. From 1964 to 1968, the period of its most rapid expansion, ITT acquired 31 domestic companies with a net worth on acquisition of some $530m, but for which it paid out nearly $1.3 billion largely in its own shares.

The report makes two key points about these mergers. First, that by the pooling method of accounting, ITT was able to make these overpayments look like growth because pooling did not require the parent company to write off the overpayments against earnings. Secondly, the report notes that Lazard Frères, ITT's investment banker, earned some $16m during this period in fees from acquisition services furnished to the conglomerate. It is noted, too, that a Lazard director, Mr Felix Rohatyn, has been an ITT director since 1967.

While Wall Street representation on corporate boards continues to be the rule rather than the exception, some firms now actively discourage the practice, believing they could become vulnerable, often unwittingly, to charges of violating the insider disclosure laws. Others contend that the banker director has too much say in client company policy for any attempt at a ban to make sense. It is clear that this dilemma will still face Wall Street long after the ITT affair has blown over.

IOS

Vesco out, but not down

It is pretty unlikely that Mr Robert Vesco and his **International Controls Corporation** just quietly washed their hands of IOS this week. True, the two ICC subsidiaries that hold 38% of the fallen mutual fund giant have been sold to four IOS executives, including Mr Milton Meissner, the president, and Mr Norman Leblanc, the executive vice-president. But the question is just how much of the complex activities they will control and to what extent Mr Vesco, although he has resigned all IOS posts, will remain a forceful backseat driver.

He has good reason for relinquishing the steering wheel. There is that little matter of the Securities and Exchange Commission's ban on Americans being both involved with IOS and having power over American companies like ICC ; and ICC shareholders must have been getting a bit concerned about the time their chairman was spending on his new task.

All sorts of plans have blown in the wind over the past year. The basic principle seems to be to spin off as many assets as possible from IOS. Some of the banking, real estate and insurance activities were recently hived off, as dividends, to IOS shareholders. They were given shares in two companies, International Bancorp and Value Capital, in which ICC remains a substantial shareholder. No one knows what the new bosses have paid for their chunk of IOS, but they paid it in cash. Whatever it was, the odds are on some help from Mr Vesco, who brought Mr Meissner into IOS in the first place.



Vesco : backseat driver ?

Whoever has the helm it looks like being only of transitory interest to the British outpost of the crumbled empire, International Life Insurance. Talks are apparently taking place which might lead to a British company taking control of that.

William Cory

A life on the ocean waves ?

Rumours in the market on Thursday sent the shares of William Cory and Son bounding by 32p to 562p, or 47p above the cash offer of 515p from the **Ocean Steam Ship Company.** The original bidders, **Jessel Securities,** were the hot tip for a counter-bid based on an asset-stripping situation. The properties are thought to be worth £10m more than the latest balance-sheet value, with another £6m from associated companies, valued on a p/e ratio of 10. This gives an asset value of 515p, ignoring what may be extracted from other parts of the balance-sheet.

Ocean and Cory had been proposing a marriage of convenience. For Ocean the possibility of being taken over would thus become more remote, since the merger could increase its capitalisation by about half from the present £100m at a share price of 148p. That would be a bit of a mouthful for **European Ferries** or **Inchcape,** two possible bidders for Ocean, according to recent rumours.

One attraction for Ocean is that Cory's earnings could be set against Ocean's capital allowances, which will total over £100m in the next four years or so, against pre-tax profits of £6.5m in 1970. The historic figures take no account of this year's set-back at Cory, but Cory has had a bad year. Its fuel activities suffered from the mild winter and miners' strike, but the growth record up to 1970-71 was good and the diversification makes sense for Ocean.

Court Line, the third bidder, like Ocean, has capital allowances to spare, and its current bid, at 502½p, is not far below Ocean's 515p. But it is a reverse takeover, not underwritten for cash, and rejected by the Cory directors in favour of Ocean. It is one thing for a large group like Ocean to take on Cory's 1971-72 troubles ; quite another for Court, whose shareholders would probably not be too keen to see the rapid growth of its earnings get bogged down by Cory.

Whether anyone would be interested in bidding for an Ocean-Cory group is another matter. There will still be some unused capital allowances. But Ocean is not like Cunard or **Peninsular and Oriental Steam Navigation :** forward commitments tie up all its assets in ships, so there is no cash bonus. Anyone wanting it would have to want to run ships, which means keeping the proven Ocean management. So the 190p a share of assets is not quite the attraction it might be, although **Rank Organisation** is rumoured to be interested. Rank's mighty p/e of 39 could make Ocean-Cory a cheap buy for it, despite the lower growth and quality earnings.

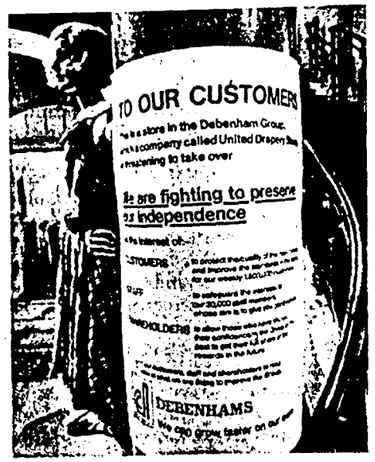
Tobacco

Smoke signals

On Wednesday **Carreras** produced its half-time figures, showing pre-tax profits of £5.2m, against £4.5m last year. The market was slightly disappointed, since the share price had shot ahead on the week after excellent figures from two associates had suggested even better results. But the shares at 52½p are still cheap, on a prospective p/e around 9, although they have been re-rated against other tobacco shares.

Earlier in the week, the chairman of **Gallaher** was hinting at price increases. Certainly all tobacco firms want a price rise, but all are committed to the Confederation of British Industry's price pledge. Since the price leader is **Imperial Tobacco,** and its chairman, Sir John Partridge, is president of the CBI, the prospects of a quick increase are small. But few people doubt that prices will go up before the end of this year, and that should maintain the almost unbroken upward rise in tobacco earnings.

Carreras has called in the consultants, McKinsey, to see if it would pay to merge with two European tobacco groups, Martin Brinkman of Germany and Turmac Tobacco of Holland. Carreras is already well established in Europe, where tobacco sales have been growing steadily. Talks are also going on between Imperial Tobacco and **British American Tobacco,** which could result in a merger in advance of British entry into the common market. If so, the merged company would be the largest in Europe.



Ungenteel appeal

Debenhams

Woman power

Will Debenhams' stalwart lady supporters frustrate rapacious United Drapery Stores? They form the bulk of the 46,000 small shareholders on the register with less than £1,000 each in the company, and Debenhams is cleverly aiming a series of appeals to them. First off were some big bright posters in all 99 stores in the group, including Swan and Edgar and the Cresta chain, referring snappishly to "a company called United Drapery Stores trying to take over" and dealing with sympathy-getting topics like the quality of merchandise and the interests of the staff. This week big red stickers have been added shouting: "Help Debenhams Stay Independent." Next will be car stickers available in the stores and the chairman, Sir Anthony Burney, claims to have a few more cunning tricks up his sleeve.

Surprisingly few companies in the same position have thought of appealing to the well-known loyalty of the ladies, who account for more than half of all private shareholders. The Women's Shareholders Association, now the Small Shareholders Association, fought for years against its members' tendency to stick by their investments out of sentimental attachment long after they should have sold. Not that this is the only reason for holding on to Debenhams, which remains a stubborn 40p to 50p above the UDS offer. It was among the stores shares that helped the London market to see the old financial year out with a bang on Wednesday.

Performance

Paging all pension funds

Astonishingly little attention has been paid to the performance of pension funds. Need for more attention is well highlighted by the Bank of Scotland's recent revelation that it has had to make an extra provision of £7m to meet its pension liabilities. Now, at last, tunes are changing. The Society of Investment Analysts has published a report* showing how to keep an accurate tab on the way pension fund managers handle the vast sums of money under their control. Recently an independent statistical consultant, Mr Ian Clark, started on the hard task of listing pension funds in a league table.

The investment analysts' booklet tackles the big technical problem that has always inhibited any real measurement of performance by the pension funds: namely that the timing of flows of money in and out of the funds can completely distort their results. In the example illustrated by our table below, funds A and B, both of £1,000, are assumed to be invested in identical portfolios. Their performance is to be measured over an imaginary period between October 1st and December 31st. For the first half of this period, up to November 15th, the shares in their portfolios rise by 5%. In the second half they rise by 10%. Fund A receives an inflow of £500 on November 15th, but fund B does not.

In our example, the manager of fund A would be rated better than the manager of fund B only because he happened to take in extra money at a good time for the market. The problem is specific to pension funds because their money flows are both substantial and spasmodic. Insurance funds have a steady flow so the effects of timing even out. Unit trusts value their units before money is invested in them, so unit performance represents performance overall. In other invested funds the flows are usually small.

The mathematical solution to the problem is simple enough for mathematicians. It is summed up in the formula at the bottom of the page for finding the time-weighted rate of return.

Translated from mathematics, almost into English, this means that the time-weighted rate of return is reached by multiplying the ratio of return to fund size over each successive period between money flows. Unfortunately, this requires a valuation of the fund before each money flow. No one wants to bother with this cumbersome and costly procedure just for performance purposes.

The investment analysts' suggested solution hurdles over these difficulties rather neatly. Under it, the straightforward "money weighted" rate of return is measured for the period, and then compared with a national fund invested in the Financial Times all-share index and some standard measure of average fixed-interest performance. Success or failure is then represented as a gain or loss against the notional fund. A further calculation, based on the comparison, can produce an estimated time-weighted rate of return accurate enough for interfund comparisons. Variations in the investment policy of the notional fund can then show the extent to which performance is due to selection of particular sectors or shares by the managers.

*The Measurement of Portfolio Performance for Pension Funds. *Society of Investment Analysts*. 35p.

The problem

	Fund A	Fund B
	£	£
At October 1st	1,000	1,000
At November 14th	1,050	1,050
At November 15th	1,550	1,050
At December 31st	1,705	1,155
Average sum in fund over period =	1,000+ ½ x 500 =1,250	1,000
Return over period	205	155
% return over period	16.4%	15.5%

The formula

$$TWR = \frac{M_1}{M_0} \times \frac{M_2}{M_1 + C_1} \times \frac{M_3}{M_2 + C_2} \times \frac{M_n}{M_{n-1} + C_{n-1}} - 1$$

M_0 = value of the fund at the start of the period
M_1 = value of the fund before the first cash flow
C_1 = first cash flow
M_2 = value of the fund before the second cash flow

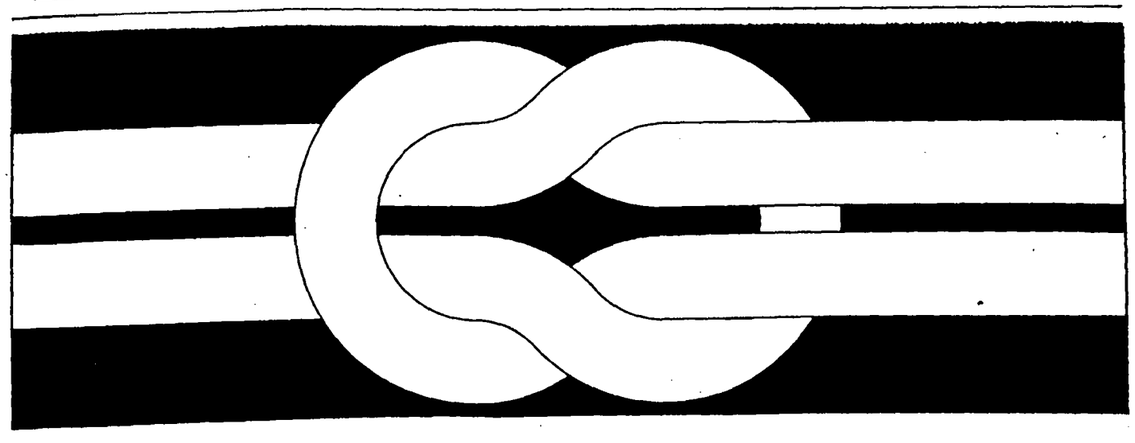
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		19,666	14,747
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Dividend:	fl 5.72 per fl 50 share absorbing	1,144	904

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CHAIRMEN'S STATEMENTS

Carrington Viyella LIMITED

Extracts from the Statement by the Chairman, ***Mr. J. A. Lewando*** *and the Directors' Report for the year ended 31st December, 1971*

RESULTS AND DIVIDEND The consolidated profit for the year before taxation amounted to £5,844,000 compared with £981,000 (the comparative figure represents the consolidated results of the Carrington and Dewhurst Group Limited and its subsidiaries for the nine months ended 31st December 1970 and those of Viyella International Limited and its subsidiaries for the year ended on that date). In view of the considerably improved results the Directors recommend a final dividend of 3%, making the total dividend on the Ordinary Shares 5%, compared with 1% for the period from 5th April to 31st December 1970.

The results show a return on capital employed for 1971 of 9·0% and earnings per fully paid Ordinary Share of 2·1p. The dividend is covered 1·7 times.

RATIONALISATION Rationalisation and integration, started after the merger, has continued throughout the year. Considerable progress has been made in developing a more vertical structure and in the closing or disposal of unprofitable activities.

There is a developing world wide trend for major fibre producing companies to become engaged in yarn texturising as an integrated operation with fibre production. It was therefore agreed during 1971 to sell to ICI our two major texturising units.

OVERSEAS COMPANIES AND EXPORTS The turnover of the Group's overseas companies was £10·7 million. The Group's direct export sales in 1971 amounted to £15·3 million, the main areas of activity continuing to be North America and EFTA.

CAPITAL EXPENDITURE Total capital expenditure of the Group for the year was £7·7 million of which approximately £1·9 million was spent overseas.

PRODUCTIVITY Productivity in the Group showed an encouraging trend in 1971, but the level of performance will have to be improved further to enable the Company to become fully competitive.

EEC With the entry of the UK into the European Economic Community less than twelve months away we look forward to the opportunity of operating in this greatly expanded market and consider that the resources of the Group should place it in a *strong position. The Group is already well* established in the EEC with manufacturing plants in Belgium and Italy.

TARIFFS AND QUOTAS In 1972 a tariff on imports of cotton textiles from the Commonwealth countries has been introduced. In December last year the Government announced that quotas would also be retained on imports of cotton textiles for another year. This policy recognises the need for a transitional period in which both tariffs and quotas exist and has regard to the employment situation and the need to align British commercial policy on textiles with policies in the EEC.

This is welcomed and it is hoped the Government will recognise the need to extend quotas to other sections of the textile industry.

PERSONNEL At the end of 1971 the Group had 31,500 full-time employees in the UK and 1,500 overseas, a net reduction of about 5,000 of which just over 3,000 were transferred as a result of sales of companies.

Industrial relations within the Group have remained very good. In a year of many difficulties our policy of consistency of treatment and early consultation with employees and trade unions has undoubtedly helped to maintain good understanding.

The Annual General Meeting will be held at The Dorchester Hotel, London, on 26th April 1972 at 12 noon.

Copies of the Annual Report can be obtained upon request to The Secretary, 24 Great Pulteney St., London W1R 3DB.

DUNFERMLINE BUILDING SOCIETY

One Hundred and Third Annual General Meeting

A year of substantial progress.

The Society's 103rd Annual General Meeting was held in Dunfermline on 28th March, 1972, Mr Robert L. Veitch, C.A., Chairman of the Society, presiding.

A tribute was paid to the late Mr W. G. Blair whose wise counsel and life-long knowledge of Building Society business had been at the service of the Society since 1947, when he joined the Board of Directors.

The Chairman's Speech

In proposing the adoption of the Report and Accounts for the year ended 31st December, 1971, the Chairman noted that total assets had increased by £2,300,000 to a total of £25,767,870. The Society's advance department had a busy year and total advances for the first time exceeded £4,000,000 and of this figure £1,300,000 related to loans approved in respect of newly constructed houses. The average loan agreed in 1971 was £3,500 as against £3,100 in 1970. Shareholders' funds increased by over £2,000,000, the end of the year total being £24,275,138. The total reserves and carry-forward amounted to £970,768, showing an increase during the year of £69,000.

The Report and Accounts were adopted and the re-election of retiring Directors confirmed.

The Chairman announced, with great regret, that the Board of Directors had recently acceded to Mr Stoddart's request that he might retire from the position of General Manager with effect from 30th April, 1972, after completing 26 years of highly valued and loyal service to the Society. During these years the Society's funds have increased from £2,000,000 to over £25,000,000.

ANGLO-AMERICAN SECURITIES CORPORATION LIMITED

The Twelfth Annual General Meeting of the Company was held on 29th March in London. The Rt. Hon. Lord Latymer (the Chairman) presiding. The following is an extract from the Report of the Directors.

From gross revenue of £2,213,795 as against £2,250,957 last year, the net revenue attributed to Ordinary shareholders increased from £1,407,086 to £1,433,085. This represents earnings on the Ordinary Capital of 2·66p compared with 2·61p last year.

A large part of the liquid funds was reinvested during the year and this has resulted in a considerable reduction in deposit interest which was only partially offset by increased investment income. Furthermore our income from U.S.A. was reduced in terms of sterling due to the depreciation of the U.S. dollar. A final dividend of 1·45p is recommended making a total of 2·45p for the year. Last year a total dividend of 2·375p was paid.

In the year to 15th January 1972 the valuation of investments increased from £55,797,745 to £71,357,541 giving a net asset value of the Ordinary capital of £59,439,784 compared with £45,125,581 at 15th January 1971. This is equivalent to 110p as against 84p at the previous year end.

It is expected that our revenue will be sufficient to maintain the dividend at the increased rate of 3·45p.

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CHAIRMAN'S STATEMENT

The SCOTTISH PROVIDENT Institution

for mutual life assurance

The 134th Annual General Meeting of The Scottish Provident Institution will be held within the Head Office at 6 St. Andrew Square, Edinburgh at 2.30 p.m. on 18th April, 1972.

The following are extracts from a Statement by the Chairman, Mr. J. C. R. Inglis, B.A., LL.B., W.S.

New Business

It is my pleasure to be able to report once again record new business results. Net new sums assured amounted to nearly £124 million, over 20% up on the previous year, and net new annuities exceeded £4 million, over 80% up on the previous year. These figures in themselves give great cause for satisfaction and, when one notices that new annual premium income has increased by 34% and single premiums by over 125%, it is clear that 1971 has witnessed a very substantial expansion in the Scottish Provident's business. I take this opportunity of acknowledging how greatly we value the support of our agents, which has made such figures possible.

New SPI policies

There is no doubt that a great deal of the increase in our new business has been brought about by the two SPI policies to which my predecessor referred last year. It is hard to believe that three years have elapsed since the SPI—Selected Period Investment—assurance was first announced. We still think of it as a new policy and its unique flexibility, so valuable to the younger man or woman, continues to attract favourable comment. In January we introduced two further new contracts, both designed to provide pension and life assurance benefits approved under the "new code" enacted in the Finance Act 1970, and I refer to these again later.

Declaration of Bonus

We have maintained the bonus at £4.20% per annum compound on immediate-profit assurances and at £3.50% per annum compound on Distinctive System assurances where the "accumulation period" has been completed. That immediate-profit assurances have enjoyed a rate of declared bonus of £4.20% for each of the past eight years is surely a record of which to be proud.

Annual accounts

At the time of the last valuation three years ago the Funds of the Institution stood at just over £117 million and total premium income stood at under £11¼ million. Now the Funds exceed £156 million and total premium income for 1971 exceeded £20 million—remarkable progress indeed.

As on the occasion of the previous investigation, the Directors have brought £5 million of capital appreciation into the Revenue Account to increase the surplus available for distribution to policyholders in the form of bonuses. Such has been the increase in the general level of stock exchange security values that during 1971 our investment reserves increased from £19 million to £48 million even after deduction of the £5 million brought into the Revenue Account. At the end of 1971 therefore the value of our total invested assets exceeded £204 million. In view of the fluctuations which take place in stock exchange values the amount of the investment reserves at any given time must also fluctuate but the present relative size of these reserves does underline the exceptional financial strength of the Scottish Provident.

It will be recalled that towards the end of 1970 we borrowed $10 million under two "back-to-back" loan arrangements. By the early part of 1971 all this amount had been invested in high-quality U.S. common stocks, and I am glad to say that at the end of the year there was a useful margin over the amount borrowed.

The major portion of the increase in funds during 1971 was invested in fixed interest redeemable securities and these had shown substantial appreciation by the end of the year. The U.K. ordinary share market rose over the year to a considerably higher level and the Institution benefited from the heavy investment made in ordinary shares during 1970.

Further investment in property continues to be made, a freehold property on an excellent site having been obtained in Birmingham. Our branch office is now accommodated in part of this building. In addition the opportunity has been taken to complete acquisition of a site adjacent to our new head office building and redevelopment is currently in progress.

Pensions developments

I have already referred to our recent introduction of two new pensions contracts, which between them cover the whole field of retirement benefits provision. Both offer attractive terms and have been very well received.

The SPI—Simplified Pension Investment—funding plan is intended for schemes covering at least ten employees, and we have incorporated in its design the best features of traditional insured schemes, managed funds and privately invested arrangements. The plan fully participates in the profits of the Scottish Provident and I am confident that it will compare favourably with other funding media.

The 'E' Type policy has been introduced to deal with key personnel and small groups of employees so that it in effect replaces the existing top-hat contract in the U.K. There are seven component parts to the 'E' Type policy which gives the employer a wide choice as to the type and level of benefits to be provided for any individual employee.

We shall in the course of the next twelve months be in touch with all our pension scheme policyholders to introduce them to our new contracts, and generally to discuss with them the implications of the "new code" of approval and the Government's state pension proposals.

We are very pleased that in the Finance Act 1971 steps were taken to increase the maximum premiums allowable under "self-employed" pension policies and to permit a portion of the benefit to be taken as a lump sum. This mitigated a serious disadvantage suffered by the self-employed in comparison with those in employment. It is appropriate that I should remind our members that the Institution offers an extremely attractive with-profit "self-employed" pension policy.

Head Office: 6 St. Andrew Square, Edinburgh EH2 2YA.

APPOINTMENTS

Kingston Polytechnic

Senior Lecturer/Lecturer II Accountancy (3 posts)

Suitably qualified candidates will be expected to play a leading part in the development of teaching and research in one of the following areas : Capital Budgeting ; Business Finance ; Auditing ; Taxation ; Financial Accounting ; Financial Management.

Senior Lecturer/Lecturer II Marketing (3 posts)

SL/LII in Industrial Marketing
SL/LII in Distribution
LII in Marketing and Communication Studies.

Further details and application forms can be obtained from the Appointments Officer, Kingston Polytechnic, Penrhyn Road, Kingston upon Thames KT1 2EE. 01-549 1366.

Salary Scales : Senior Lecturer £3249-£3613 (bar) £3886
Lecturer II £2473-£3201
(subject to confirmation)

Senior Lecturer/Lecturer II in Economics (3 posts)

preference given to those qualified to teach either Microeconomics (Business Studies and Marketing) or Urban Economics or Macroeconomic theory.

Senior Lecturer/Lecturer II in Quantitative Methods (2 posts)

with reference to business studies and social science.

Senior Lecturer/Lecturer II in Politics

specifically Political Behaviour and Comparative Politics.

New Zealand University of Canterbury
CHRISTCHURCH

University Post-Doctoral Fellowship

Applications are invited for University Post-Doctoral Fellowship in the Department of Sociology :

Applicants should have a strong interest in and knowledge of sociological theory, acquaintance with modern biological sciences and be qualified to work on the problem of sociological paradigm revision.

The emolument will be $NZ5500 per annum. The Fellowship is tenable normally for one year but with the possibility of extension.

Further particulars and conditions of appointment, may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close on *15 May 1972.*

La Trobe University
MELBOURNE, AUSTRALIA

DEPARTMENT OF POLITICS

Lectureship in International Relations

Applications are invited for specialists in any aspect of International Relations. The successful applicant who will be expected to take up duty by March 1973 will be required to construct and teach both introductory and advanced courses in International Relations.

Salary $A6,697-$9,286 p.a. F.S.S.U. type superannuation available.

Further information and application forms are available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572), or from the Registrar, La Trobe University, Bundoora, Victoria 3083, Australia.

Applications close on *31 May 1972.*

Oxford University

Director of Transport Studies Unit

Applications are invited for this post. Stipend on the scale £3,852-£4,734. Details may be obtained from the Secretary of Faculties, University Registry, Broad Street, Oxford OX1 3BD, to whom completed applications (eight typed copies) should be sent by 8 May. Please quote ref 759.

Bogaziçi University

Istanbul

Applications are invited for all ranks (Assistant Professor to full Professor) in ECONOMICS and in BUSINESS ADMINISTRATION from foreigners who have considerable teaching experience in American and English universities.

The language of instruction is English and the University has more than a hundred years of tradition behind it as the former Robert College of Istanbul.

The Economics Department offers only the BA degree at the moment with plans to start the Masters program in 1972-73. Applicants in the field of Monetary Theory or International Trade will be preferred.

The Business Administration Department offers both the BA and MBA degrees. Applications are invited for Operations Research/Production Management, Managerial Finance.

Salaries are attractive. The successful applicants will be required to assume duty on September 1, 1972.

Applications including curriculum vitae and names of three referees should be sent to The Dean, School of Administrative Sciences, Bogaziçi University, Bebek, P.K. 2, Istanbul, Turkey, from whom further information can be obtained.

COMPANY STATEMENT

BANCA POPOLARE DI NOVARA

Statement of Accounts 31st December, 1971

ASSETS

Cash in hand and money orders	L.	14,811,275,560
Call money deposited with other Institutions	,,	284,716,145,421
Bills on hand	,,	161,991,512,122
Loans against securities	,,	64,216,593,195
Contango loans	,,	8,353,820,000
Real estate	,,	10,056,396,578
Bank's own securities — ordinary Govt. Treasury Bills	,,	48,200,000,000
Bank's own securities — Govt. & other secs	,,	145,226,460,152
Current accounts — with banks	,,	107,815,436,487
Current accounts — with branches	,,	51,536,780,792
Current accounts — various and with guarantees	,,	620,004,802,160
Loans and current accounts with public bodies	,,	11,660,718,763
Participations	,,	6,905,951,980
Furniture and fixtures	,,	1
Bills receivable	,,	59,107,412,912
Miscellaneous	,,	40,663,836,865
Tax collecting provincial depts.	,,	8,745,773,037
	L.	1,646,016,916,725
Liabilities of customers for acceptances, confirmed credits, and other obligations	,,	269,496,051,000
Securities held in safe custody	,,	1,103,687,492,560
	L.	3,019,200,460,285

CAPITAL AND RESERVES

Share Capital (6,248,632) shares	L.	3,124,316,000
Reserves (legal and contingency)	,,	29,283,005,142
Funds — credit depreciation fund	,,	2,600,000,000
Funds — securities fluctuation fund	,,	1,000,000,000
Funds — extraordinary fund for real estate	,,	1,330,000,000
	L.	36,337,324,142
Deposit and savings accounts L. 652,805,808,744	L.	1,410,306,074,503
Current accounts with banks and correspondents L. 757,500,265,761		
Current accounts with branches	,,	63,124,729,484
Advances	,,	3,230,000,861
Creditors for bills for collection	,,	37,045,987,657
Cheques outstanding	,,	17,471,348
Bank drafts outstanding	,,	13,788,632,350
Miscellaneous	,,	38,281,73[illegible]
Tax collecting provincial depts.	,,	6,476,120,[illegible]
Staff Provident Fund	,,	27,263,650,894
General Welfare Fund	,,	923,148,380
Real estate sinking fund	,,	358,957,192
Rediscounted assets	,,	3,439,871,000
Net profits to be allocated	,,	3,423,200,337
	L.	1,646,016,916,725
Documentary credits, acceptances and other obligations on account of customers	,,	269,496,051,000
Securities deposited in safe custody	,,	1,103,687,492,560
	L.	3,019,200,460,285

APPOINTMENTS

Coleg Prifysgol Cymru

The University College of Wales
ABERYSTWYTH

Department of Economics
Lecturer

in some aspects of Management Studies.

Applications are invited from persons with an interest in one of the following fields :
Industrial Relations
Financial Management

The appointment will be made on the appropriate point on the scale £1641-£3999.

Application forms and further particulars are available from the Registrar, to whom applications should be returned by 10th May, 1972.

University of Durham

North-East Area Study

Applications are invited for the post of DIRECTOR OF THE NORTH-EAST AREA STUDY established with S.S.R.C. support within the Faculty of Social Sciences. Candidates should be qualified in a social science and have experience of survey research.

The appointment will be for *five years, from as soon as possible.*

Salary on the scale £3,852 to £4734, plus F.S.S.U. Benefits.

Further particulars from the Registrar and Secretary, Old Shire Hall, Durham, DH1 3HP, to whom applications (3 copies), naming three referees, should be sent by 28th April, 1972.

NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION

Applications are invited for the appointment of Local Government Service Conditions Officer at NALGO Headquarters at a salary in accordance with Principal Officer Grade XII (£4185-£4641) plus a London Weighting allowance of £144 per annum.

The duties include participation in the negotiation of salaries and other conditions of service through the N.J.C. for local authorities' staffs, and acting as Staff and Joint Secretary to the N.J.C. and other joint bodies ; assisting in the service conditions work generally and particularly that work relating to the Local Government service membership.

Applicants should have experience in trade union work in all its aspects. Knowledge of the local government service would be an added advantage. The appointment will be to the permanent pensionable staff and the successful applicant will be required to contribute to the Staff Superannuation Fund. It is possible in certain circumstances for appropriate service elsewhere to count for superannuation purposes. Reasonable removal expenses will be paid.

Applications should be made on the official form, a copy of which and particulars of appointment are obtainable from the General Secretary, NALGO House, 8 Harewood Row, London, NW1 6SQ. The closing date is 17th April 1972.

COMPANY STATEMENT

THE SCOTTISH NORTHERN INVESTMENT TRUST, LIMITED

SUMMARY OF RESULTS

	Year to 5th February 1972	1971
Investments at Valuation	£55,642,918	£40,731,741
Total Assets	£55,544,384	£41,281,629
Ordinary 25p Shares in Issue	35,161,219	34,938,120
Asset Value per Share	133.95p	99.70p
Revenue available for Ordinary Shareholders	£694,046	£670,695
Earned per Ordinary Share	12.6%	12.6%
Ordinary dividend rate	12.5%	12%

- The Annual General Meeting will be held on 20th April, 1972 and the final dividend of 1.875p per share, if approved, will be paid on 21st April.
- In December, 1971 the Company borrowed £2,000,000 from Clydesdale Bank Finance Corporation Limited for five years. The funds were invested entirely in the British market with considerable immediate advantage to the Company's capital account. It is estimated that in a full year the revenue derived from the investment of the loan will be more than sufficient to cover the net service charges.
- With regard to the discoveries of oil and gas in the North Sea the Company has made investments in two unquoted companies, Pict Petroleum Limited and Triton Petroleum Limited and its portfolio also includes a representative number of quoted companies with North Sea exploration interests.
- Consideration is being given to increasing the proportion of total funds invested in Europe.
- The prospects for the current year are regarded as favourable. It is intended to maintain the rate of dividend proposed for the year ended 5th February, 1972.

DIRECTORS

R. J. C. Fleming (Chairman)
Sir Ian Forbes-Leith, Bt. — Calum A. MacLeod
Iain Tennant — J. A. Yeoman

REGISTERED OFFICE

Investment House, 6 Union Row, Aberdeen, AB9 8DQ

CHAIRMAN'S STATEMENT

THE MERCHANTS TRUST LIMITED

Extracts from the Statement by the Chairman Mr. G. P. S. Macpherson, O.B.E., D.Litt., in the Report and Accounts for the year ended 31st January 1972

- The Board have recommended an increase in the Final Dividend for the year—4½%, making a total of 8% (1971—7½%).
- Present estimates indicate that earnings should be sufficient at least to maintain the present rate of dividend.
- During the year a further £1,710,000 was invested in the U.K.
- A further $5,000,000 was borrowed and largely invested in North America; there was a disinvestment through the dollar premium market of £1,136,000.
- At 31st January 1972 the proportion invested in the U.K. was 61.5% (1971—55.4%) and in the North American market 30.1% (1971—34.5%). The change is accounted for largely by stock market performance.

	1972	1971
REVENUE AVAILABLE FOR ORDINARY STOCK	£927,865	£869,663
EARNED FOR ORDINARY STOCK	8.1%	7.6%
INVESTED FUNDS		
Net valuation	£45,135,000	£31,258,000
Attributable to Ordinary Stock	£35,294,000	£23,172,000
Net asset value per Unit of 25p	76½p	50p

Managers—Kleinwort, Benson Limited

Annual General Meeting—20, Fenchurch Street, London, E.C.3. Monday ,1st May 1972 at 11.45 a.m.

APPOINTMENTS

SAMUEL OSBORN & CO., LIMITED

ASSISTANT TO GROUP FINANCIAL DIRECTOR

up to £2,500 p.a.

Samuel Osborn is a £20 million public company in special steels, engineers' cutting tools and engineering with substantial overseas interests.
The Group Financial Director, responsible for finance and planning wishes to appoint an Assistant. The work will include appraisal of capital expenditure, new product and marketing proposals and similar financial planning assignments of a 'one off' nature. He will not be involved in the day to day accounting function.
The successful applicant will be a graduate aged 23-25 years, probably with a good degree in economics and/or an M.B.A., having had at least two years' industrial experience. Some knowledge of company accounts would be an advantage.
This appointment represents an outstanding opportunity for a young man with the necessary intellectual and personal qualities to broaden his experience to include finance and corporate planning and to have the opportunity of reporting on matters affecting company policy at Director level.
Please write with full details of education, qualifications and experience to :
R. A. Williamson,
Group Financial Director,
Samuel Osborn & Co., Limited,
P.O. Box No. 1,
Sheffield S3 8JF.

University of Edinburgh

Department of Agriculture

Applications are invited for the post of LECTURER in Agricultural Economics. Applicants should have an Honours degree in Economics or in Agricultural Economics, with post-graduate experience in teaching and research. The post is tenable from 1st October, 1972.

Salary Scale : £1,641—£3,999 per annum.

Applications, by letter (three copies) together with the names of two referees, should be sent to the Secretary to the University, Old College, South Bridge, Edinburgh, EH8 9YL, from whom further particulars may also be obtained. The closing date for applications is 30th April, 1972. Please quote reference 1031

University of New South Wales

SENIOR LECTURER

Department of Finance

Salary : $A9,667 range $A11,130 per annum. Commencing salary according to qualifications and experience.

To participate in the post-graduate programmes in finance and pursue research interests. A higher degree in commerce, economics, arts or other appropriate field required.

Details of appointment, including superannuation, study leave, and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close in Australia and London on *1 May 1972.*

FINANCIAL NOTICE

New Issue

The Bonds were offered and sold outside the United States and Canada. This announcement appears as a matter of record only.

March 30, 1972

US-$ 25,000,000.—

American Motors Overseas Corporation N.V.

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Limited

APPOINTMENTS

University of Cambridge

Department of Applied Economics

RESEARCH WORKERS with appropriate qualifications are invited to apply for posts as Research Officer or Junior Research Officer to work on the Cambridge Growth project which is directed by Professor Richard *Stone. This project* is developing a disaggregated economic model in order to study problems involving growth and fluctuations in the British economy. Applicants should normally have at least a good second-class honours degree, and should be familiar with British economic statistics, and interested in their development for use in a disaggregated model. However, opportunities will exist for work on all aspects of the model.

The pensionable stipends of these posts are under review. At present they range from £1,902 to £2,727 for a *Research Officer, and from* £1,247 to £1,902 for a Junior Research Officer.

Appointments will be made from 1 October 1972 for one year in the first instance, with the possibility of renewal.

Applications, giving personal details, academic qualifications, experience, and research interests, together with the names of two referees, must reach the Administrative Secretary, Department of Applied Economics, Sidgwick Avenue, Cambridge, CB3 9DE, not later than 18th May 1972.

University of Newcastle upon Tyne

Department of Agricultural Marketing

The University invites applications for a post of LECTURER IN MARKETING. Candidates should hold degrees *in a Social Science or in* Marketing and be familiar with quantitative techniques.

Salary will be at an appropriate point on the Lecturers' scale £1,641-£3,705 (maximum to be raised to £3,999 by 1st October, 1973) according to age, qualifications and experience. Membership of F.S.S.U. required.

Further particulars may be obtained from the Registrar, The University, Newcastle upon Tyne NE1 7RU, with whom applications (3 copies), together with the names and addresses of three referees, should be lodged not later than 13th May, 1972. Please quote reference E.

Assistant General Secretary

work may include union negotiation, research, tuition, editing and administration. Scale maximum exceeds £4,500 : starting pay negotiable. Non contrib. pension, 6 weeks' holiday. Applications in confidence to **General Secretary, APOE, 345 Upper Richmond Road West, *London* SW14 8QN** *marked* 'AGS', by 1 May 1972.

University of St. Andrews

Department of Economics

Applications are invited for the ESMEE FAIRBAIRN LECTURESHIP in BUSINESS FINANCE, tenable for five years from 1 October 1972. Salary range £1641—£3411, starting salary not exceeding £2,223. F.S.S.U. Applications, with the names of three referees, should be lodged by 25 April 1972 with the Deputy Secretary of the University, College Gate, St. Andrews, from whom further particulars may be obtained.

FINANCIAL STATEMENT

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange, London.
It does not constitute an invitation to the public to subscribe or purchase any shares.

MERRILL LYNCH, PIERCE, FENNER & SMITH INC.
(Incorporated with limited liability in the United States of America in the State of Delaware)

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Permission to deal in and quotation for the above-mentioned Shares of Common Stock has been granted by the Council of The Stock Exchange, London. Particulars relating to the Corporation are available in the statistical services of the Exchange Telegraph Company Limited and Moodies Services Limited and copies of the statistical cards may be obtained during normal business hours (Saturdays excepted) up to and including 21 April, 1972, from:—

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Woolgate House, Coleman Street, London, EC2R 5BL

APPOINTMENTS

AFRICAN INSTITUTE FOR ECONOMIC DEVELOPMENT AND PLANNING UNITED NATIONS

DAKAR

IDEP, bilingual institute—English and French—will shortly need two editors English and French for an initial contract of one year renewable.

REQUIREMENTS

Applicants must have a Bachelors Degree in Economics with post-graduate work in this field and experience in editorial work. They must be familiar with the current literature on Economic Development and fluent in English or French with a working knowledge of the other.

SALARIES

According to United Nations scale (P.3).

Applications with complete curriculum vitae should be addressed to :

The Director, I.D.E.P.,
P.O. Box 3186, Dakar, Senegal.

to reach him not later than 31st May, 1972.

Cranfield

Centre for Transport Studies

9 Research Officers

The Centre has been awarded a major grant by the Science Research Council for studies of the assessment and development of transport technology. These studies will form part of the joint programme of research being undertaken in collaboration with Loughborough University of Technology.

The work to be carried out at Cranfield consists of two roughly equal parts :—

(i) detailed studies of three major problem areas in the methodology of transport assessment — travel demand forecasting models (particularly modal choice and latent demand), the quantification and comparison of the user and non-user attributes of transport systems, and the relationships between travel demand and system operating characteristics ;
(ii) the application of assessment to three specific areas of transport innovation—V/STOL aircraft, the air-ground interface process and the accommodation of the private car in urban areas.

In addition a critical review will be made on an international basis of the current state of transport technology.

Applications are invited for up to nine Research Officer posts forming part of a large multi-disciplinary team. Members of this team will come from a wide range of backgrounds including engineering, planning, economics and natural sciences. Appointments will be for 2-3 years, at salaries in the range £1,350-£3,705 (with FSSU). The junior posts are suitable for persons with little previous experience of transport studies, and it is possible for such persons to read for higher degrees.

Details of the research programme from the principal investigator Dr. J. M. Clark (telephone 0234-51551, ext. 445). Further information and application form from Assistant Registrar, Cranfield Institute of Technology, Cranfield, Bedford, quoting reference 366.

University of Waikato
HAMILTON, NEW ZEALAND

Appointments in German and Politics

Applications for the posts of SENIOR LECTURERS or LECTURERS are invited from candidates suitably qualified in any of the fields in German and in Politics. For the Politics appointment, preference will be given to persons with interests in public administration, political theory, or comparative government, and in appropriate cases, appointment at the level of *READER* will be considered.

The appointments will be made at an appropriate point within the following salary ranges and scales : Readers, a range $NZ9094 to $NZ10,658 ; Senior Lecturers, a scale $NZ7278-$NZ8579-$NZ9358 ; Lecturers, a scale $NZ5559-$NZ7149. The appointments are to be taken up on 1 February 1973.

Conditions of appointment and details of application procedure are available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572), and the Registrar, University of Waikato, Hamilton, New Zealand.

Applications close on *28 April 1972.*

New Zealand

UNIVERSITY OF CANTERBURY, Christchurch

Chair of Economics

AMENDED SALARY SCALE

The Council of the University invites applications for a Chair of Economics, which is the second established in the Department. The successful applicant will be a research scholar interested in the promotion and development of research in the Department. He may have qualifications in any of the main areas of economics, but some preference will be given to applicants qualified in mathematical economics, *econometrics* or operations research.

At present the salary for a Professor is within the range of $NZ11,698 to $NZ14,947 per annum.

Particulars, including information on travel and removal allowances study leave, housing and superannuation may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel : 01-387 8572).

Applications close on *1 May 1972.*

EDUCATION

The London School of Economics Society Lecture. Professor Gunnar Myrdal on "Crises and Cycles in the Development of Economics." In the Chair Professor Richard Titmuss. Wednesday 12th April at 6 p.m. at the School. Entry free.

Postgraduate Study

in MANAGEMENT. For Graduates of United Kingdom Universities who have First or good Second Class Honours. Those graduating in 1972 are eligible to apply. Tenable for two or three years from October 1972.

British Bank of Commerce Awards

Available for either graduate study for an M.Admin. degree by course work and examination with specialisation in Labour Management or Financial Management within the University of Glasgow division of the Scottish Business School or research in the field of management, leading to an M.Litt. or Ph.D. degree in the University of Glasgow division of the Scottish Business School.

Worth : *Studentships* (M.Admin.) : up to £750 approx. + fees.
Research Scholarships : no fixed amount.

Applications by letter (not later than 1st June 1972) should be sent to : The Administrative Assistant, Management Studies, Adam Smith Building, University of Glasgow, Glasgow, G12 8RT.

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Wolsey Hall
Oxford, OX2 6PR.

For further announcements see pages 5, 90 to 97

APPOINTMENTS

Royal Military College of Science, Shrivenham

Lecturer in Applied Economics and Management

The College prepares military officers and civilian students for degrees in Applied Science and Engineering and runs a number of advanced and postgraduate courses including a course in Liberal Studies for which the academic staff of the Economic, Political and Social Studies Branch are responsible.
The Branch has a vacancy for a Lecturer or Senior Lecturer (depending on age, qualifications and experience) to conduct lectures and seminars in Management Studies, including some Economics, and to carry out relevant research, advance study or other professional activity.
Candidates (aged under 32) must have a 1st or 2nd class honours degree, or equivalent or higher qualification, in an appropriate discipline, preferably with previous teaching experience.
The salary scale will be either £1,387-£2,043 (*Lecturer*) or £2,464-£3,483 (*Senior* Lecturer) with superannuation under FSSU. Starting salary may be above minimum of either scale. Prospects of permanent, pensionable appointment.
For full details and an application form (to be returned by 28 April, 1972) write to Civil Service Commission, *Alencon Link*, Basingstoke, Hants, or telephone Basingstoke 29222 ext 500 or London 01-839 1696 (24-hour " Ansafone " service), quoting S/7944.

To fill up vacancies occurring in its

TEACHING STAFF (male)

for 1972-73, King Abdulaziz University, Jeddah, Saudi Arabia, advertises its need for Lecturers in History Geography, Economics, Business Administration and Public Administration.

Qualifications required : M.A. with Teaching experience or Ph.D. Mother tongue English.

Please contact : **The Saudi Arabian Cultural Attache, 23 Park Square East, London N.W.1.**

HOTELS

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EALING TECHNICAL COLLEGE

Specialist Centre for Higher Education
School of Business and Social Studies

Lecturer in Quantitative Business Analysis

Applications are invited from graduates who have business/industrial experience or who have taken a high degree with a substantial element of Operational Research, Statistics, Economics or Computing. The range of teaching in the School at present extends from basic mathematics, statistics and computing to Part I special papers in the BA (Business Studies) and the BA (Economics) honours courses and the person appointed will be expected to share in this work and to develop further interests in one of the areas of teaching. Suitable research and consultancy are encouraged.

Lecturer in Sociology

Applications are invited from graduates to teach Sociology mainly on honours degree courses in Business Studies, Economics and Law. Applicants should have wide interests in Sociology and the ability to offer a specialism, preferably in relation to the main degree subjects.

Salary : Lecturer I or II according to qualifications and experience :
Grade I—£1,375-£2,507 + £118 London Allowance
Grade II—£2,195-£2,875 + £118 London Allowance

Further details and application form from the Registrar, Room No 28 Ealing Technical College, St. Mary's Road, Ealing W5 5RF—or Tel : 01-579 4111 Ext. 287. Closing date for applications : 27th April.

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For further appointments see pages 5, 90 to 96

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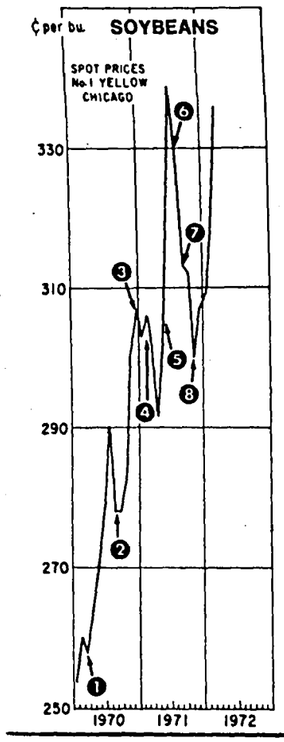
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An initial investment of £3,000 upwards secures annual profits of 25%. And more. Free feasibility study carried out for potential sites.

Finance and servicing arranged.

Sites available for potential investors.

Write for further information to A. Massey, **138 Trinity Road, S.W.17.**



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1. **March 1970** — BUY.
2. **August 1970** — BUY.
3. **December 1970** — lower prices first quarter 1971.
4. **February 1971** — make major commitments around 287 — 290.
5. **June 1971** — prices above 340 soon.
6. **August 1971** — BUY late October early November.
7. **September 1971** — prices at 285 undervalued.
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For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

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PROFIT AND DIVIDEND

	Year ended 31.10.71	31.10.70
Profit after tax	£1,221,383	£1,204,739
Dividend for year, gross	£868,734 (37½%)	£868,734 (37½%)

CROPS HARVESTED

Rubber—kg.	14,035,070	13,113,490
Palm oil & kernels—long tons	18,968	15,859
Copra—long tons	366	465

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Rubber, Oil Palms and Coconuts—
43,988 acres

Annual General Meeting—27th April 1972

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Overseas Representative Offices:
80 Wall Street, New York, N.Y. 10005, U.S.A.
Ceveal House, 58 Mark Lane, London, E.C.3.

STOCK PRICES AND YIELDS

Prices, 1971–72 High	Low	British funds		Price, Mar. 28 1972	Price, Apr. 5 1972	Net red. yield, Apr. 5 1972§ £p	Gross red. yield, Apr. 5 1972 £p
98⅛	92⅜	British Electric 3%	1968–73	98¹³/₃₂	98¹³/₃₂	2·730	4·545 *f*
88⅛	70⅜	British Electric 3¼%	1976–79	85⅛	85¼	4·455	6·095 *f*
111¼	92⅜	Treasury 8¼%	1980–82	106¼	107⅜	4·115	7·510 *f*
110⅜	90¼	Treasury 8¼%	1984–86	105	106¼	4·560	7·955 *f*
96	76	Funding 6½%	1985–87	88½*	89¼*	4·905	7·685 *f*
66¼	47⅛	British Transport 3%	1978–88	61⅞	62⅛	5·325	6·980 *f*
85⅛	66⅜	Funding 6%	1993	78⅛	79	5·260	8·115
111	93⅞	Treasury 9%	1994	106¼	107	5·035	8·540
57¾	41⅝	British Gas 3%	1990–95	52⅝*	52⅞*	5·425	7·255 *f*
89⅛	72¼	Treasury 6¾%	1995–98	81⅞*	82⅜*	5·285	8·385 *f*
73⅛	57¾	Treasury 5½%	2008–12	66⅛	67⅜	5·275	8·365 *f*
43⅛	36	War Loan 3½%	after 1952	40⅝	41	5·215	8·800 *f*
30⅛	25⅛	Consols 2½%		28⅛*	28⅛*	5·240	8·740 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	104–5	104–5	8·21
Barclays 8¼%	1986	101–2	101⅛–2⅛	7·79
Borg Warner 8%	1979	101–2	101–2	7·48
Commercial Union 8½%	1986	101⅛–2⅛	101⅛–2⅛	8·04
Esso 8%	1986	100⅜–1⅜	100⅜–1⅜	7·65
Ford 8%	1981	101–2	101–2	7·56
General Motors 8¼%	1986	104–5	104–5	7·96
General Telephone & Electric 8¼%	1986	100⅜–1⅜	100⅜–1⅜	7·89
Shell 8%	1986	100⅜–1⅜	100⅜–1⅜	7·58
Hill Samuel 8½%	1986	100⅜–1⅜	100⅛–1⅛	8·18
Rank 8¼%	1986	101⅜–2⅜	101⅜–2⅜	8·24
Transocean Gulf 8%	1986	100⅛–1⅛	100⅛–1⅛	7·68
Firestone (DM) 7¾%	1986	106–¾	106–¾	6·99
Prov. of Nova Scotia (DM) 7¾%	1986	106–¾	106–¾	6·99
ICI (£/DM) 8%	1986	105⅛–6⅛	105⅛–6⅛	7·28

Prices, 1971–72 High	Low	Ordinary stocks	Price, Apr. 5, 1972	Change on week	Yield Apr. 5
		Banks, other financial			
347	268	Algemene Bank	Fl 344	...	4·9
78	57·8	Amsterdam-Rot	Fl 74	+4	4·6
360	257	Aust & NZ Bank	348p	−2	2·9
391⅜	303⅜	Bank of America	$397½	+⅝	2·8
445	300	B of Ireland	420p	+10	3·3
1131¼	700	B of Montreal	937½p	−37½	3·4
116⅝	85	B Nac de Mexico	P 92	−1½	8·2
445	308	B of NS Wales	445p	...	2·1
690	337½	B of Scotland	660p	+10	3·1
2625	2310	B Bruxelles	Fr B 2560	...	4·7
266⅛	221	B de Paris Pays Bas	Fr 266	+9	4·8
64¾	54⅛	Bankers Trust	$61⅞	+⅛	4·6
870	327½	Barclays	870p	+12	2·2
15⅞	9⅞	Can Imp Com	£13*	−⅛	2·1
111	78	Charterhouse Group	103p	−1½	4·0
60⅜	52	Chase Manhattan	$58⅛	−⅜	3·4
59⅛	51⅜	Chemical Bank NY	$56⅛	−2	5·1
257	235½	Commerzbank	DM 250½	−3½	3·4
175	144½	Credit Commercial	Fr 169	+5	3·0
427	570	Credit Foncier	Fr 427	+27	5·0
4225	3695	Credit Suisse	Fr S 3885	+25	2·1
350	313½	Deutsche Bank	DM 344½	−3½	2·6
288	269½	Dresdner Bank	DM 280	−4	3·2
55⅜	43⅛	First Nat City	$54⅞	+1⅞	2·4
425	355	Fuji	Y 425	+15	1·4
404	212½	Hambros	404p	+6	1·9
190	72	Hill, Samuel	190p	+10	2·0
1⅜	1⅛	IOS Mgnt	$1⅛	⅛	...
15⅞	8⅝	Hongkong & Sh	£15½	...	2·3
172	73	Kleinwort Benson	167p	+5	2·3
6800	5830	Kredietbank	Fr B 6800	+80	2·7
395	330	Kundenkredit	DM 381	−3	2·7
2160	1840	Lambert L'ind	Fr B 2145	+5	3·7
445	258	LBI	445p	+42	2·3
850	310	Lloyds	808p	...	1·9
36½	30	Manuf's Hanover T'st	$34	−1¼	4·6
65700	62570	Mediobanca	L 65700	+1400	1·7
278	140	Mercantile Credit	272p	+2	2·8
210	102	Mercury Secs	202p	+2	1·5
745	287½	Midland	744p	+22	2·4
260	202	Mitsui	Y 251	+19	2·0
273	113	Montagu Trust	273p	+6	1·3
84⅝	71⅛	Morgan J P	$83⅞	+⅛	3·4
515	260	Nat & Grindlays	495p*	+10	3·3
3·87	2·07	Nat Australasia	$A3·93	+0·06	3·0
242	91⅛	Nat Com Grp	232p	+2	2·0
862	323⅛	Nat West	860p	+2	2·1
144	120	Norsk Creditbk	%122	+2	7·4
17	11⅝	Royal Canada	£15	⅛	2·4
860	412½	Schroders	860p*	+55	1·2
398	192½	Slater Walker Secs	397p*	+4	2·1
3100	2945	Soc Gen de Banque	Fr B3100	+10	4·5
2800	2645	Soc Gen de Belgique	Fr B2645	+15	5·3
430	200	Standard & Chart	425p	+25	2·8
384	280	Suez	Fr 382	+12	4·9
433	365	Sumitomo	Y 433*	+18	1·4
4170	3710	Swiss Bank Corp	Fr S 4090	−45	2·0
4290	3885	Union Bank Switz	Fr S 4290	+35	2·3
560	320	Union Discount	540p	−5	4·4
285	134	United Dom Tst	279p	+5	2·2
		Insurance			
66	58	Aetna Life & Cas	$62⅛	+⅛	2·6
475	388	Allianz Versich	DM 466	+1	1·3
516	320	Comm Union	504p	+6	2·3
572	271¼	Eagle Star	558p	−4	2·1
214	164	Gen Accident	214p*	+13	3·1
50600	48350	Generali	L 50600	+1200	0·9
312	167	Gdn Royal Exch	300p	+6	2·7
414	237½	Legal & General	414p	+34	2·6
90	65·8	Nat Nederlandn	Fl 88	+8	2·3
396	226¼	Pearl	384p*	−8	2·9
310	172½	Phoenix	302p	−2	3·2
224	171	Prudential	204p*	−6	2·9
452	265	Royal	438p*	−6	3·4
578	301	Sun Alliance	554p	+4	3·0
362	285	Taisho Mar & F	Y 316	−21	1·7
545	476	Tokio Marine	Y 505	−30	1·1
5800	4775	Zurich Ins	Fr S 5690	+90	3·1

Prices, 1971–72 High	Low	Ordinary stocks	Price, Apr. 5, 1972	Change on week	Yield Apr. 5
		Breweries, etc.			
112⅛	61⅛	Allied Breweries	112½p	+5½	3·1
69	37½	Anheuser-Busch	$66⅜	+1¼	0·8
173	95	Bass, Charrington	173p	−2	2·9
165	117	Bols NV	Fl 153·8	+9·3	2·3
173½	88⅛	Courage	173p	+3	2·2
187½	125⅝	Distillers	183p	+8	3·5
37¼	33⅜	Distill Seagrams	$34⅛	−⅛	2·0
465	385	Dortmund Union	DM 450	−5	2·2
216	130	Guinness	207p	+1	3·5
282	238½	Heineken	Fl 269	+12	1·3
144	75	IDV	144p	...	2·1
268	234	Kirin Brewery	Y 268	+5	2·8
18⅛	15⅜	Nat Distillers	$16⅛	+⅛	5·6
114	63¼	Scottish & Newc	112½p	+1½	2·5
96½	70	Sth African Br	95½p	+4	3·2
264	90⅝	Watney, Mann	242p	−1	2·2
110⅛	51⅞	Whitbread 'A'	107p	+1½	2·9
		Building, building materials			
479	228¾	Assoc Portland	479p	+18	2·7
223	101⅞	BPB Industries	219p	+3	2·9
20⅝	16	Boise Cascade	$17⅜	−⅛	1·4
311	108	Bovis Holdings	306p	−4	1·6
245	195	Ciments Lafarge	Fr 245	+6·2	5·7
2625	2100	Cimenteries Briq	Fr B 2625	+30	4·2
352	103	Costain	323p	−2	3·5
126⅛	83	Eng China Clays	120p	+7½	2·2
22175	19050	Italcementi	L 20500	+920	2·4
220	70	Laing 'A'	218p	+1	1·0
159	53¾	London Brick	150p	+6½	2·5
212	37½	Marley	195½p	+2½	2·8
360	175	Pilkington Bros	354p	...	2·8
158	53⅛	Redland	155p	+1	1·9
177	90¾	Rugby Portland	165p*	+6	2·3
199	114	Steetley	155p	−3	3·4
292	143¾	Tarmac	287p	+1	3·0
360	132¼	Taylor Woodrow	324p	...	1·8
275	106	Wimpey	255p	+7	1·0
		Catering, hotels, entertainment			
198	126¼	ATV 'A'	157p	+4	4·5
55⅞	45⅛	CBS	$54⅛	+⅛	2·6
244	118	Granada 'A'	230p	−7	2·4
275	110½	Grand Metropolitan	242p	+6	1·1
55⅝	43⅞	Holiday Inns	$53⅞	+⅛	0·5
705	395	Lyons 'A'	698p	−2	1·9
228	116	Trust Houses-Forte	216p	−7	4·6
		Chemicals			
77·1	63·6	AKZO	Fl 65·9	2·9	6·1
815	734	ANIC	L 746	−11	6·7
40¼	33⅛	Amer Cyanamid	$38⅛	+⅛	3·2
168	137	BASF	DM 164½	...	...
151·6	129·2	Bayer	DM 149·3	+3½	...
2940	2580	CIBA-GEIGY	Fr S 2835	−65	0·8
88	78	Dow	$88	+2½	2·0
175½	144¼	Dupont	$174	+4⅜	2·9
392	220	Fisons	392p*	+21	2·9
30⅛	25⅜	W R Grace	$26⅛	−⅛	5·7
176·9	146	Hoechst	DM 173½	+0·2	...
335	230	ICI	267p	−13	3·8
148	77	Laporte	93p	+1	2·2
54⅜	46	Monsanto	$52⅛	−1½	3·5
751	664⅛	Montecatini-Edison	L 686	+11	...
1010	875	Norsk Hydro	Kr 980	−5	1·1
199	156	Rhone Poulenc	Fr 199	+8·4	6·0
2620	2370	Solvay 'A'	Fr B 2595	+10	6·0
184	136	St Gobain	Fr 184	+11	5·0
207	198	Takeda Chemical	Y 207	+6	4·1
47	41⅞	Union Carbide	$45⅛	+⅛	4·4
		Coal & steel			
4645	3875	Arbed	Fr B 4645	+355	5·4
34⅛	28¼	Bethlehem	$34⅛	+⅛	3·5
12·80	11·65	Broken Hill Pty	$A 12·55	−0·20	...
162·6	136·6	Denain Longwy	Fr 161·1	+2·6	8·4
321	286	Finsider	L 290	+3	12·9
145	134	Fried Krupp	DM 143·8	+0·1	6·8
159	151	Granges A B	Kr 158	−2	7·5

Prices, 1971–72 High	Low	Ordinary stocks	Price, April 5, 1972	Change on week	Yield April 5
71·8	58·7	Hoesch	DM 69½	−1·7	4·4
73	60·9	Hoogoven	Fl 70½	−1¼	5·7
183½	145½	Mannesmann	DM 181	+3½	6·6
60	52	Nippon Steel	Y 56*	+4	8·9
91·2	65·2	Rheinstahl	DM 89·8	−0·7	5·6
85·8	68	Thyssen Huette	DM 81·8	−2·7	4·3
185½	140	Ugine Kuhlman	Fr 185½	+8	7·3
34⅛	30⅜	US Steel	$33¼	+¼	4·8
104·9	85·9	Usinor	Fr 103·7	+0·4	8·7
51⅜	40	Wendel-Sidelor	Fr 51	+1·1	9·6
		Electrical, electronics			
185½	132½	AEG Telefunken	DM 181½	+4	2·8
295	266	ASEA	Kr 273	−2	3·7
206	122	BICC	181p*	−1	4·3
478	402	CGE	Fr 473½	+15½	4·3
189	56½	Chloride Electric	188p	+4	2·4
75⅝	56⅝	Comsat	$64¼	+2½	0·8
385	165	Decca	385p	+5	2·4
232	124	EMI	225p*	+1	2·8
262	181	Electrolux 'B'	Kr 262	+18	3·8
295	263	LM Ericsson 'B'	Kr 285	+1	1·9
67¼	46⅜	General Electric	$67¼	+2⅜	2·1
195	90	GEC	184p	+2	2·0
33	29⅜	Gen Tel & Elec	$29⅝	−⅜	5·2
124	106	Hitachi	Y 118	−1	5·1
160	127½	Honeywell	$147	+4⅜	0·9
75¼	32	Hoover	$75¼	+2¼	1·6
392	331¾	IBM	$392	+7½	1·3
175	103	Int Computers	153p	+7	7·3
91	78·1	Machines Bull	Fr 80	−1·1	...
720	509	Matsushita	Y 699	+34	1·4
712½	426	Philips	680p	+10	2·9
167	100	Plessey	141p*	+2	3·5
45	36¾	RCA	$39⅛	+1½	2·6
127	64⅜	Rediffusion	125p	...	3·3
178¼	67	Reyrolle Parsons	107p	+8	(n)
264	204·3	Siemens	DM 260½	¶+3½	2·7
4529	3240	Sony	Y 4455	+76	0·3
38¼	29¾	Sperry Rand	$34⅛	−⅜	2·0
145	117½	Texas Instruments	$135⅛	+2⅜	0·6
132·2	95	Thomson-Houston	Fr 132·2	+3·2	4·5
542	257	Thorn Electrical	528p	−2	1·1
77	69	Toshiba	Y 69	...	7·2
56	41⅞	Western Union	$53⅛	+⅛	2·6
49⅞	43	Westinghouse	$49⅝	+2¼	1·8
		Engineering, shipbuilding			
237	123½	Acrow 'A'	225p	−8	2·1
234	214	Atlas Copco	Kr 234	+7	2·2
85	17½	BSA	39½p	+1½	...
390	225	Babcock & Wilcox	390p	+5	2·6
187	100	John Brown	185p	−4	7·3
1460	1150	Brown Boveri 'A'	Fr S 1360	+20	3·7
98½	56¼	Cohen 600	94½p	+2½	4·8
71	36	Davy Ashmore	68½p	+1	1·8
199	167	Demag	DM 199	+7	4·0
60	36	B Elliott	52p	+1	1·2
166½	109	Firth Cleveland	140p	−2	5·0
428	271	GKN	385p	−3	3·3
179½	148⅛	Gutehoffnungs	DM 176	−⅛	4·0
37	12½	Harland & Wolff	27½p	−1½	...
82	32½	Head Wrightson	76p	−1	3·9
71	40	Alfred Herbert	51p	+5	...
93	77	IHI	Y 78	+1	7·7
25½	9¼	Inter Combstn	21p	−1	...
152	81	Inter Comp Air	144½p	−⅜	2·4
66	19⅜	Laird Group	60p	−3½	...
200	169	MAN	DM 196	+8	4·6
104	56	Mather & Platt	101½p*	−2½	3·0
420	277	Metal Box	392p	+10	3·2
87	77	Mitsubishi Heavy	Y 77	...	7·8
140	101⅞	Morgan Crucible	126p	−1	4·2
413	369	SKF 'B'	Kr 400	...	3·0
77	31¼	Serck	74p	−1	2·7
180	97½	Simon Engng	122p	...	6·1
84	33⅜	Stone-Platt	84p	+8	3·2
94	49	Swan Hunter	93p	+⅛	2·2
3800	3020	Sulzer	Fr S 3550	+50	3·9

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ¶ Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*l*) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

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Prices, 1971–72 High	Low	Ordinary stocks	Price, Apr. 5, 1972	Change on week	Yield Apr. 5
		Food, pharmaceuticals			
500	437	Tube Investments	476p*	-4	4·0
28⅛	23⅜	US Industries	$24⅛	-⅜	2·5
110	82	Vickers	105p	+5	...
140	93	Weir Group	140p*	+5	3·9
123	51⅛	Thos W Ward	109p*	-6	3·9
79	42⅞	Assoc British Foods	78½p*	-½	2·3
82½	36½	Assoc Fisheries	70½p*	-4	5·3
117⅜	82⅜	Avon Products	$117¼	-⅜	1·1
358	225	Beecham Group	298p*	-2	2·1
188	139·1	Beghin	Fr 187	+11	5·2
89½	51½	Brooke Bond 'B'	84p	-1½	3·2
114½	87½	Cadbury Schweppes	114½p	+8½	3·6
259	66¼	Cavenham	250p	+7	1·4
66⅝	43½	Colgate-Palmolive	$65⅞	-⅛	2·2
5·56	4·80	Col Sugar Ref	$A5·28	-0·04	...
134	48¾	Fitch Lovell	132p*	-1	2·3
44¼	28⅛	General Foods	$28⅛	-⅛	4·8
49	31¼	General Mills	$42⅞	-⅝	2·3
545	437	Glaxo	545p	+23	1·8
47⅛	34	Heinz	$44⅛	-⅛	2·2
194500	176500	Hoffman La Roche	Fr S 193500	+2750	0·6
47⅜	38¼	Krafteo	$44⅛	+⅛	3·8
2099	1425	L'Oreal	Fr 2099	+51	1·2
2750	2595	Motta	L 2661	+10	...
3615	3000	Nestlé	Fr S 3550	-60	1·9
42¾	35¼	Pfizer	$40⅞	-⅛	1·5
90	56⅜	Procter Gamble	$90	+1⅝	1·7
235	88¾	Ranks-Hovis	227p*	+4	3·5
373	270	Reckitt & Colman	373p	+6	2·3
5150	4180	Sandoz	Fr S 4925	-85	1·3
81	26½	Spillers	81p	+3½	2·9
45	29¼	Swift	$33⅛	+⅜	2·1
205	179	Tate & Lyle	205p	+24½	4·9
184	79⅜	Unigate	184p	+1	2·2
394	215	Unilever	375p	-1	3·0
138·7	79·4	Unilever NV	Fl 136·6	-0·7	4·6
338	121⅞	United Biscuits	322p*	-3	2·5
		Motors, aerospace			
57	30	BLMC	45p	+2	4·4
25⅛	14	Boeing	$17⅜	-5⅛	2·3
55⅛	38¼	Caterpillar Tract	$53¾	+⅛	2·6
34⅜	25	Chrysler	$34⅜	+1⅛	1·7
91½	79·1	Citroen	Fr 91½	+8	...
406	323	Daimler-Benz	DM 398	-4½	2·1
201	124	Dunlop	190p	+9	4·3
2290	2068	Fiat	L 2192	+76	5·5
56	20	Firestone Tire	$25¼	-⅜	3·1
75	54⅜	Ford	$74⅞	+1⅛	3·5
31	18⅜	General Dynamics	$29⅞	+2⅛	...
89⅝	76¼	General Motors	$84¼	+⅞	4·0
34⅞	27⅜	Goodyear	$31⅞	+1⅛	2·7
379	123	Hawker Siddeley	363p	+1	3·6
379	254	Honda	Y 340	-34	2·6
202	155	Komatsu	Y 202	+12	4·2
14⅜	8⅛	Lockheed	$13⅜	+⅛	...
450	156	Lucas	402p*	...	2·5
14⅝	8⅛	Massey Ferguson	$C 13⅛	-⅛	...
45	21¼	McDonnell Douglas	$44⅛	-⅛	0·9
1399	1229	Michelin 'B'	Fr 1399	+39	1·4
500	246	Nissan Motor	Y 500*	+6	1·6
35⅜	19⅛	N Am Rockwell	$32⅛	-⅜	4·3
338	242	Peugeot	Fr 338	+44·4	3·1
1784	1540	Pirelli-Spa	L 1695	+52	6·5
231	92½	Smiths Indust	220p	+12	2·8
207	186	Steyr-Daimler-Puch	⅋204	+5	4·4
607	405	Toyota Motor	Y 606	+16	1·3
44	24⅜	United Aircraft	$33⅛	+⅝	5·4
163·8	133¼	Volkswagen	DM 160	-1·8	...
265	226	Volvo	Kr 265	+10	1·5
73⅛	30	Westland	63p	...	4·8
112	92	Wilmot-Breeden	108p	+8	3·3
		Office equipment, photographic			
228	180	Canon	Y 188	-5	4·0
121	72¼	Eastman Kodak	$121	+2⅛	1·1
427	380	Fuji Photo	Y391	-9	1·9
1750	1600	Gevaert Agfa	Fr B 1630	-85	3·7
207	115	Gestetner 'A'	157p	...	1·8
381	349	Nippon Optical	Y 358	+6	2·1
1715	1439	Olivetti	L 1597	+77	4·4
248	228	Ozalid	248p	+10	2·5
129	77⅛	Polaroid	$128	+⅜	0·2
1081	667½	Rank 'A'	1000p	+8	1·1
144⅝	85⅛	Xerox	$143¾	+⅛	0·6
		Paper, publishing			
110	99	Borregaard	Kr 108	-1	...
197	133	Bowater Paper	158p	-1	3·2
124	66	Bunzl Pulp	112p	...	4·0
37¾	27⅝	Crown Zellerbach	$30⅜	-⅜	3·9
169	110	DRG	150p	-10	4·8
28	20¼	MacMillan Bloedel	$C 24⅛	-⅜	...
24	15⅞	McGraw Hill	$18	-⅛	3·3
292	207	News International	292p	+7	3·2
200	97½	Pearson Longman	196p	+6	2·6
303	274	Reed Int	303p	+4	4·0
134	78	Thomson Org	138p*	+2	5·3
		Property			
132	61	Capital & Counties	125½p	+9	2·1
600	274½	Hammersons 'A'	540p	-15	1·2
229	121	Land Securities	214½p	-1½	2·0
147	64¼	LMS	143p	-4	1·6
260	118½	MEPC	248p*	+3	2·1
208	58	St Martins	205p	+4	1·4
310	293	SG Immobiliare	L296½	-1½	3·4
356	259	Star (Gt Britain)	356p*	+26	2·5
815	416	Stock Conversion	735p	-15	0·8
203½	150½	Trafalgar House	188½p	+1	2·1

Prices, 1971–72 High	Low	Ordinary stocks	Price, April 5 1972	Change on week	Yield April 5
		Transportation			
48⅛	22⅛	American Airlines	$48¾	+3	...
270	152	Brit & Comm	255p	-2	3·1
15¼	11⅜	Canadian Pacific	$C15	...	...
410	262	Furness Withy	336p	-2	4·5
25¼	16	Greyhound	$19⅜	...	5·1
2200	1580	Japan Air Lines	Y 2200	...	1·8
131½	115	KLM	Fl 129	+7·2	...
76¼	63·7	Lufthansa	DM 73	-1	3·5
174	92	Ocean Steam Ship	147p	-2	4·8
20	10¼	Pan American	$15⅞	+1⅛	...
250	186	P & C Defd	243p	+2½	4·9
760	485	Swissair (Bearer)	Fr S 705	2	4·2
56⅜	13⅜	TWA	$56⅛	+5	...
52	21¾	UAL	$52	+4¼	...
		Stores			
277	130	Boots	277p	+5	2·0
315	144¼	Brit Home	303p	+1	2·1
305	155	Burton Group	295p	...	2·0
360	158	Debenhams	345p	+11	2·9
151	119·8	Galeries Lafayette	Fr 151	+8½	...
390	290	Galerias Precdos	⅋377	+5	3·0
334	191	Grattan Ware	328p	+1	2·1
32½	18	Great Atlantic	$19¼	-⅛	6·7
317	180½	GUS 'A'	317p	+5	2·2
284	107¼	House of Fraser	280p	...	2·9
1800	1460	Innovation	Fr B 1800	+60	5·0
98·4	82·3	KBB	Fl 98·4	+1·4	3·7
409	330	Karstadt	DM 400	-½	2·5
295	243	Kaufhof	DM 288	+2	3·5
585	484	La Redoute	Fr 585	+31	2·1
259½	227	La Rinascente	L 237½	+8¼	3·4
38½	27⅜	Marcor	$28½	+¼	2·8
331	194⅜	Marks & Spencer	304p	-2	2·3
471	410	Mitsukoshi	Y 456	15	2·0
2·30	1·70	Myer Emporium	$A2·30	+0·15	...
136	80	Neckermann	DM 136	+2	2·2
174	113	Nouvelles Gals	Fr 157	+4	2·6
77¼	54⅜	JC Penney	$77⅛	+2¼	1·3
153·8	130·7	Printemps	Fr 153·8	+5·8	...
394	176¼	Provid Clothing	363p	...	2·3
220	162	Sears 'A'	220p	+20	2·3
114⅜	75⅛	Sears Roebuck	$114¼	-⅛	1·4
800	332½	WH Smith 'A'	795p	-5	1·7
86	75⅛	Tesco Stores	86p	+1½	1·6
164	77⅞	United Drapery	155½p	-3	3·6
55¼	35⅝	Woolworth	$42⅛	+⅛	2·8
		Textiles			
38⅞	33¼	Burlington	$38¾	+⅛	3·6
150	70	Carpets International	150p	+5	4·3
80	45	Coats Patons	69½p	+1	5·0
150	107	Courtaulds	140p	-5	4·9
102	75	Dollfus-Mieg	Fr 101·8	+5⅛	5·1
58½	32¼	English Calico	58p	+2	4·3
1813	1245	Snia Viscosa	L 1294	+39	...
31⅛	25⅞	Stevens, JP	$29¼	+1	5·2
77	71	Teijin	Y 74	+3	8·1
106	95	Toray Ind	Y 104	-2	8·2
57½	43	Woolcombers	45p	-2	...
		Tobacco			
391	265	Brit Amer Tobacco	303p	-2	4·1
203	103½	Gallaher	197p	+8	5·3
116	64⅜	Imperial Tobacco	116p	+8	4·5
73	51	RJ Reynolds	$73	+1	3·3
		Utilities			
53⅞	41½	AT & T	$43⅜	+⅛	6·0
855	790	Chubu	Y 831	-9	6·0
840	780	Chugoku	Y 820	+11	6·1
29	24¼	Cons Edison	$26	+⅛	6·9
2875	2600	EBES	Fr B 2845	-10	5·5
2235	1995	Intercom	Fr B 2235	+30	5·4
836	780	Kansai Electric	Y 816	+11	6·1
191	178½	RWE	DM 186	+1½	4·3
845	795	Tokyo Electric	Y 830	-2	6·0
105	89	Tokyo Gas	Y 92	...	6·5
		Investment trusts			
279	172	Alliance Trust	270p	-4	2·2
178	106	Atlas Electric	177p	+2	2·2
168½	82⅛	BET Deferred	162½p	-1½	3·4
98½	66	British Assets	93p	-4	1·6
176	109	Cable Trust	176p	+2	2·4
192	118	Foreign & Col	183p	-8	1·6
178	108	Globe Investment	178p	+4	2·2
163	94½	Industrial & Gen	163p	+5	2·6
71	44	Mercantile Inv	70½p	+1	3·0
250½	225½	Robeco	Fl 247	+2½	4·8
198	149·8	Rolinco	Fl 190	+2½	1·6
117	68½	Witan Investment	114p	-3	1·5
		Multi-product, miscellaneous			
413	356	Air Liquide	Fr 413	+16	3·3
1390	1088	BSN	Fr 1390	+50	2·0
194	68¾	Bookers	194p	+14	3·4
230	138	British Match	182p	+7	5·2
75½	50	British Oxygen	71½p	+4½	4·2
132	78⅛	British Ropes	117p	+1	3·8
77	28⅛	Cape Allman	66p	-1	4·3
271	120	Dalgety	259p	-6	3·8
249	117	De La Rue	200p	+7	5·6
35¼	19	Engelhard Minerals	$25⅞	-⅜	1·6
42⅞	19⅝	Gulf & Western	$42⅞	+⅝	1·4
87	46¾	Halliburton	$85⅛	-1	1·2
482	220½	Hays Wharf	473p	-2	1·5
1062½	735	Hudson's Bay	875p	-30	2·5
67	46⅞	IT & T	$59	+3	1·9
540	198¾	Inchcape	523p	+1	2·3
416	345	C Itoh	Y 393	-1	1·5
25⅜	7⅝	Ling-Temco-Vought	$11⅜	-⅛	...
33⅛	19	Litton Industries	$19⅛	+1⅛	...
148⅛	95⅜	Minnesota Mining	$147¼	-1¼	1·3

Prices, 1971–72 High	Low	Ordinary stocks	Price, Apl. 5 1972	Change on week	Yiel Apl. 5
266	202	Mitsubishi Shoji	Y 266	+6	2·6
305	219	Mitsui	Y 300	+5	2·3
283	117½	S Pearson & Son	282p	+2	2·0
43¼	28⅛	TRW	$31¼	1	3·3
29⅜	22	Tenneco	$24⅛	...	5·4
36⅞	30¼	Textron	$34	-⅜	2·6
174	67½	Thomas Tilling	173½p*	-½	2·4
244	204	Turner & Newall	244p	+6	4·4
		Oil			
614	545	Aquitaine	Fr 604	-3	3·0
632	403	BP	520p*	-6	4·1
477	297⅛	Burmah Oil	380p	-14	4·3
229½	205	Cie Petroles	Fr 226	-3	5·3
93½	83·6	Gelsenberg AG	DM 90	-1½	4·4
33⅛	24½	Gulf Oil	$25⅛	+⅛	5·8
59⅝	47⅛	Mobil Oil	$51⅝	-⅜	5·1
4510	3650	Petrofina	Fr B 4575	+65	2·0
34⅛	26¼	Phillips Petroleum	$29⅞	+2⅛	4·4
125	111½	Royal Dutch	Fl 117·6	+3·3	6·2
426	295	Shell Transport	308p	+3	4·8
62⅛	50⅛	Standard Oil (Calif.)	$56⅛	+⅝	4·9
70⅛	52⅛	Standard Oil (Indiana)	$64⅛	+⅛	3·6
81⅜	67⅛	Standard Oil (NJ)	$71	+1	5·5
90⅛	70¼	Standard Oil (Ohio)	$81⅛	-1⅛	3·3
39	29⅝	Texaco	$32⅛	+1⅛	5·0
		Gold mines - finance			
360	202	Anglo-American	310p*	+12	2·8
295	220	Charter Cons	265p	+3	2·6
285	159	Cons Gold Fields	224p	+18	3·3
960	790	General Mining	960p	+30	4·3
1750	850	J'burg Cons	1300p	+75	3·4
720	460	OFSIT	705p	+25	5·9
675	410	Rand Selection	605p	+25	3·6
234	150	Union Corp	229p*	+6	2·9
		Mines, metals			
25¼	6½	Alcan	$C21⅞	+⅞	...
70	37⅝	Alcoa	$49⅝	-⅛	3·6
2260	1870	Alusuisse	Fr S 2250	+40	2·7
37⅛	26	Amer Met Clim	$32⅜	+⅝	4·3
23⅛	11⅛	Anaconda	$19⅜	+1⅛	...
273	87	CAST	166p	+12	2·6
283	165	De Beers Defd	274p*	+7	2·8
141½	53	Delta Metal	140p	+2	3·6
155½	57⅛	Falconbridge	$C96	+3¼	...
46⅞	26⅜	Inter Nickel	$33⅛	+⅛	3·0
375	212	Johnson Matthey	355p	+13	3·5
56	20	Kennecott	$27⅝	...	6·3
113	48	Lonrho	84p	+12	3·2
3·90	2·35	MIM Holdings	$A 3·50	-0·05	2·7
353	275	Metallgesellschaft	DM 340	-4	...
166·6	135	Pechiney	Fr 166·6	+6·6	7·2
92	52·6	Penarroya	Fr 72	+6	4·1
212	69	Potgietersrust Plat	105p	+14	...
33	14⅛	Reynolds Metals	$20⅛	+⅛	2·9
270	173	RTZ	225p	+10	2·7
288	115	Roan Cons	220p	-10	(e)
780	425	Selection Trust	570p	+30	2·8
1590	1426	Union Miniere	Fr B 1535	-5	6·2
5·24	2·10	Western Mining	$A3·14	-0·06	0·5
260	148¾	Zamanglo	202p	-6	...
		Plantations, etc			
340	210	Consolidated Tea	210p	...	...
296	159⅜	Guthrie	272p	-1	5·2
46¼	26⅜	Highlands & Low	41p	+⅛	7·4
57⅛	37	Jokai	53p	+1	4·7
164	120	Longbourne	120p	-24	(e)
35¼	30	Plantation Hldgs	35½p	+⅛	5·7

Money Market Indicators

While most major American banks have raised their prime rate to 5 per cent, the American 3-month treasury bill rate fell slightly this week.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4½%

Deposit rates		**Eurosterling deposits** (*in Paris*)	
7 days' notice:		2 days' notice	4⅛⅛
Clearing banks	2½	3 months'	5⅛
Local authorities	4⅝	**New York**	
3 months' fixed:		**Treasury bills**	3·80
Local authorities	4⅝	**Certs. of deposit**	4·75
Finance houses	5	**Sterling: Spot rate $2·6131**	
Interbank rate 7 days'	4⅝	Forward discount (*3 months'*)	0·02 cents
Treasury bills 3 months'	4·31	**Forward cover** (*3 months'*) Annual int. cost	0·03%
Eurodollar deposits 7 days' notice	4⅛	**Investment currency:** Investment $	25¼% prem.
3 months'	5⅛		

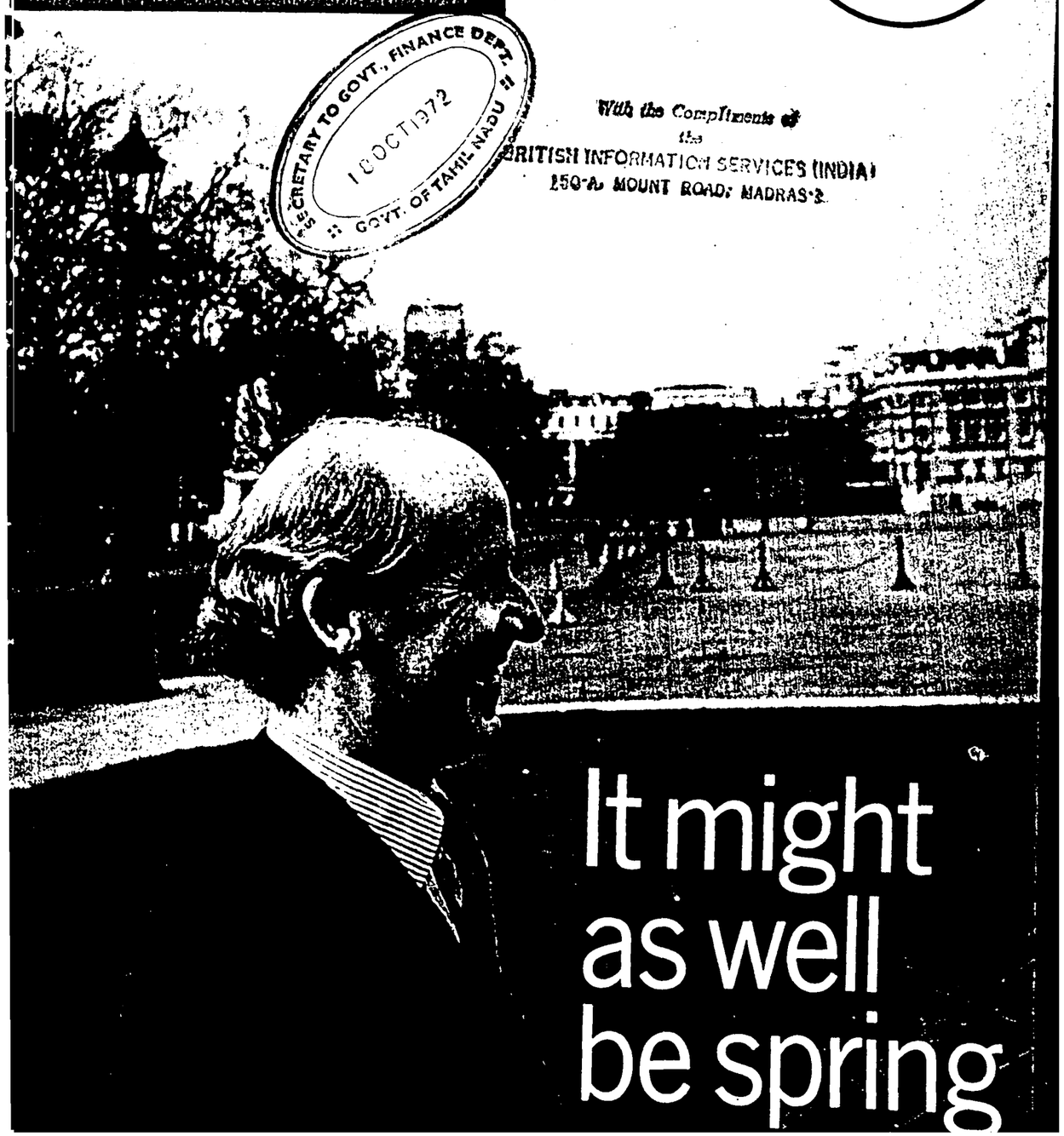
	In favour of Last week %	This week %
Covered arbitrage margins (*3 months'*)		
Treasury bills	London ⅛₀	London
Eurodollar/UK local authority loans	N. York ⅜	N. York
Eurodollar/Eurosterling	N. York ⅞₀	N. York
Uncovered arbitrage margins (*7 days'*)		
Eurodollar/UK local authority loans	N. York ⅛₀	London
Eurodollar/Interbank		

The Economist

BEFORE THE BUDGET

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March 18, 1972



Billion-off budget?

Mr Barber has the opportunity to make large tax cuts. He should increase the incentives to innovate and to dare, instead of indulging in a charity bazaar, page 13. The main reason for this opportunity is that the average British family is now trying to save about £38 a year more than the Treasury expected it to do last year, page 75.



Brandt or Pompidou?

Should Britain be looking to Willy Brandt's Germany as its main ally inside Europe, instead of Georges Pompidou's France? M. Pompidou's visit this weekend should show why the answer is no, page 16.



The king's plan

King Hussein tries to clear a way through Arab confusion and Israeli nervousness—and it's still just possible he will make headway, page 18. Life on the occupied West Bank, page 40.

Wallace shakes them

Governor George Wallace has run strongly among his people in Florida, and all the other Democratic hopefuls—except for Hubert Humphrey—have tasted a bitter defeat, page 55.



A jolt for Ulster

The Government probably wants more from Mr Faulkner than he, and Ulster's Unionists, want to give. But anything less would not appeal to Ulster's Catholics at all, page 15. Mr Wilson, in Dublin, seems to have opened up a semi-official line for the IRA to get its terms across in any talks, page 33.

It's there all right

There is three to six times as much oil off Britain as the Government is admitting to. Why so shy?, page 89. Will they build the drilling rigs at Clydebank?, page 99.



Philosopher's stone

It took the property men to find how to turn stone into gold, but there are some places where, even for them, the magic does not always work as well as it did. A survey of where the prospects still shine bright, what places to steer clear of, which men to watch, after page 64. The property bond groups are finding it hard to get hold of decent investments, page 113.

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Letters

PPBS

SIR—When the Pentagon introduced PPBS ("Mind your Par, Pesc and PPBS," March 4th) it was under the orders of a businessman and by courtesy of the Rand Corporation, which developed the thinking and supplied a distinguished economist to be Mr McNamara's comptroller. When President Johnson ordered his other government departments to follow suit, the contrasts in actual achievement were dramatic. Health, education and welfare put PPBS under a dynamic under-secretary (Mr William Gorman) who brought in a team of a dozen or so gifted helpers from outside and made both bureaucrats and general public widely familiar with what was being aimed at. In consequence, it is possible today for *The Economist* to summarise some of the well-documented outcomes in HEW. But the same kind of object lesson does not emerge when one looks for the response of certain other departments of government to the presidential ukase.

Perhaps there are two distinct morals to be drawn. Even in the United States, it seems still to be the case that new ways of thinking demand new people, backed by firm authority. And it remains to this day an open question whether the State Department could conveniently introduce PPBS and carry it through with a well-publicised programme of objectives!—Yours faithfully, A. G. LEHMANN
London, W1

Metric time

SIR—On a recent trip to London I observed that business and scientific groups, as they work towards Great Britain's adoption of the metric system, quite plausibly urge a "think metric" discipline. It is unfortunate that they neglect to advocate the early conversion to metric time, the very tool which could make every person think metric many times each day.

Outside the scientific community metric time is little known and seldom used. But the virtues of simplicity and precision in data processing are winning converts in other fields. This was predicted at the original international time conference in Barcelona. Metric time, for those who do not know the system, is based upon a 10-hour day, with 100 minutes per hour and 100 seconds per minute. It is virtually indispensable in equations with exponential time projections.

America, of course, lags considerably behind other countries in metrication. But even here the newer tables of engineering data specify whether time factors are calculated in metric or conventional. In New York the telephone company, which gives the time of day upon dialling a code number, is considering giving alternate announcements in metric time. Hobbies magazines are preparing articles on conversion kits that will change conventional clocks to metric timepieces. Surely Great Britain, a nation intent upon the prompt and orderly transition to metrication, could do this much and more.—Yours faithfully, ROGER MAHEY
New York

American medicine

SIR—You have pontificated about "America, whose medical care system . . . has broken down because it has priced itself out of the market." On this side of the Atlantic that sounds strange indeed, particularly to one like myself who has involuntarily recently had more contact with American medicine than he would have liked. This country today has more physicians (some of them Britons who have fled your socialised medicine) than ever before in its history and their numbers have been rising at three times the rate of population increase. The latest data make plain that by such commonly-used indicators as infant mortality rates and life expectancy at birth Americans have never been as healthy as they are in these early 1970s. And, of course, a large fraction of this country's population gets much, or most, of its medical care free of direct charges through Medicare, Medicaid, and the very extensive system of private health insurance. All this doesn't sound as though we have a medical care system that has broken down.—Yours faithfully, HARRY SCHWARTZ
New York

Britain in Europe

SIR—You admit once again (March 11th) that a unified Europe currency would gravely harm this country, putting it in the position of Ulster or West Virginia. However, you have for some time been trying to suggest that this will not come about. What grounds are there for this? The position of the Six remains currency union hopefully by 1980, and our Government's position is that they will go "as far and as fast" as any.

Quite apart from these specific agreements, what marketeer can quarrel with Mr Heath's analysis, made to the House on May 9, 1967 (and repeated by Mr Maudling on that occasion): "There is no doubt that the logical conclusion in a complete market is to move over de facto or de jure to a common currency?" Marketeers cannot extol the virtues of unity and then pretend that whatever aspects of this are harmful to national interests will not occur. If this were so then the market would merely be a forum for exchange of opinions. Whoever supports our membership must support its consequences, and the consequence of economic union is a single currency, whose consequence is to drain peripheral areas like Britain dry, and to hand control of the country to whoever controls issue of the currency.—Yours faithfully,
London, NW2 DAVID LAZARUS

An amusing little pint

SIR—An interesting theory on one effect of Britain joining the common market:

(a) Eventually the duty on wines will cease and vin ordinaire will be sold in supermarkets at around the same price as it is in France—thus becoming the drink of the working classes.

(b) The predicted price rises in public houses as a result of them opening continental hours will push the price of beer up to the point where it is largely enjoyed solely by the more affluent sectors of society.—Yours faithfully, D. A. WALKER
Bingley, Yorkshire

Election '72

SIR—With all your analysis of the candidates in the coming American presidential election, and their associated issues, you seem to have missed relating them to the biggest issue of all—which is their addressing themselves to the real problems and anxieties of our very large and overwhelming middle class. The candidates repeatedly address themselves to issues (sometimes radical) affecting only the loud demonstrative special-interest groups, ie, students, minorities, intellectuals, women's liberationists, etc, which take up most of the news media's attention.

But what about our farmers and businessmen and housewives, etc, who make up the vast majority of America's population? Where is their representation? These people have concerns too (which seem rarely to make the news). Notwithstanding the impression given by our news media, most Americans are not young, are not black and are not poor. But one would never believe it from listening to Messrs McGovern, Wallace, Lindsay, Ashbrook, McCarthy and Yorty, all of whom continue to ignore those issues affecting our non-noisy and non-demonstrative populace. President Nixon, alone, literally consumes with zest the problems of this silent majority. Our President seems to stand alone in listening and responding to the anxieties of our mid-America, ie, maintenance of law and order, inflation, school busing, disparaging judicial decisions, the Lt Calley case, etc.

So it is in our very real and true democracy; the people (majority) will speak up and have their say at the polls this November. And so it is that Richard Nixon should and will be re-elected.—Yours faithfully, WESTERN G. DOWER
San Francisco

SIR—Your article, "Road to the White House" (February 26th), pointed out, perhaps unwittingly, one of the basic maladies of "American" politics. What you said, "The main objection is that Mr Nixon is not just a candidate, he is the President

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and cannot trample on the law," would tend to indicate that the men who are "just candidates" can feel free to trample all over it. Some of them are obviously doing so.

Let us face it, in a democratic society, such as the United States of America, "just candidates" cannot be considered anything less than potential Presidents and, as such, they should react accordingly.—Yours faithfully, RICHARD PEARSE
Nassau, Bahamas

SIR—The visit by Mr Nixon to China shows the sad state of American politics. In the gigantic game of one-upmanship which goes on in an election year, we have the top executive of the most powerful country in the world courting almost to the point of "pre-marital sexual relations" the avowed enemy of his own type of society. What the American Administration forgets so easily is that Mao, etc, are not just bent on "containing" the imperialist enemy but on converting it to their own philosophy by any means on their "inalienable" suggestion that this end justifies these means.

Therefore, so that he might win an election and continue to occupy the White House, Mr Nixon, with the valued company of Mr Kissinger, journeyed to China for the greatest pre-election spectacular, with a cast of millions (everyone an enemy in word and in deed), and sent by television to the gullible American public the Richard Nixon Show.

Further, Mr Nixon showed how eager he is to dispense with smaller allies in the stupid hope of softening up a formidable adversary. While not suggesting that the native Taiwanese have any great love for their present rulers, it would be, and indeed is, naive to say that the future of that small land will be decided by mutual agreement between itself and China. Such agreement can only be looked at in the sense of the sledgehammer and the nut

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once the American forces are withdrawn.—Yours faithfully, CONOR C. SEMPLE
London, W4

The budget

SIR—In your note on 1972 budgetary strategy (February 12th), you attempted to disprove the presence of marked stagnancy in the yield of expenditure taxes. Your result is, however, spurious and depends entirely on the treatment of import deposits. These are defined as a receipt of HM Customs and Excise and, since there were substantial repayments of deposits in fiscal year 1970-71 (over £400m), they substantially reduce C & E receipts in that period. However, import deposits are not normally considered as part of the tax system and, in any case, have no relevance whatsoever for this year's budget, since they disappeared entirely last September.

In the last three quarters for which we have reliable data, receipts of all expenditure taxes (less Set) increased by slightly under 4 per cent over the previous year's figure. This contrasts strongly with your estimate of an 11½ per cent increase and certainly does not disprove the existence of a powerful offset to income tax buoyancy.—Yours faithfully,

RICHARD ALLEN
National Institute of Economic
London, SW1 and Social Research

Solving inflation

SIR—It is somewhat disturbing that neither in your columns nor anywhere else does one seemingly fundamental solution to inflation appear to be under consideration.

It has now been accepted by the large majority of people in Great Britain that whenever any institution has too great a financial control over the lives of the majority, its assets and control are taken over by the state: this is largely true, whether referring to the oldest nationalised industry, the Church of England, or the newest, Rolls-Royce—or should it be the three UCS yards?

The biggest remaining free-enterprise power blocks in this country are the trade unions, which represent 20 per cent of the population directly, but whose effectiveness in free-enterprise bargaining has consequences for all.

Nationalising trade unions would certainly be the best way of achieving an incomes policy, giving the backing of the state to ensure both fairness to workers against too grasping employers and fairness to the remainder of the country against too selfish employees.

There would be difficulties, of course, both in initiating and in administering, and introducing the scheme would involve either the loss of finance to one major party, or the nominal loss of principle to the other. Still, I do believe that this is one solution which every economist should be actively considering, even if it may be too socialist an answer for many. But the recent miners' strike clearly demonstrated that we have not got the balance between state-owned industries and privately-owned trade unions correct yet.—Yours faithfully,
Wolverhampton, Staffs. F. D. L. SELKIRK

The Patiño family

SIR—Professor Arrowsmith's letter (March 4th) asks for correction of the erroneous facts contained in his letter of February 5th.

(1) It cannot be "a significant fact" that there is a boardroom connection between Consolidated Tin Smelters and the London Tin group. The CTS report does not reveal any connection at all.

(2) The CTS board does not currently hold a Belgian member. United Kingdom companies have to state the nationality of their members.

(3) There is no information anywhere that CTS owns stock in the Billiton group.

(4) In 1929 the Patiños did not control CTS, although they had an interest in the company. Holdings were built up in dribs and drabs over the years. This emerges from the CTS reports.

I think it is evident that the Patiño management is unsuitable for administering such a complex and diversified group as CTS and therefore it is inexplicable why Patiño NV shareholders were denied the opportunity to obtain $21m for an investment which brings them no return, when Patiño NV could use the money and their management to the benefit of Patiño NV shareholders.—Yours faithfully,

L. A. MAGISTRATE
Director of research
New York Copper Studies, Inc.

Buy British

SIR—As an Englishman with twenty-four years overseas in twelve different countries, I have had plenty of opportunity to compare the prices/quality of British and foreign manufactured goods of all descriptions.

Believe me, Mr Squire (Letters, February 26th), if he really believes what he says, is living in a dream world. The quality of Japanese goods of all types has been improving each year, and in many products the quality of their goods measures up favourably with the best that the world produces.—Yours faithfully,
Diyarbakir, Turkey J. F. CROSSLEY

Treaties

SIR—You start the article on the Russo-Arab friendship treaties with the nice sentence: "A treaty, like beauty, is in the eye of the beholder . . . (March 4th). It reminds me of what the late President de Gaulle said in a celebrated after-dinner speech in 1963, less than a year after the Franco-German agreement was signed. He said: "Treaties are like roses and young girls; they last while they last."—Yours faithfully, SREEDHAN ROY
Birmingham



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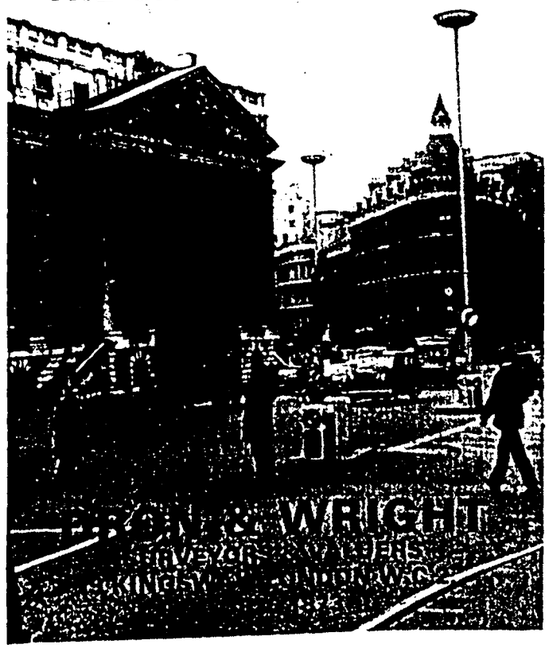
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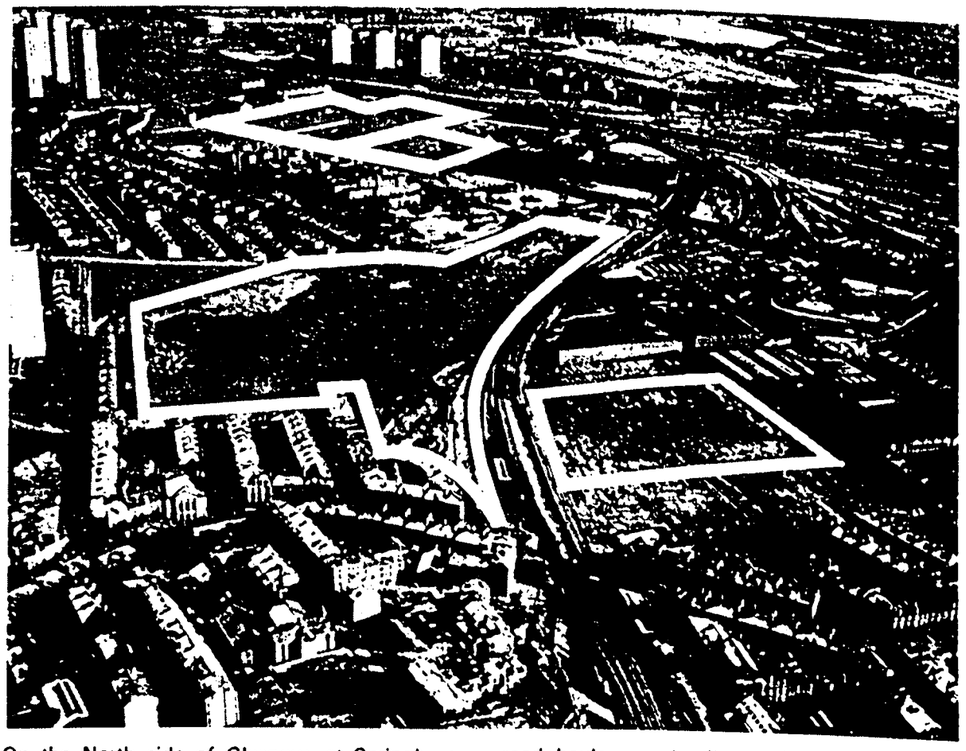
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The Economist

March 18, 1972



The billion-off budget?

The Economist has several times set down its recommended strategy for next week's budget. Mr Barber should go for 5 per cent annual growth, even though this will bring balance of payments trouble before the end of 1973. The threat of a payments deficit should be met in advance by a redevaluation of the pound, whose exchange rate has been allowed to drift up too high again. The reason for going for 5 per cent is that any growth target below it for 1972-73 will not allow unemployment to fall or cause industrial investment to rise, since the annual growth in productivity from the existing labour force at the present level of unemployment with today's equipment can temporarily rise to 4½ per cent when more overtime begins to be worked.

At the end of three successive calendar years (1969, 1970, 1971) in which the growth in Britain's real gross domestic product has been below the stagnationist figure of 2 per cent on the year-to-year figures, the country probably did recover to around 4¾ per cent annual growth in the second half of 1971, but present signs are that this will fade unless there are substantial tax cuts next week. So long as unemployment remains near to its socially sickening winter million, the danger of more inflation by giving men jobs should rate lower than the threat of continued stagnation in investment—which carries the danger that, through the 1970s as through the 1960s, Britain might lose out on yet another decade of technological advance. It follows that Mr Barber should determine next week to take more risks on the side of overshooting 5 per cent than of undershooting it.

That is why this newspaper's original advice to him was that he should look at the most pessimistic reasonable forecast available to him on budget day of by how little gdp would grow in the absence of tax reliefs, and then give enough reliefs to bring it up to 5 per cent. Until last week we had assumed, as Mr Barber did last year, that, with Britain's money gdp now running at almost exactly £50 billion a year, and with multiplier effects probably just about cancelling the two technical Keynesian factors known as "leakage into savings" and "fiscal drag," each £500m of tax reliefs should spur gdp by about 1 per cent a year. We had also assumed that the most reasonable forecast of the growth in gdp between the first halves of 1972 and 1973, in the absence of any tax reliefs, would be between 3 and 4 per cent. To lift growth from 3 to 5 per cent would require just over £1,000m of tax reliefs, and this is the "Barber billion" that we had decided to recommend.

But the National Institute of Economic and Social Research argued last week that "fiscal drag" was so large, in modern inflationary conditions that it now takes about £800m a year of tax reliefs to stimulate gdp by 1 per cent; and that, in the absence of any reliefs, Britain's economic growth between the first halves of 1972 and 1973 would again be under 2 per cent. It therefore recommended the Chancellor to reduce taxes by £2,500m in a year. This would be equivalent to cutting the rate of income tax on all earned income in half.

Halve that tax?

There is an argument for considering seriously whether that is not precisely what Mr Barber should do. If there was a ghost of a chance that he now had £2½ billion to give away, then his best course would be to stand up, say he was cutting all income taxes on earned income in half, and then sit down again.

This would cause a mightly shock abroad and some weakening of sterling, but a weakening of the inconveniently strong sterling exchange rate is what Mr Barber should want. By the time most commentators and businessesmen had recovered from their heart attacks, they would be writing about, or participating in, economic and social revolution at home, and Britain's last two decades of miserable economic performance suggest that such a revolution is what the country needs. Reliefs of £2½ billion would not necessarily lead to huge demand-pull inflation, because the national institute's economic model suggests that they would keep total demand expanding at only about the pace at which it was expanding just before this winter of 1m unemployed—and

nobody said that that was too fast. It is true that the national institute's model threatens a certain wounding of amour propre among those—including *The Economist* as well as the Treasury—who have hitherto relied on more conventional forecasting models ; but the slow pace at which both America and Britain have been dragging themselves out of their recent recessions has caused many of us to doubt whether our conventional models are right. It is possible that the industrial countries have now moved into a phase where fiscal drag and a growth in voluntary savings mean that, as in the 1930s, we need to take a much smaller part of our national incomes in taxation —perhaps partly because marginal consumer demand is going less into hire purchase goods than it did in the 1950s and 1960s. Mr Barber should in the last week have checked through the national institute model on the Treasury computers, and seen whether he thinks that there is even a one-in-three chance that it might be right.

Making everyone love Teddy ?

However, our assumption in the rest of this article is that he will have decided that it is not right, and that he will feel he has only about £1 billion of reliefs to give. How to distribute them ?

The fashionable thought at the moment is that next Tuesday's affair should be not so much a budget, more a charity bazaar. The Government is already committed to an annual review of all old age pensions. Even though the richest old people now draw these as well as the poorest, the happy fairy story is that perhaps Mr Jack Jones might come to love Mr Edward Heath if pensions have a super-added rise this year. But the whole point of a review system for pensions is that contributions should at last be a percentage of earnings, and pensions should then go up with the general level of earnings as the contribution fund thus automatically swells. If you have a super-added rise one year, and then a below-average rise in another year when electoral pressures are regarded as smaller, you are going to turn all of us when we are old back into being the playthings of politicians, instead of being protected by an automatically rising pay-as-you-go fund.

The other indiscriminate welfare benefits that might be raised on March 21st are family allowances. There is a slightly better case for them than for the likely super-added rise in pensions. However, the real reform needed in family allowances is to permit families just above supplementary benefit level to borrow. Families with a swarm of school-age children today will have a swarm of teenage earners in a few years' time, and they should be able to transfer income from a more comfortable part of their lives to a more uncomfortable one ; the same system of loans could replace all supplementary benefits payable to the families of strikers, with the loan recoverable from or through the strikers' trade union—although this will be regarded as a nastily provocative thing to say. The most important general point to make about welfare benefits on March 21st is that the increases in supplementary benefits and other discriminate services should be at least as large as the more popular (but less poverty-relieving) handouts in the indiscriminate services like old age pensions.

The political temptation to push this year's tax reliefs towards indirect taxes is immense. But there are two reasons why the Tories will be wrong to abolish the last half of selective employment tax next week. A tax on services is going to be reimposed next year with the introduction of value-added tax ; it will be better to let Set die with the introduction of that, rather than do a disappearing-cum-reappearing trick now. Secondly, if Mr Barber gives a billion in reliefs next week and finds next month that £2½ billion would have been right, he can cut indirect taxes (including finally abolishing Set) in the summer, but he cannot then cut direct taxes, because that is called administratively difficult.

For the same reason it will be foolish to concentrate next week's cuts on purchase tax, even though from April, 1973, some of the things on the luxury purchase tax rate (such as cameras, records, cosmetics) will be on much lower rates under Vat ; but remember that, although Vat should be kept to as few rates as possible, preferably one, there will be room for extra excise taxes on particular things. They will certainly stay on tobacco and alcohol. The indirect taxes that Mr Barber would be wise to cut this year are on fuel oil and possibly petrol. The industrial use of fuel in Britain is being distorted in an uneconomic and old-fashioned and pollutant manner, now that we have so large a tax on cheap oil and so large a subsidy on expensive coal.

The direct reliefs to give

Even with a bare billion of reliefs, the right place to concentrate next Tuesday will be direct taxation. The way to push these reliefs to the bottom of the scale is to lift the starting point at which anybody pays any tax (thus removing millions from paying tax at all), and to introduce 10 and 20 per cent tax rates below the 30.1 per cent rate (surely on Tuesday to come down to 30 per cent) which is effectively the standard rate of tax on earned income now. The top 5m-10m taxpayers—all those remaining at or above the level where they will pay the new standard rate tax on marginal income—would then all get a flat-rate maximum tax handback of perhaps around £60 a year. This system of a poll untax is not recommended, but it would be a device for preventing surtax payers from gaining more. Simpler and straighter tax reliefs naturally give back most to those who pay most tax, and in a strange world this can be made to sound inegalitarian.

On economic grounds, the Chancellor would be wiser to make straight tax cuts, even if they did benefit the surtax payer invidiously ; and to forget some of the specific middle-class boondoggles with which previous Tory promises have saddled him. It is still not at all clear why he has to restore income tax relief to those who borrow money.

The effect of the budget on investment will be most important of all. Mr Barber will be announcing the new corporation tax system that he will apply after 1973, and he may take the opportunity sharply to cut corporation tax rates. The best investment incentive has always seemed to be "free depreciation"—ie, allowing industries to write off their investment against tax in as short a period as they choose, mostly as a current cost. The objection to this has usually been that it would cause a large revenue loss in the early years, but this can now be afforded. It would be wise to add some special sweetener to spur new technology : perhaps an investment allowance for those who exploit new patents ?

Large new regional incentives will be wrong. In a properly functioning free economy the spontaneous medicament for areas with declining industries should be that wage rates there rise a little less sharply than in the rest of the country, thus encouraging industrialists to open new factories in these places. As the trade unions will not allow this wage differentiation the whole burden is now taken in the form of higher general unemployment there. The high unemployment is now making the local male workers angrier in their strikes and sit-ins and factory seizures. The Government then buys them off, thus making strikes and sit-ins and factory seizures seem still more worth while, thus scaring off new industrialists (who have a reasonable dislike of seeing their factories struck or sat-in), and the Government, still handing out still more money, wonders why its regional problem somehow grows worse and worse.

Some of the remarks in this article will be regarded as reactionary. But the real reactionaries are those who do not realise the opportunity. The whole lesson of economic experience since the war lies in this : if a country gets on to a path of 5 per cent per annum economic growth it doubles its real income in 14 years, but if it has half that growth doubling takes you twice as long. The reason for so much that is wrong in this country —including the beastly way we treat the really poor in housing and other non-amenities—is that we are the only major industrial country in the post-Hitler world that has actually slipped below the lower of these trajectories (ie, actually below 2½ per cent per annum growth). If we got on course again for doubling our real income every 14 years, our real welfare services would double every 14 years also ; if we turn aside to make generalised welfare services for all lame ducks our central aim, we will continue to live in a slowly decaying aviary.

High marginal taxation has not been the main reason for Britain's slow growth, but it has been one of the reasons. Now that we at last have an opportunity to make a large cut in that taxation, the absolute priority should be to reinfuse in the nation all the lost incentives to risk, to innovate, to invest, to dare. Instead, the signs are that some ruling politicians think that the really top priority, at this moment of history, is to remove the unfortunate public impression that the present prime minister of this country is rather a cold fish; and to try to make good-hearted people and the trade unions regard him instead as a great, big, lovable, soft-hearted, cuddly teddy. One of the smaller tragedies of any such muffed opportunity is that they will not regard him as that at all.



A jolt for Ulster

No new political initiative on Northern Ireland can hope to succeed unless it jolts Mr Brian Faulkner, but the British cabinet does not want to dislodge him

The Government's decision to go through with a political initiative in Northern Ireland is a very risky business, and no one knows it better than the Government. But in the end it probably had no choice : it had talked so long about an initiative that it passed the point where it could no longer not have one. Now, if it even gets the reluctant acceptance of an altered political system in the province by a majority of Protestant and Catholic politicians there, it will still be only at the beginning. The Government knows that it has to antagonise and disappoint many Protestants and Catholics to have any chance of getting even the reluctant acceptance by enough other people in both camps. If it antagonises too many Protestants the outcome could be a real civil war. If it disappoints too many Catholics the present IRA bombings and shootings will go on with even greater Catholic support.

At the centre of the Government's dilemma is Northern Ireland's prime minister, Mr Faulkner. If the Government's ideas were all acceptable to Mr Faulkner they would, by definition, be unacceptable to the Catholic opposition, from the parliamentarians of the Social Democratic and Labour party on out. If the Government's ideas were, on balance, unacceptable to Mr Faulkner they might or might not be acceptable to many Catholics but they would certainly be unacceptable to the majority of Protestants. So what Mr Heath probably hopes to do is to jolt Mr Faulkner visibly with some ideas (for the Catholics to see) but not to dislodge him altogether (for the Protestants to see). Many Catholics, of course, will have nothing to do with the deal if Mr Faulkner survives it; many Protestants will still have nothing to do with it if he swallows it. But it looks as if the Government's preference is to keep Mr Faulkner within the administration of Northern Ireland, if it can, whereas Mr Wilson's policy would plainly dispense with him.

What would be unacceptable

The responsibility being put on Mr Faulkner is therefore very great indeed. His caustic exchange with Mr Wilson this week seems to have been chiefly to influence Tory backbenchers, in which he succeeded ; but ministers cannot have learned much about the precise limits of his tolerance. Mr Faulkner is not an easy man for British politicians to understand. How much credit they still give him for carrying out the past set of reforms is doubtful. He has not looked quite the same to them since internment. Clearly, after what he said to Mr Wilson, Mr Faulkner would find it intolerable if Mr Heath envisaged

any programme for Irish unity that went beyond the declaration of 1949 and what Mr Heath himself has often said. He would not expect to be told that parts of Northern Ireland (Londonderry and Newry, in particular) were being severed and given to the republic. Nor would he expect internment to be stopped and suspected hardcore IRA men released.

But, supposing Mr Heath did not insist on these concessions, Mr Faulkner must know by now that he will have to make up his mind on such matters as the release of, say, over 100 lesser internees, the control of internment being put manifestly in British hands, and an assured place being found for representative Catholic ministers in the Stormont government. Mr Faulkner has spoken about such ideas many times, usually scathingly; if Mr Heath actually is pushing him to comply now, he may feel that he has been let down, but he should not answer until he has thought through three questions.

The first question is whether these concessions would so undermine his own political position, in his cabinet and the Unionist party, that he would cease to be prime minister, that he would be out before he had even served a year in the job. If the answer is that they would not (and they might not), then his responsibility to his own province would be to carry on and not to precipitate direct rule and the disorders that would be likely to follow it. The second is whether, whatever Mr Bill Craig and Mr Billy Hull do, he thinks British opinion would be more or less sympathetic to the Protestant interest if the break were to be on demands that might not seem impossible in Britain. And the third question is whether he considers these are the last concessions the Heath Government is going to insist on, or just the beginning of a long retreat; he knows what a Labour government would ask of him. This is perhaps the most difficult question of all.

It would be answered, of course, if the Heath initiative did, indeed, do enough to persuade sufficient Catholic politicians of the calibre of Mr Gerry Fitt and Mr John Hume to consider there was something to be gained from talking to Mr Heath and Mr Faulkner at all. It is doubtful if anything short of the ending of internment and the prospect of Irish unity will attract them. But they, too, should be asking themselves where their responsibility lies: whether they should settle (if they were allowed by the IRA to settle) for certain clear advantages instead of persisting in a nationalist ambition that can now be got only after a civil war, short or long. Both men seem to believe that the Catholic population is ready to go on indefinitely and that the threat of a Protestant backlash is not very impressive. These are legitimate beliefs, for the Catholic population is still excited by what is happening to it, and the Protestant gunmen's effort has hardly begun. Mr Heath's initiative is coming precisely when exhaustion, the chief ally of the peacemaker, is still a long way away.

It deserves a fair start

The Government took a gamble with Catholic feelings when it agreed to internment last August; it seems to be having to gamble the other way now. Many people, in Britain as well as Ireland, will automatically say that the Government has not gone far enough when they read its proposals; many others will say just as automatically that it has gone too far. No initiative on Northern Ireland should be turned down instinctively, sight unseen or half-read. The Government has taken the view that the present security operations are not likely to bring any early, decisive improvement in the political situation; it has felt it had to try to put something more into the argument, and it has probably gone to the limit of the best advice it could get. Mr Wilson, especially when he comes to speak in the debate he has insisted on having on Monday, and Mr Lynch in the republic have a responsibility to give any initiative a fair start in Ulster, even if they cannot bring themselves to praise it. There is a grimmer solution for Ireland if this one fails.



The French are here again

But would Mr Heath do better talking to Herr Brandt rather than President Pompidou?

President Pompidou of France visits Mr Heath this weekend, for their first encounter since Mr Heath travelled so effectively to Paris last May. M. Pompidou was meant to come a month ago but was put off at the last instant when the miners' strike won its way into Downing Street. As a consequence Mr Heath is in the eyes of Paris Britain's now-not-quite-so-invulnerable European. But there is no harm in that; anything which helps to shed some of the lovesickness which has crept into Franco-British relations can be counted a good thing. Might disenchantment now usefully be carried further between Britain and France? That is the question which any self-respecting member of any British government —not just Mr Denis Healey writing in the Sunday Times last weekend—might use to test any British prime minister who has, like Mr Heath, bound himself so firmly to Paris. France, after all, has already let Britain into Europe—and the referendum which M. Pompidou announced on Thursday is a foregone conclusion. What more can a friendship with France offer Britain which it might not more certainly get alongside Europe's strongest economy and most Atlantic-minded member, west Germany?

It sounds a simple question. It is too simple. Of course, Britain will on occasion win as good a compromise standing shoulder to shoulder with Germany in Brussels as with France. That is obvious enough. The more important fact is that France knows it. Neither M. Pompidou nor anyone else in Paris expects British friendship with France, or with Germany, to be exclusive. For French and British foreign servants, who have grown used to gutting one another over a period of 20 years, the fresh idea to get used to is that France and Britain too are now often condemned to agree.

Take, first, the Six's common agricultural policy, Cap, the expensive seedbed of Brussels politics which Britain has accepted as the cost of entry. Among Britons the Cap is remorselessly misunderstood. From it, as Mr Healey wrote last Sunday, "flow most of Britain's disadvantages and France's benefits." But the changes this farm policy must go through each year matter rather more than the historical fact that it exists.

They grow it, we eat it

In Brussels this week it has been the Germans and the Dutch—as it has been the Germans and the Dutch since the farm policy's inception—who have been trying to ratchet a further lunatic rise in feed grain prices on to the system. It is France, like Britain, which campaigns for a bigger switch to meat production. This is the second successive year that France, with Italy, has found itself losing against the needs of Dutch and German coalition politics for an excessive and maldistributed annual rise in Europe's farm prices. The fact of Brussels farm price policy is that on every major product except sugar, and in some years milk products, British interests are nearer those of France and Italy than those of Germany and the Low Countries. What Britons should at this late stage grasp is that Europe's main customer for imported food (Britain) and its potentially most efficient food grower and exporter (France) naturally suit each other in an age when world food prices are on a secular rise. The reason is important to see, particularly since French politicians never dare enunciate it. All France needs to turn its vast rural advantage into reality is a sufficiently stringent European price level to force other less blessed producers (mostly Germans) to go out of business; and in the process France's own less efficient producers would get squeezed out too.

Such a change must be made by stealth. This is the decisive long-term farming contract which M. Pompidou has effectively made with Mr Heath. France needed Britain's market to save French surpluses sinking the farm policy for good. In return, and under American pressure too, France knows that within five years or less some form of local subsidy system will have to be grafted on to the common prices Europe has now. The only question will be in which of two ways this will be achieved. Either change will be forced on a France that will use all its usual negotiating skill to delay the day—which for Britain would be expensive, and might even sink the common market itself—or, as the French administration would prefer, Britain and Italy will be allowed a real regional and industrial policy in return for not forcing through changes in the farm policy—however much they would like to do so—faster than French politics can stand.

When it comes to industrial free trade Britain stands next to France in one important respect: the industries of both countries stand in awe of Germany. British industry competes directly with Germany's all around the world. If Britain's balance of payments does suffer as a result of German competition when Britain goes in, it is France's and Italy's example in bending or breaking common market rules that Britain will find itself following; the unlikely European exponents of probable Bank of England practice in exchange control are two Frenchmen, M. Ortoli and M. Giscard d'Estaing. In the first experimental step towards monetary union, Britain's interest lay clearly with Herr Karl Schiller's preference for semi-floating exchange rates. But the fact is that Britain has more or less ignored Herr Schiller since it became apparent that his German cabinet colleagues would make him give way because they want French backing for their Ostpolitik. Any alternative German government is likely to be even less of Herr Schiller's way of thinking than is the present one. France, by contrast, the preacher of an unreal monetary purity, has the most encouraging record among the Six of exchange rate sin, which Britain should copy.

What all this says is that France has a liking for climbing on to high horses, and an aptitude for climbing off them again once encouraged to do so by someone it reckons a friend. Herr Brandt played that part when France lost the currency and trade battles with the United States last December and January. Any wise British prime minister should reckon to do the same again when the next bout of Atlantic economic warfare comes around. And Mr Heath should be doing it already in the approaching struggle (which M. Pompidou will want to talk about this weekend) over the place and shape of future European institutions to cover areas of common policy outside the Treaty of Rome.

Don't set up in Paris, please

On this subject Mr Heath, and any likely successor of his in Downing Street, have identical views with the French. They wish to prevent an unrepresentative federal power rising up in Brussels by mistake, or before it can be politically sustained. At the same time they share Germany's view in not wishing to see Europe's budding togetherness turned into more of a nonsense than it is already. This will happen if Eurosecretariats are set up in Paris (as France wants) when most of what already happens in the common market and Nato takes place in Brussels. Precisely because France trusts Britain's lack of enthusiasm for supranationalism in Brussels, Mr Heath has a better chance than others of deflecting President Pompidou from using next October's summit meeting to putting everything new in Paris.

Time and again, on many issues, Britain is going to find itself pulling against France and together with, sometimes even as the spokesman of, its German and other partners in Europe. It is because he knows it in advance, and because he is Europe's chief proponent of national interest, that President Pompidou is willing to accept such an idea. He can live with opposition on details from a country like Britain, so many of whose deepest interests marry with those of France. He is the right man for Mr Heath to be talking to this weekend.



The king's plan

Some Israelis—and Arabs—are saying that King Hussein's plan for the West Bank is as unrealistic as a Red Indian plan for New York. Is it?

With a peal of trumpets King Hussein has reasserted himself and his people. Jordan has taken a back seat as the Egyptians and the Israelis played out their slow, open-ended drama of war or peace or neither; it was generally assumed that any Israeli-Jordanian settlement would have to wait on the outcome of this duel. But as the outcome recedes into never-never land, King Hussein has struck out on his own.

The heart of his 5,000-word speech on Wednesday was the proposal that the East and West Banks of the Jordan should be linked in a federation to be called the United Arab Kingdom. The West Bank, possibly to be joined later by Gaza, would be known as Palestine. The two regions would have their separate executive, legislative and judicial authorities; their capitals would be respectively Amman and Jerusalem.

The first reaction to all this is whether it will be the Arabs or the Israelis who, literally or metaphorically, shoot down the king first. Both Israel and Jordan flatly deny the reports, started in Baghdad and taken up in Cairo, that the king's proposals fit into the framework of a prior and secret deal with the Israelis. Certainly the proposals as they stand suggest no such deal. But there is a scattering of evidence to support the argument that the king's bid to side-step the Egyptian-Israeli deadlock may have been given the green light by at least one member of Israel's far from homogeneous government. The Israelis will go only so far as confirming that "lines of communication" have been established between themselves and the Jordanians; it seems improbable that these lines were restricted to the publicised visit of Mr Anwar Nusseibeh, a former Jordanian minister and diplomat who lives in Jerusalem, to Mrs Golda Meir's office. A more significant encounter may have taken place on neutral ground between the king and Israel's deputy prime minister, Mr Yigal Allon.

Shortly before the 1967 war Mr Allon produced his proposal for the West Bank; this envisaged a demilitarised island of Palestinians linked in some way to Jordan but without Jerusalem and shut off from Arab armies by a wide Israeli "security belt" of fortified settlements along the Jordan river and the Dead Sea. While Mrs Meir has scarcely moved forward from her position of querying the existence of a people called Palestinians, and Mr Moshe Dayan is preoccupied with Egypt, Mr Allon has preserved his contention that the future of a thickly populated region is of at least as much consequence as the Sinai desert. There does not seem much in common between the squashed little figure-of-eight that Israeli encroachments would leave to the Palestinians (see page 40) and King Hussein's vision of a viable semi-autonomous Palestinian state with Jerusalem as its capital. But the king is already on record as saying, at a press conference in Rome, that Jordan's main aim is to establish some basis for negotiation with Israel, in any form whatsoever.

First reactions suggest that the king's timing and presentation caught the Israelis by surprise. On Wednesday a curiously large number of cabinet members vanished beyond range of questions; they were attending a funeral in Galilee—and perhaps trying to sort themselves out. The line, by Thursday, was rejection. Speaking in the Knesset, Mrs Meir reaffirmed Israel's readiness to negotiate—but not on the basis of the king's plan. This was not, she said, a message of peace.

The right wing attacked or ridiculed the proposals: Mr Begin, the Gahal leader, demanded the immediate extension of Israeli law to all the occupied territories. Israeli officials, including the ambassador to London, Mr Michael Comay, interpreted the plan as an internal political ploy closely bound up with the forthcoming municipal elections in the West Bank. True, municipal elections in the northern bulge of the West Bank are due on March 28th; the southern towns will be holding theirs on May 2nd. If the king fails to get a positive response from the Israelis, he will at least have demonstrated to the West Bankers that he has not gone back on his commitment to offer them a form of semi-autonomy.

An Israeli quoting an Arab compared King Hussein's proposals to an argument between Red Indian chiefs over which of them should take New York back from the whites. This is fair comment if one assumes either of two points: that the king's move was a purely tactical exercise; or that nothing will budge the Israelis. The first assumption does not stand up if the king's plan is considered in conjunction with his reported readiness to negotiate with the Israelis about everything. Given these two statements, he is not indulging in hypothetical talk; he is throwing a negotiable basis for discussion into the field. The second assumption will be put to the test by Israel's response.

Is it really no?

The Israelis, when they get around to it, may take a less negative line. After all, a lot of them do not want to stay an occupying power for ever. The Americans will certainly urge this course; one advantage, among others, is that it neatly cuts out the Russians. But negotiation by itself means nothing unless the Israelis can discover within themselves the intellectual courage to negotiate in terms that King Hussein has a chance of selling to the West Bankers—and this means compromise, from the Israelis as well as from the Jordanians, over Jerusalem and the security belt. If the king can convince the West Bankers, against the pressure from both the guerrilla movement and other Arab governments, that he can lead them out of their status as occupied people, they may accept a solution and abide by it. Otherwise it would be better not to begin.



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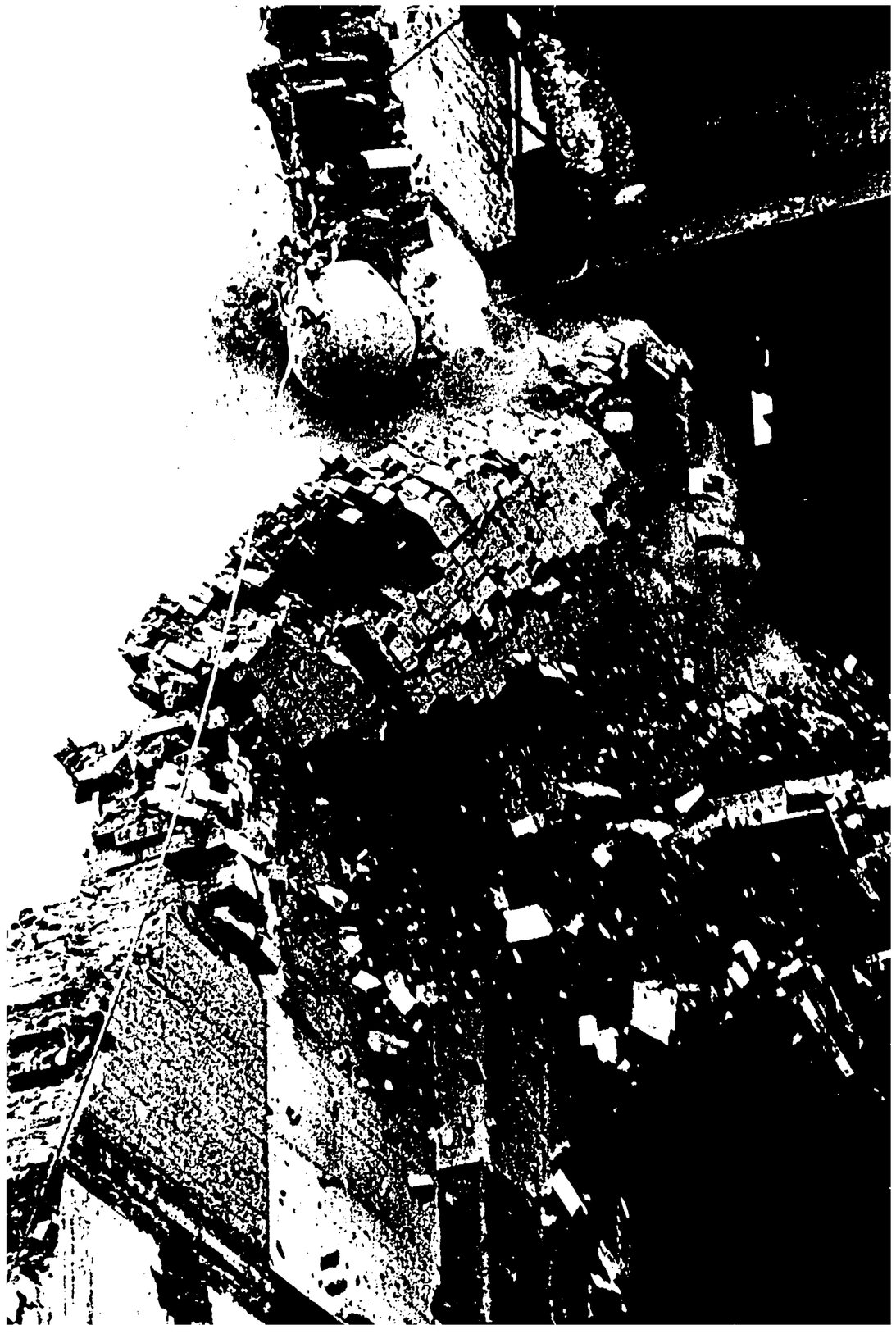
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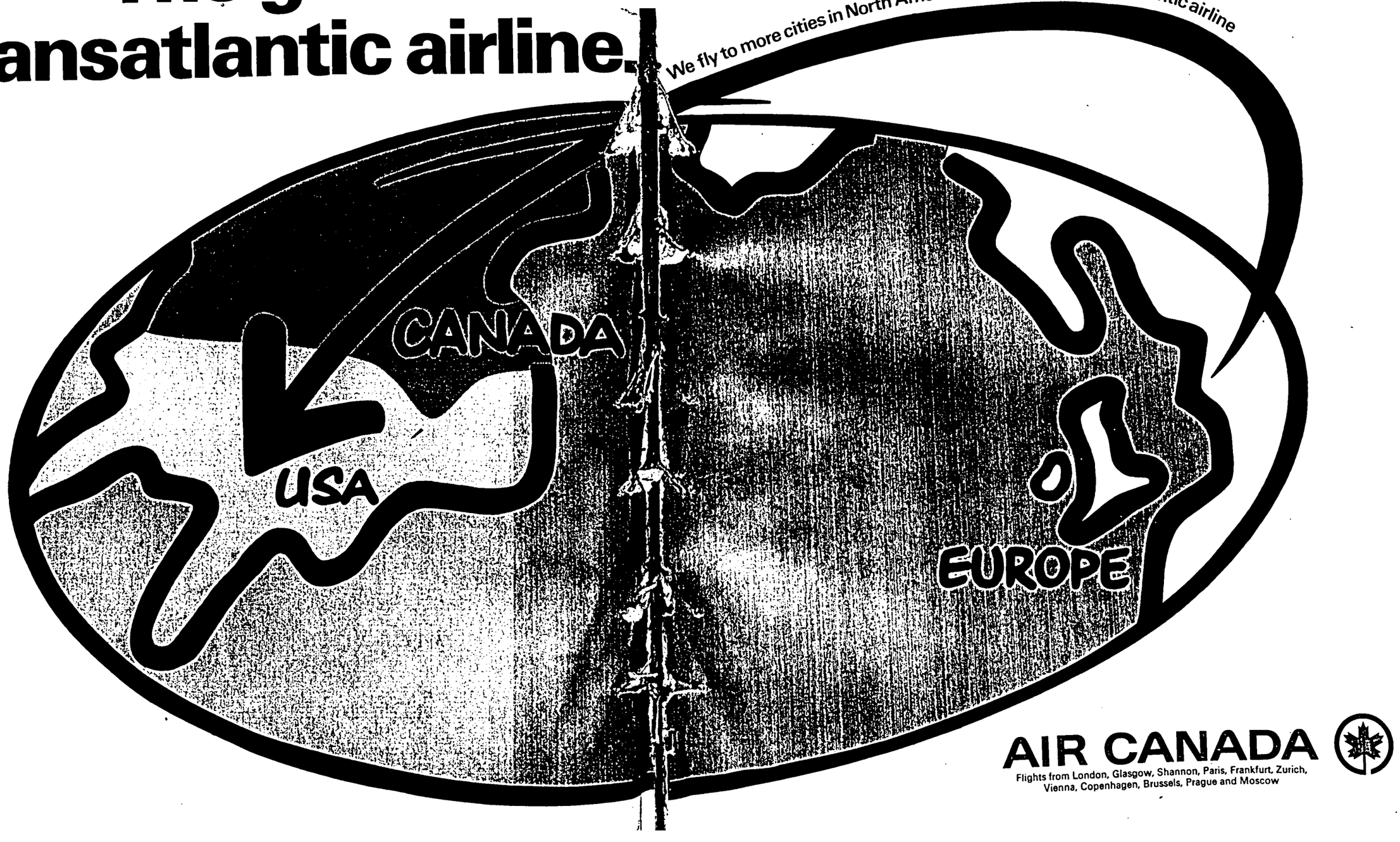
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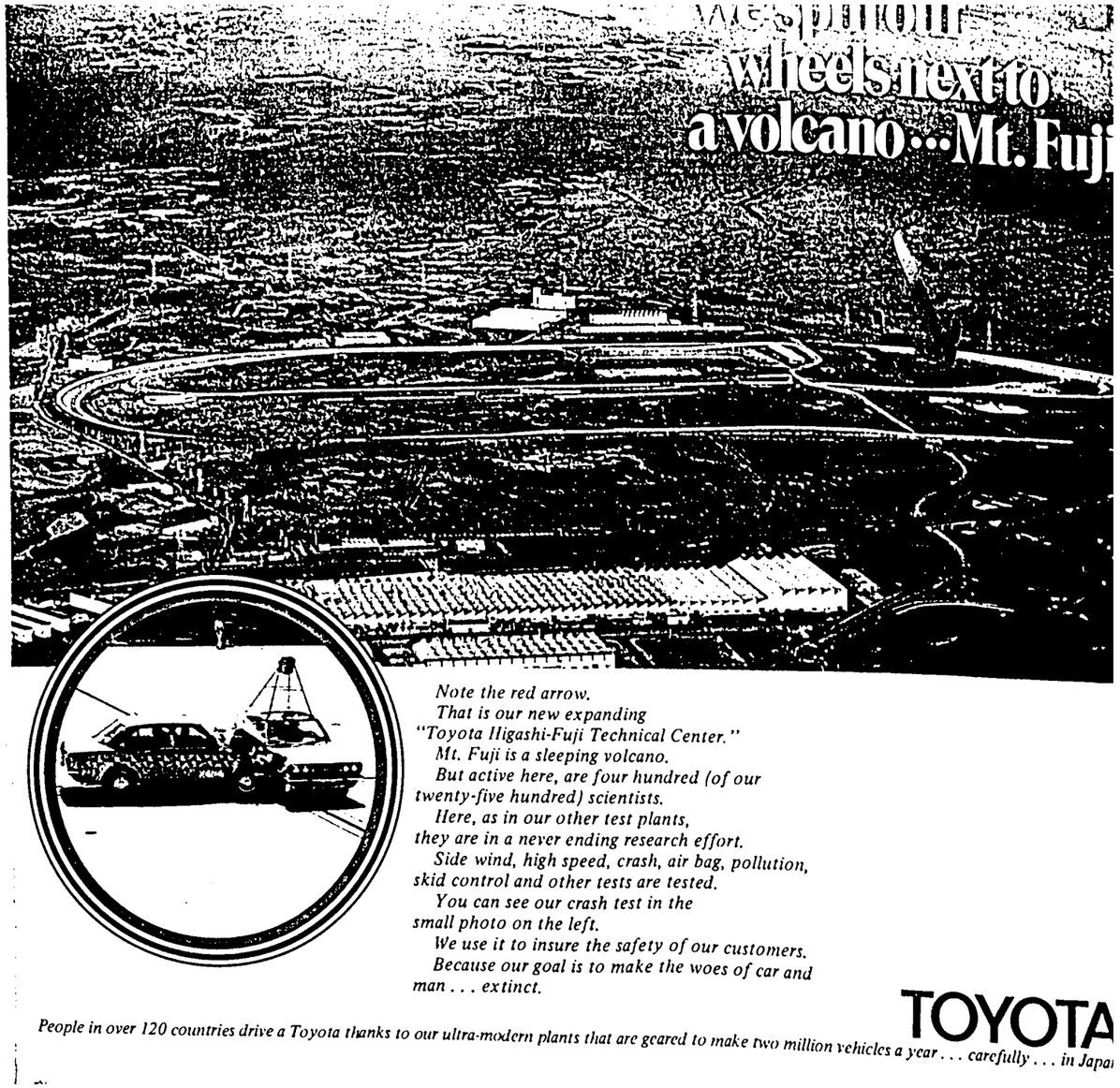
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BRITAIN

Roy must just get used to being misunderstood



Jenkins : who, me ?

It is a commentary on the poor state of the Labour party—and the standard of much political reporting in the British press—that Mr Roy Jenkins has only to make the first of a projected series of speeches dealing with party policy and he is greeted with the almost universal headline : Jenkins starts bid to oust Wilson. Mr Jenkins, in his speech at Worsley in Lancashire on Saturday, thought he was speaking about poverty (see page 29) ; but the Labour party, too, prefers plots to policy, so he had to go on the radio the following day and say it was "absolute nonsense" that his speech, and those to follow, "in any way represents some decision to go against Mr Wilson for the leadership."

That denial will by no means convince everyone in the parliamentary Labour party that Mr Jenkins has not begun the process which will lead to an inevitable confrontation with Mr Wilson for the leadership. It is too well known that some of Mr Jenkins's more excitable supporters have urged him to resign the deputy leadership now and start such a campaign. And it did not help at all that when asked whether he would support Mr Wilson when he comes up for re-election at the beginning of the next parliamentary session (which should be the autumn) Mr Jenkins gave an honest prevarication. In pursuit of their ambition to make life as embarrassing as possible for their deputy leader some of the wilder left-wing MPs can be relied upon to try to pin him down on that question.

The truth is, of course, that the Jenkinsites (like most Labour MPs) have devoted many small hours since around 1967 to the pleasurable pastime of working out scenarios which would guarantee that Mr Wilson would be replaced by their man. But they have long since been forced back to the conclusion—reached also by the Bevanities when they indulged in similar fancies in the later years of Clem Attlee's leadership—that the only way to get rid of a Labour leader is summed up in the phrase : "while there's death there's hope." In other words, Mr Wilson will have to destroy himself by resignation or reducing his leadership to a total shambles before anyone can hope to succeed him.

Yet that does not mean that Mr Jenkins might not stand against Mr Wilson this year, just as Mr Wilson stood against Hugh Gaitskell in 1960 although he knew he had no chance of success. If the worst happens—as well it might—and the Labour party conference comes out with a firm declaration that the next Labour government should withdraw from the European Economic Community and Mr Wilson accepts that decision, then all Mr Jenkins's friends will expect him to oppose Mr Wilson for the leadership of the party. It would have to be done, even though it might seem doomed to failure. And it is not a fanciful prospect. As it is difficult to see how Mr Jenkins and his pro-market friends could affect to be prepared to serve in a Labour government committed to withdrawal from the common market, it will no doubt inspire some left-wingers in the PLP and the unions to get such a commitment this year or next; but among the more sensible it will be Mr Wilson's biggest undeclared deterrent against the party taking such a step.

On Sunday, Mr Jenkins bitterly resented the fact that his speech had been interpreted as raising a "personal issue." Most newspaper commentators had latched on to the passage beginning : "When the next election comes we shall not be judged by the vehemence of our perorations, still less by the dexterity with which we follow the transient twists and turns of public opinion." Who else could this refer to but Mr Michael Foot and Mr Wilson ? Well, quite a lot of Labour MPs, actually. But, of course, there is a personal issue behind Mr Jenkins's programme of speeches : it concerns his own image and integrity.

Mr Jenkins has shown publicly his distaste for his own decision to go along with the PLP's tactics of voting against the Government's European Communities Bill by voting in the lobbies but being conspicuously absent from the front bench during most of the speeches. He has managed, behind the scenes, to get those tactics modified, but not yet to a degree where his reputation (and that of his friends) has been restored to what it was last autumn. *The Economist* has always had sympathy for Labour's pro-marketeers in their dilemma since October 28th. A split in the Labour party which left it largely in the hands of the bully boys and the left would not, in present circumstances, greatly benefit the British party system. Yet there is a limit to which even Mr Jenkins can be seen to be standing on his head "for the good of the party" without attracting to himself precisely the kind of criticism directed at Mr Wilson's style of leadership. Mr

Jenkins not only wants but needs to break out of that uncharacteristic posture. The Labour party may not want but it desperately needs any sensible new policies which Mr Jenkins may serve up in his speeches. If he can do both it will be for the good of British politics generally. But if he succeeds neither Mr Jenkins nor any of his friends should be surprised if most of their left-wing colleagues are stingy with their applause.

Elections

Storm in a Sidcup

Mr Heath is facing a little local difficulty down in his south London suburban constituency of Bexley. He has defended with success through seven general elections what has often been a Tory marginal. And in June, 1970, he notched up a record majority of 8,058 in a five-cornered contest. But now Bexley—it is to become Bexleyheath—looks likely to become a Labour capture in even a reasonable Tory year because of the redrawing of the constituency boundaries. This is due to the loss of Bexley's plushest Tory stronghold of St Mary's ward—15,000 strong—which is going to make up a third of the newly formed seat of Sidcup. Local pundits do not doubt that Sidcup should prove to be a comfortable pasture for any Tory. And Bexley Tories are determined that Mr Heath should be Sidcup's first Tory candidate. But that is where the trouble lies.

The remaining two-thirds of Sidcup's 43,000 voters are coming from half the neighbouring Tory marginal of Chislehurst. The redoubtable Dame Patricia Hornsby-Smith held that seat from 1950 until her defeat in 1966, but she recaptured it for the Tories in 1970 with a 3,363 majority. Local Tories do not rate her chances very high to retain the new Chislehurst constituency, 20,000 of whose voters are coming from mainly Labour council house estates in neighbouring Bromley. Consequently, they would like Dame Patricia to get the Sidcup nomination even though this may well provoke an unseemly wrangle with Mr Heath's local supporters in Bexley.

Chislehurst Tory leaders are already resentful at some of the alleged antics of their Bexley neighbours. They claim there has been a good deal of "obstructionism" from St Mary's ward on the steering committee which has been responsible for the difficult business of reorganising the constituencies. Accusations have been made that



Dame Pat: unmusical chairs

some zealous Bexley Tories have been canvassing among the Chislehurst faithful for Mr Heath's nomination for Sidcup, despite reassurances that nothing would be decided about that delicate matter until the Sidcup association was actually formed. Some Tories even suspect that wealthy St Mary's ward, although a minority in Sidcup, may tighten its pursestrings as a way of getting compliance with its wishes in the new association. Tories gather together on Monday night to elect officers and an executive council for the Sidcup association. But there is already unmannerly talk that some Bexley Tories might try to pack the meeting in order to keep Dame Patricia's supporters out of positions of influence.

All this intrigue is an unnecessary embarrassment for those other local Tories who would like nothing better than for Mr Heath and Dame Patricia to reach a personal understanding between themselves which would be acceptable to the local protagonists. There is little doubt that Dame Patricia feels some resentment at the uncertainty which she has had to suffer over the past two years about her own political future. And she has every reason to dislike the way in which some Bexley Tories—certainly without any encouragement from Mr Heath—have never bothered to disguise their determination to make quite sure she does not get the Sidcup nomination.

It seems likely that Dame Patricia will make full use of her rights, laid down with admirable clarity in Lord Chelmer's revised rules on the selection and adoption of candidates. These rules allow all sitting members to submit themselves for selection in any constituency which may incorporate any part of their old constituency, even though, when the vacancy is notified, there may be an MP for another part of the constituency. Local Tories would then have the invidious job of choosing between Mr Heath and Dame Patricia. There are hopes in Chislehurst that Mr Heath may decide to accept the nomination in a newly formed Tory stronghold like the Isle of Thanet or Chesham and Amersham. But so far Mr Heath has given no sign that he wants to leave the Bexley area. Only recently, he turned down an offer from Christchurch and Lymington, another new seat which looks cosy.

Housing Finance Bill

Poets' corner

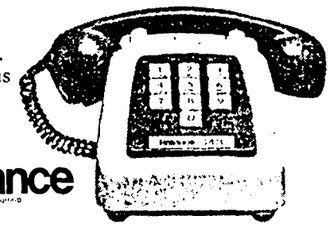
The guillotine came down on the Housing Finance Bill when two-thirds of the clauses and nearly all the points of real controversy had already gone through committee. But the Government decided to take up the challenge of the delaying taotics adopted in recent sessions by the Opposition, especially by certain backbenchers. Some unserious parliamentary observers are sad that the life of this committee has been cut short, for it has shown of late not only how well its members know their Shakespeare, but has revealed also on both sides an unexpected richness of invention, so much so that there have been calls for the publication of an anthology of Housing Finance Bill limericks—in a very limited edition.

But the Government had other, more relevant things on its mind. It resorted to the guillotine because of the present crush of parliamentary business and because of the need to make sure the bill gets through in time to introduce statutory rent rises in October. It suits Labour to be able to depict the Government as forcing through an unpopular measure, and suits the Government to blame Opposition left-wingers for baulking the bill's progress. Many crocodile tears were shed in Monday's debate on the guillotine motion.

To be fair, for most of the time since the committee first met on November 25, 1971, the Opposition's tactics have been normally constructive. The bill is a complex and radical measure, many details of which were barely sketched in before publication. Local authority resistance to certain aspects of it is not confined to Labour councils, as last week's special meeting of the Association of Municipal Councils made clear. So the time spent, if not the time wasted, on the bill has been justifiable.

The committee must now report by March 29th. After Easter only three

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days are allotted for the report stage of the bill, and it is presumably at that point, if at all, that the Government must introduce the expected concessions to furnished tenants, at present excluded from the new-rent allowances. It is a pity there will be so little time to scrutinise those proposals, if they are in fact ready in time.

Commercial radio

Vox pop

Any proposal that a commercial local radio station should be run with the guidance of a "powerful advisory committee," whose members would include, "among others," representatives of the "city council, other local authorities affected, the university, the churches, local business and industry, trade unions, students, several local educational interests, local sporting interests, voluntary societies in the area, local press, local entertainment, etc" merits initial suspicion and might well expect to provoke—among professional broadcasters at least—a high degree of alarm and despondency. And the suggestion that the manager of such a station "might wish sub-committees to be formed, reporting back to the advisory committee, on specific fields" invites incredulity. For all that, the draft application for the licence for Radio Cambridge, published on Thursday on behalf of the Cambridge Educational Development Trust, deserves a second look.

The application has been drawn up by another committee appointed for the job, chaired by Mr Brian Jackson, the lively-minded educationist. While the ultimate shape of commercial local radio is still very much a matter for argument—as the minister, Mr Chataway, has discovered during the committee stage of his Sound Broadcasting Bill—anything resembling an experimental idea, which shows some understanding of bread and butter realities, is welcome.

Radio Cambridge would be a "community radio station." So, one hopes, would the 60 stations which the bill proposes to set up. But the prospectus for Radio Cambridge puts much more stress on serving minority interests—schools and colleges, children, the old, the handicapped and the distressed, the churches and local government—than other commercial stations are likely to do. What also distinguishes it is that the trust which will manage it is registered as a charity and that it expects to take much of its programme material, free of charge, from members of the community.

What saves it from the charge of unrealism is its recognition that it would have to go for audiences at certain times of the day and must look to advertising as its prime source of income. Where it is undoubtedly on strong ground is in its contention that Cambridge is unusually rich in talent and in activities worth putting on the air and the potential audience is much more attractive in spending power than the average local station can hope for. What is more, the BBC has no local radio remotely within earshot.

This idea for Radio Cambridge appears to have genuine and substantial support among local opinion. There ought to be room within the pattern of commercial local radio for one station of this kind to show what it can do.

Poverty

Chancellors and shadows

The car workers in Mr Jenkins's constituency may not have enjoyed their mention in his quite courageous preamble to a promised series of speeches on poverty this summer, but the only time he descended from exhortation to policy was to criticise the Tories' efforts at selectivity. The Government itself has become worried about them. There are now so many selective schemes that few people are sure of which they qualify for (hence the low take-up for such novelties as the family income supplement) and there are large costs in manpower to inform people of their rights and yet keep free-riders away. The most established of the selective organisations, the Supplementary Benefits Commission, has administrative costs of some 8 or 9 per cent of its budget.

The other disadvantage is the much-disputed disincentive effect of a cluster of means-tested benefits. There is little evidence that it really exists, but it does contribute to the idea of the "poverty trap" that Mr Jenkins made play with last Saturday: at the top of the fis scale a rise of £1 in income will almost entirely disappear in tax and reduced fis payment, even before other benefits are taken away. The tax threshold will have to be raised in the budget next week, or this will become worse when the fis limits are raised in April.

This is one of the reasons why the Child Poverty Action Group, in its annual memorandum to the Chancellor this week, is still sticking doggedly to its presciption for poverty: a large increase in family allowances. This was also advocated by the Fabian Society in "Labour and Inequality," its programme for a Labour government published early this month. Family allowances are notoriously unpopular with the Labour party rank and file; and though an increase was promised in the Tories' election manifesto and is quite likely to emerge next week, it is not over-popular with Tories either. For this unpopularity the 1967-68 exercise in "clawback" is at least partly responsible, not only because the ensuing reduction in personal allowances brought many people on low incomes into the tax bracket for the first time, but also because both the tax on the family allowance (though not the family allowance itself) and the reduction in the tax allowance showed up in a man's pay packet: the point was being reached at which he appeared to be more heavily taxed than the single man.

Clawback, as the CPAG would like to see it operated in this budget, would work differently. It argues that the family allowance should be tax-free; and that the tax threshold should be raised, so that no new families should be brought into the tax bracket and no family man should appear to be paying more tax than a single man.

The CPAG's scheme is a far cry from the Tory ideal of a negative income tax, towards which the family income supplement was only a first step. Nor has the Government abandoned the idea. It can glean some comfort this week from the annual report of the Institute for Fiscal Studies, which concludes that the Government has improved the income position of the very poor (and the very rich). But that assumes a good take-up of the selective benefits on offer, and the CPAG strongly disagrees with this conclusion. Both of them are working in the dark: not only because their figures are inevitably out of date, nor even because there is scanty information on how many people are poor, but also because there is precious little agreement (beyond the arbitrary definition of it as living below the supplementary benefit level) on what poverty is. It is this question that Mr Jenkins must try to answer if he is, in these promised speeches over the next six months, to provide a policy for, in his words, "the elimination of poverty as a social problem."

Arts Brief

Arts in the provinces

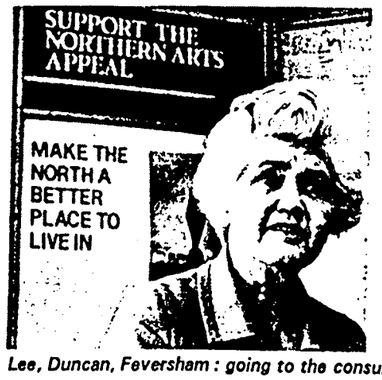
Lord Eccles may not be the pin-up of most national museum curators, but he is developing a sizeable fan club outside London. Ever since he took over as the minister responsible for the arts, he has been stressing what a poor artistic deal non-Londoners get. The House of Lords will hear more about his actual plans for the regions when he speaks on March 22nd in the debate on the future of Regional Arts Associations, organisations which he plainly feels will be crucial to any future plans to channel more funds to the arts in the provinces. His approach is supported by Mr Heath, who talks of building up arts associations, and thus making areas more attractive to potential investors, as part and parcel of his regional policy.

The provinces have long felt themselves to be the poor relations in the Arts Council's priorities. Theatre enthusiasts living in Carlisle are just out of luck—the nearest professional theatre is over 50 miles away. Similarly, opera lovers in a major city like Manchester (and a Manchester in Germany would have a resident opera company) must make do with three weeks a year from touring companies if they are lucky. Throughout Britain these disparities exist, a world apart from most European countries, in which a tradition of princely patronage has been taken over by the state. The provincial scene is made more galling by the fact that London since the war has become the theatrical and musical centre of Europe.

Regional Arts Associations—a comparatively new phenomenon—were started to try to redress this balance. Lord Feversham, chairman of the Yorkshire association, who is opening next Wednesday's debate, describes their function as a "partnership in patronage between central and local government and the private sector." The associations collect money from these sources (the ideal is one-third each) and spend it helping artistic enterprises in their area either by direct grants to independent promotions or, less frequently, by putting on shows of their own. They also introduce attractions like travelling exhibitions and dance groups into the area from elsewhere and try to build up their audiences by such incentives as travel subsidies, voucher schemes and the like. By now, the country is almost covered by a network of such associations (see map) and next year the Government will spend at least £700,000—most of which is already allocated—on them. This is over £260,000 up on this year.

Lady (Jennie) Lee first gave the RAAs the official go-ahead in her 1965 manifesto, "A Policy for the Arts," but only in the past few years has the Arts Council shown a really strong commitment to them. Their great attraction, according to Professor Alan Peacock, an expert in artistic finance, is that they are consumer-oriented: it is extremely difficult for the Arts Council, sitting in Piccadilly, to gauge the needs of people in Nuneaton, whereas a locally-based grant-giving body—provided it has a regular turnover of advisers and so does not become the pastime of a small artistic elite—is much better placed to do so.

Some associations are still extremely small-time set-ups—two started only last year—but the older ones are by now in big business and Northern Arts (the largest one founded back in 1961) has a smallish staff of 16 but an estimated income for 1972-73 of £312,000. Northern Arts has, in a way, provided a rough model for the associations that followed (those which started before 1961 just consisted of groups of local arts societies which did not wish to disband when the Arts Council closed its regional offices in the mid-1950s). Its enormous success stems from an entirely local initiative: in its early days it merely received token support from the Arts Council.





Lee, Duncan, Feversham: going to the consumer

Northern Arts—originally the North East Association for the Arts—began alongside the North East Development Council and the Northumbria Tourist Board as part of an effort by a group of largely Labour local authorities, inspired by the redoubtable Mr Dan Smith, who were deeply worried by the growing unemployment queues and wished to attract new industries their way. In the first year 20 authorities rallied round and, with a meagre £500 from the Arts Council, drummed up £24,000. By now 100 of the 107 authorities in the area (enlarged in 1967 to include Cumberland and Westmorland) contribute, although not in any spendthrift way. The Local Government Act of 1948 allows authorities to spend up to the product of a 2½p (6d) rate on the arts. Northern Arts sets the product of 0.12p as a target for each contribution, but only 30 authorities give that much.

The association's annual report reads in some ways like a small Arts Council report: £42,000 to the Northern Sinfonia Orchestra, £16,500 to the Newcastle University theatre, and so on. But more interesting are those items aimed at widening the audiences for productions both geographically (through travel subsidy schemes by which the association underwrites a proportion of the cost of a busload of people coming from far afield to an event) and socially (by ticket voucher schemes aimed at bringing young people into the theatres and concert halls). Anyone under 21 can obtain a free booklet of vouchers which are worth 15p each at the box office. The association reimburses the theatres concerned—last year to the tune of about £22,000.

Mr David Dougan, the present director of Northern Arts, insists that marketing is vital to attracting regular audiences. He plans to use much more local television and sees a splended potential outlet in local radio. In the meantime the association collaborates with the Northern Echo newspaper in producing 110,000 copies of a free monthly pull-out supplement listing artistic events in the area; it distributes 25,000 independently to members, libraries and schools. Other associations publish varying sorts of calendars of events either as a monthly magazine or as a newsletter.

All associations appoint advisory panels (generally one each for art, music, drama, literature and film) which meet regularly and decide how the money should be spent. Some associations have gone in for some quite extensive market research into the needs of their region: Mr Neil Duncan actually wrote a book on the arts in the South before settling down as the southern association's active director. But most directors would agree that, where the arts are concerned, research into what people say they want is of limited use: after all, they insist, if you have never been to the ballet how can you know if you would enjoy it or not? The success of the Northern Dance Theatre founded by the North West association, touring in country previously unused to ballet, does add substance to this attitude.

Mr Nigel Abercrombie, the Arts Council's regional adviser in charge of the associations, sees them eventually becoming "central information agencies" for a very wide spectrum of the arts and crafts in their areas.

Already much of the associations' meagre staffs' time is taken up in advising or co-ordinating various productions, exhibitions or festivals and often helping them with their publicity. The Greater London association is currently up to its neck in a grand summer plan to hold festivals in all 32 London boroughs, starting at the end of April.

The Arts Council, founded as it was to promote high professional standards in art, tends to be a bit dogmatic about the division between professional and amateur events; a division which is in reality not necessarily so cut and dried. Regional associations need have fewer scruples and although, in general, Mr Michael Dawson, director of the Yorkshire association, reckons that only about 10-15 per cent of his budget goes on amateur productions, he estimates that they take up more than 50 per cent of his staff's time. Often grants to amateurs are to help to improve standards by a bit of stiffening from professionals—a good conductor might work wonders on a rather shaky choral effort.

Most associations have steered clear of setting up their own promotions because they are not only time-consuming but expensive. However, there are notable exceptions. The Merseyside, Mid Pennine and Lincolnshire associations set great store by their own promotions. But the biggest impresario of all is Mr Alex Schouvaloff, the former assistant director of the Edinburgh Festival, who now runs the North West association. Besides the dance company, which cost it £13,500 this year (the Arts Council giving another £15,000), the association now runs two small travelling theatres called Orbit and TheatreMobile, both at a comparatively low annual cost of £10,000. It brought the famous Paul Taylor dance company from America to St Helens, of all places, in 1969 and in the same year invited the Polish Mime Theatre to Manchester as part of a three-week Polish festival which was heavily subsidised by the Polish government. Last August Mr Schouvaloff directed the first Rochdale festival.

One advantage of specific promotions is that they tend to attract more private patronage. Local firms are naturally keener to sponsor an art exhibition than the day-to-day running of an office. Because of this the Gulbenkian Foundation—which is strongly committed to encouraging the arts in the provinces—decided at an early stage to do the dirty work and give grants towards administration. Mostly, it has given £12,000 spread over the first three years of an association's life. The possibility of more private patronage has not by any means been fully explored and most associations are still only "thinking" of employing a fund-raising officer. Mr Harry West, of the Greater London association, thinks that he could bring in an extra £100,000 a year if American-style tax concessions were introduced for donations to the arts. But most other directors are less optimistic and hasten to point out the great disadvantage of private patronage: it is higly undependable.

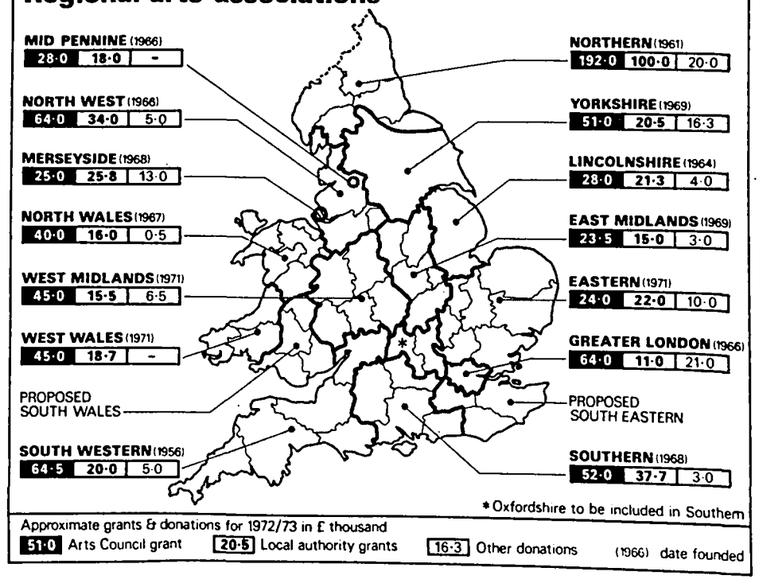
A major problem facing some associations is that certain areas just feel more regional than others. It is not too difficult to set regional pride in action in the more deprived North, as Northern Arts has shown, or in the South West which feels isolated anyway. But Mr Duncan, who used to work for Northern Arts, has much greater difficulty in the Southern region, where a generally wealthier public is used to being heavily dependent on London for its entertainment and where someone in the Isle of Wight feels no common identity with someone from Swindon. The large new Eastern association, centred on Cambridge, is likely to run into very similar identity problems, as will the South East if, as is expected, an association is started there. Greater London is even worse off and has clearly had trouble deciding its priorities in a region whose 8m inhabitants have only to jump on the tube to reach the West End.

Already there have been some breakaway groups in the North West, where the various authorities on Merseyside and in the Mid Pennine area decided to form their own associations and claim, as a result, to have attracted more local support. This is plainly against the Arts Council's general policy as small associations of necessity carry less weight. Lincolnshire certainly suffers from this problem, and there are rumblings that, with the reform of local government, it might be sensible for it to take a bite out of the East Riding of Yorkshire, which will be part of the Humberside authority.

Now that the Arts Council is so plainly committed to the associations, it appears that Lord Eccles would like to see a nationwide network of strong associations through which much more of the council's money could flow. But with some embryo associations still consisting of a director and a secretary in one room, this idea is plainly quite some way away.

In the meantime, the associations are beginning to think of themselves as a national movement and have taken the step of forming a standing conference, chaired by Lord Feversham, which meets to discuss common problems and exchange ideas. It is also intended to act as a spokesman for the associations. It held its first residential conference in Oxford last year and is pondering holding its next one in France at a Maison de la Culture (the closest French counterpart to our associations). So far its main headache is that only a few strong, large associations have the time to think on anything but a local level. It is also somewhat split between those doves who believe that it should be a passive, discussing body and those hawks who see it as potentially a strong political force. There are even noises among their number that the associations should eventually take over the majority of the Arts Council's functions outside London. But this plainly will not happen if the council has anything to say about it.

Regional arts associations



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THE WORLD *International Report*



Jack, do you mind if John speaks for the gunmen ?

Wilson opens up a line with the IRA

FROM OUR DUBLIN CORRESPONDENT

Mr Harold Wilson's 24-hour visit to Dublin early this week was a big personal success. He pleased Irish television watchers in the interview he gave, chucked the press some throwaway titbits and impressed the leaders of the political parties with his knowledge of the complicated Irish scene. But some doubts remain in Dublin about the real reason for the visit. Although the invitation to appear on television had been open for months Mr Wilson's staff revived it at short notice. Clearly it was a cover. And Mr Wilson convinced his hosts that he was not privy to Mr Heath's proposals for Northern Ireland: so there was no question of his acting directly as an emissary for the Prime Minister, sounding out likely reactions to the long-awaited initiatives.

The most convincing theory is that Mr Wilson was in Dublin on his own account to discover how best the IRA could have their views considered in any proposals for a settlement in Northern Ireland. This theory explains both the references made by Mr Wilson to the IRA on television and his meetings with the politicians. In his interview he said that he himself would not talk to the IRA but added that all had their contacts with them. He described them as a disciplined, tightly knit organisation whose writ ran to the extent that a truce could be honoured and whose peace demands, although unacceptable to any British government, should be considered in all-party talks.

These, and other references to the IRA, could only boost the Provisionals' prestige. But it seems that Mr Wilson's main aim was to discover if the politicians in Dublin would accept that the Ulster Social Democratic and Labour party (SDLP) can put the IRA view at all-party talks. The Irish party leaders will accept it, and the SDLP's Mr John Hume was summoned to Mr Wilson's hotel to hear the consensus. The IRA itself is also believed to accept the SDLP, certainly in the initial stages of talks, as representing its point of view.

In anticipation of a new British initiative on Ulster, Mr Lynch has modified his views on the subject in three important respects. First, he now recognises that unity of the two communities in Northern Ireland must precede unity of the two parts of the island. So long as eventual Irish unity is not ruled out, therefore, Mr Lynch will accept a restatement of the existing British guarantee to Northern Ireland.

Second, the Irish prime minister has come down heavily on the side of Mr Wilson's gradual approach to a solution. He hopes that Mr Heath will simply take the steps necessary to launch talks between representatives of the main political parties in Westminster, Stormont and the Irish Dáil, leaving it to the commission Mr Lynch hopes these talks will create to work for the ultimate solution. Third, Mr Lynch is no longer insisting on the total abolition of Stormont, but merely on its suspension pending the outcome of the parliamentary commission talks.

These three modifications of previously expressed policy are seen in Dublin as substantial concessions. They reflect a lot of hard thinking by the prime minister in recent months. Mr Lynch relies for counsel about Northern Ireland on a small group of advisers who have no status as a team and who do not meet as a group. Cabinet discussions are concerned largely with the pros and cons of specific proposals: the ideas themselves are often the outcome of the thinking of the six people who are closest to Mr Lynch on the subject.

Senior among the six is the deputy prime minister, Mr Erskine Childers. Austere, aloof, cultured, Mr Childers —though conservative in his general views—is not associated with the right wing in the cabinet, which favours a harder line than that taken by Mr Lynch. He has spoken out strongly against the IRA and has been noted for his loyalty to Mr Lynch even during the difficult months of the cabinet crisis last year which resulted in the dismissal of three ministers.

The only other minister who carries

more than average weight in determining Mr Lynch's northern policy is Mr George Colley, the minister for finance, and a former rival of Mr Lynch's for the premiership. Although philosophically belonging to the older homespun school of republicanism associated with President de Valera, Mr Colley is temperamentally more in the realist, technocrat line of Mr Lynch's predecessor, Mr Sean Lemass. Hardworking and ambitious, Mr Colley has swung in recent months more fully behind Mr Lynch's moderate policies while still remaining somewhat to the right of the prime minister.

Mr Lynch also receives advice from three members of the Irish foreign service ; although the foreign minister himself, Mr Patrick Hillery, has been so preoccupied with negotiating entry terms to the common market that he has not played a great part in determining northern policy. The three are Mr Hugh McCann, a former ambassador in London, Mr Donal O'Sullivan, the present ambassador who was recalled after the "bloody Sunday" shootings in Londonderry, and Mr Eamonn Gallagher, the head of the foreign ministry's small Anglo-Irish political section. Mr Gallagher is widely regarded as the liaison man between the Irish government and the minority leaders in Northern Ireland.

The last of the six close advisers to Mr Lynch on northern policy is Mr John Hume, the SDLP man, who is president of the "alternative assembly of the Northern Irish people." Mr Hume's advice was largely instrumental in determining Mr Lynch's attitudes at the Chequers meeting with Mr Heath last year. But internal dissension in his party, and the desire of many of its members to be more closely associated with the Irish Labour party, had once weakened the links with Mr Lynch. Like the prime minister's other close advisers, Mr Hume is a moderate—as is Mr Lynch himself. All have some influence over the prime minister but Mr Lynch remains the chief architect of his policy.

France

The party against violence

FROM OUR PARIS CORRESPONDENT

Can the French left restore what passes for its unity ? The Communist and Socialist parties have long been agreed, in principle, on an electoral alliance for 1973 and, hypothetically, on an alliance in government thereafter. After M. François Mitterrand's Socialists had met last weekend to settle what they thought a future left-wing government should do, the two parties were due this week to resume discussing their rival and often divergent programmes.



They can unite for a funeral

But the fallout of the Overney affair has shown up other, no less serious, divergences. René-Pierre Overney was the young maoist shot dead three weeks ago by a member of the Renault security staff when he and his comrades were trying to enter the car company's Billancourt works near Paris. The Communist party promptly denounced not the killing but the maoists, who, it claimed, were manipulated by the government. Ever since, it has been severely criticised by other left-wing organisations, the Socialist party included. For them, however little they might approve of revolutionary violence, when a member of the left is shot dead by a servant of the bosses, there is only one side of the barricades on which to stand. And the Communists had chosen the wrong side.

The Communists got a stinging rebuke a week later, when some 30,000 people marched in Overney's funeral procession. But the party did not, and will not, retreat an inch from its analysis of the affair. Last week's reprisal kidnapping of a senior Renault employee, Robert Nogrette, by a far-left group so small as to have been generally unknown until that moment, fell like manna into the Communists' lap.

Most French papers found the kidnapping of 63-year-old M. Nogrette a cause of greater concern than the death of M. Overney. President Pompidou and the prime minister, M. Chaban-Delmas, denounced it. In vain did Overney's friends point out that he was not merely kidnapped but dead, the victim, they claimed, of cold-blooded murder. The French public, so far as one can judge, fully shared the revulsion against the left-wing kidnappers expressed not only by politicians and the press of the right but, in more balanced terms, by opposition papers too. Feelings were only slightly mollified when M. Nogrette was released, after 48 hours, unharmed.

Here was proof for the Communists that the antics of the far left were as harmful, in terms of public opinion, as they had maintained. Still better, the far left itself, briefly united for the Overney funeral, had been thrown into dispute and confusion by the kidnapping.

So far, for the Communists, so good. But it will take a long time for their potential allies to regain confidence in a party which, even in a pre-electoral period, is quite so ready, for electoral reasons, to kick the principles of other left-wingers in the teeth. The violence with which the Communists have done so, and their extreme enthusiasm to show themselves a responsible party, prompted your correspondent, who remembers the evolution of Italian politics, to a very wicked thought this week. How long before we see the French Communist party angling for inclusion in a government not with Socialists but with gaullists ?

Germany

The disintegrating army

FROM OUR BONN CORRESPONDENT

German soldiers speak of him sometimes as "the letter-box uncle," or "the ombudsman." But his proper title is parliamentary commissioner for defence. Any aggrieved west German serving man or sympathising relative may write to him directly, confident of receiving at least a reply if not a visit from Uncle himself. Last year the commissioner, who is appointed by a Bundestag resolved to keep professional soldiers in their place, looked into a total of 7,891 complaints or inquiries —749 more than in 1970.

So notes the present holder of this office, Herr Fritz-Rudolf Schultz, in his report for 1971. Herr Schultz is

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How long do you think they would hold the Russians ?

troubled by evidence of steadily deteriorating discipline among the 460,000 men in the west German armed forces. It is not just that this former Free Democrat deputy sees things with the eyes of the proficient tank officer who won the Knight's Cross with Oak Leaves in the second world war. Surprisingly in the circumstances, he relates, for instance, how he intervened to stop an artillery unit detailing a gunner every day to sweep the canteen, empty the ashtrays, and water the flowers, on the ground that such practice was incompatible with a directive that the "citizen in uniform" should be ordered to do only what served military ends.

Herr Schultz's indictment asserts that "unauthorised absence from duty, desertion, disobedience, and violent conduct against superiors, along with petty theft in the barrack room and major theft of arms and equipment, increased substantially in the period under review." He tells of 15 mountain pioneers, armed with climbing picks, releasing by force a drunken companion whom the orderly officer had put under close arrest ; and of some 140 Rhineland troops smashing Uelzen railway station on finding that no transport had been laid on to take them back to barracks after celebrating a carnival. He deplores the fact that in many units a directive recommending regular discussion between officers and other ranks is misinterpreted as a licence for *Mitbestimmung*—the equal say in management demanded (and practised here and there) by militant left-wingers in the trade unions and the universities.

And then there is the funny business of the militant long-haired, to whose studied waywardness nine whole pages are devoted. To keep abreast of democratic times the present minister of defence, Helmut Schmidt, abolished the compulsory traditional short military haircut, remarking that he was interested more in what was beneath a soldier's skull than on top. Herr Schmidt directed that the excessively hirsute should wear a hairnet in circumstances in which long hair might impede efficiency. Later the minister ruled that the long-haired should wear a net the whole time while on duty. According to Herr Schultz some soldiers, reporting sick with headaches purportedly caused by the army issue net, wangle permission to buy a more elegant model from the local hairdresser—at the taxpayers' expense.

Herr Schultz concedes that the anti-authoritarian influences at work in the army are bred of similar tendencies in the permissive society outside. He is none the less disturbed by the growing number of soldiers who not only resent compulsory military service (already reduced from 18 to 16 months) but also challenge its validity. He thinks part of the cause is the failure of west Germany's leaders to explain Germany's obligations to itself and to its allies. "The removal of the traditional picture of the enemy has led many soldiers to suppose there is no longer any threat from outside."

The second chief cause of restlessness in the armed forces is, in Herr Schultz's opinion, systematic communist subversion. The commissioner tells of leaflets and handbills distributed at barrack gates and posted on barrack walls inciting soldiers to disobedience and slackness. Perhaps, he reflects, they have already been influenced to some extent by communist teachers in the schools. He records that in 1971 as many as 27,657 conscripts asked to be registered as conscientious objectors—8,294 more than in the year before. Draft-dodging is not a purely American phenomenon.

Spain

The Vatican cellars

FROM OUR SPAIN CORRESPONDENT

The Vatican, it seems, can speak in more than one voice. Conservative Spanish churchmen have long been scheming against the new archbishop of Madrid, Cardinal Enrique y Tarancón, and their friends were warned to expect a development that would discredit him and perhaps enable the authorities to take legal action against the Bishop of Huelva, guilty of releasing a strongly anti-government report on social injustice.

Until last autumn, Spanish conservatives considered Cardinal Enrique y Tarancón a safe "establishment liberal." But in September he aligned himself with the radical majority at the joint assembly of Spanish bishops and priests. The assembly called for political democracy and denounced torture and political courts martial. Half its members went so far as to vote for a resolution asking the Spanish people to forgive the church for its role in the civil war. Cardinal Enrique described the assembly as "a great step forward" and promised more outspokenness of this kind.

It now looks as if a plot against him was hatched last February. Conservatives said to be connected with the lay Roman Catholic organisation Opus Dei began circulating a report issued by the Holy Congregation of the clergy, in Rome, which strongly criticised the joint assembly—and indirectly the cardinal—on both theological and disciplinary grounds. Monseñor Guerra Campos, a conservative prelate who is one of General Franco's personal nominees in the Cortes, claimed that the criticism was upheld by "high authority"—presumably the Pope. Had this been so, the balance within the episcopal conference would probably have swung in favour of the conservatives.

When, after a fortnight's delay, Cardinal Enrique received the report, he left indignantly for Rome. On his return he was able to read to the assembled bishops a letter signed by the Vatican's secretary of state declaring that the Pope had not seen the report and that its conclusions were not binding. He denounced the "grave calumny" of the right-wing faction and virtually accused Monseñor Guerra Campos of being a liar. Afterwards the cardinal was elected president of the

conference and most other posts went to liberal bishops.

As the liberal Catholic monthly *Cuardernos para el Diálogo* observed recently, the Spanish church has undergone a "spectacular change of attitude." This change has been due partly to "Pope John's reformation" and partly to local factors. As the civil-war bishops retired, priests began to oppose the establishment first on regional and then on social issues—some for moral reasons, others because they were anxious to defuse the anticlericalism provoked by the church's alliance with General Franco. Left-wingers denied legal outlets of their own infiltrated Catholic organisations and publications.

But the church still has reasons for caution. It prefers the state's substantial subsidies to the rather shadowy charity of the average Christian (anyway, only about 15 per cent of Spaniards are regular churchgoers nowadays). General Franco, for his part, is profoundly religious and too shrewd to forget his own advice to Perón in 1955: "Always keep the church on your side."

South West Africa

A plan for Namibia?

FROM OUR SOUTH AFRICA CORRESPONDENT

On the surface, Mr Kurt Waldheim's visit to South West Africa (or Namibia, as it is called at the United Nations) looked a futile affair. For two days the UN secretary-general was whisked about by the South African authorities, like any other visitor on an information department ticket, getting the full propaganda treatment. He saw the tourist sights, hydroelectric and other development projects, and he talked to government-nominated black councillors. True, he also saw critics of the government who handed him petitions. But receiving petitions on South West Africa is hardly a fresh experience for the secretary-general of the United Nations.

Even the visit to troubled Ovamboland in the north was uneventful. This is the region where appalling contract-labour conditions led to a strike by 13,000 Ovambo workers earlier this year, and where subsequent clashes between strikers and police have now culminated in emergency rule and detentions. But Mr Waldheim showed no particular interest in the cause of the trouble. That, he said, was beyond his terms of reference.

It was all too bland to be true. And even while South Africa's pro-government press and radio were cooing at the apparent public relations triumph, some voices began to inquire whether there was not perhaps more to it than appeared on the surface. Was it not true, asked the Johannesburg Sunday Times warily, that the real purpose of Mr Waldheim's visit lay not on the plains of Namibia but in the government offices of Capetown?

Which is precisely the point. Mr Waldheim came to talk, not to see. His purpose was not to examine the merits of the case that South Africa should withdraw from South West Africa and allow it to become independent. So far as he is concerned, the verdict on that has already been given both by the International Court at The Hague and the UN Security Council. His purpose was to determine how to get the verdict implemented. His terms of reference, outlined by the Security Council in Addis Ababa on February 4th, were to make contact with the South African government in an attempt to secure its co-operation.

The sole purpose of Mr Waldheim's visit, therefore, was his two meetings with the prime minister, Mr Vorster. The tourist bit was merely a matter of diplomatic courtesy. Seen in this way the trip raises an intriguing question: why should Mr Vorster be prepared to talk with the secretary-general on such terms? Can it be that South Africa, which has been so adamant for so long about refusing to contemplate any withdrawal from South West Africa, is reconsidering the position?

In an extremely cautious and qualified way, the answer may be yes—at least sufficiently to raise hopes of some sort of compromise agreement with the UN. Mr Vorster has had a lesson in the experience of Rhodesia of how unsatisfactory it can be to allow a stalemated situation to drag on. He could be growing anxious about the South West African issue blowing up into something larger if the stalemate there continues, especially now that there is an adverse International Court judgment on record.

Whether there can be any compromise depends, of course, on what you mean by independence. Both Mr Waldheim and Mr Vorster talk of independence for the people of Namibia—or South West Africa. But they mean very different things. For Mr Waldheim, it means simply another independent African state like all the others. For Mr Vorster it means a series of 11 tribal bantustans that he is prepared to ease towards some kind of political independence, just as he is doing in South Africa itself, with the 90,000 whites remaining apart in the bulk of the territory which would continue to be administered by South Africa.

However, as the dialogue with Mr Waldheim unfolds, it could be that South Africa would be prepared to consider the 11 bantustans coming together under the guise of some federal arrangement. And with an adjustment in the apportionment of land it could be that some elements in the UN would regard this as a bargain at least no worse than the one Britain is trying to strike in Rhodesia. And that, from Mr Vorster's point of view, would mean a lot.

Cambodia

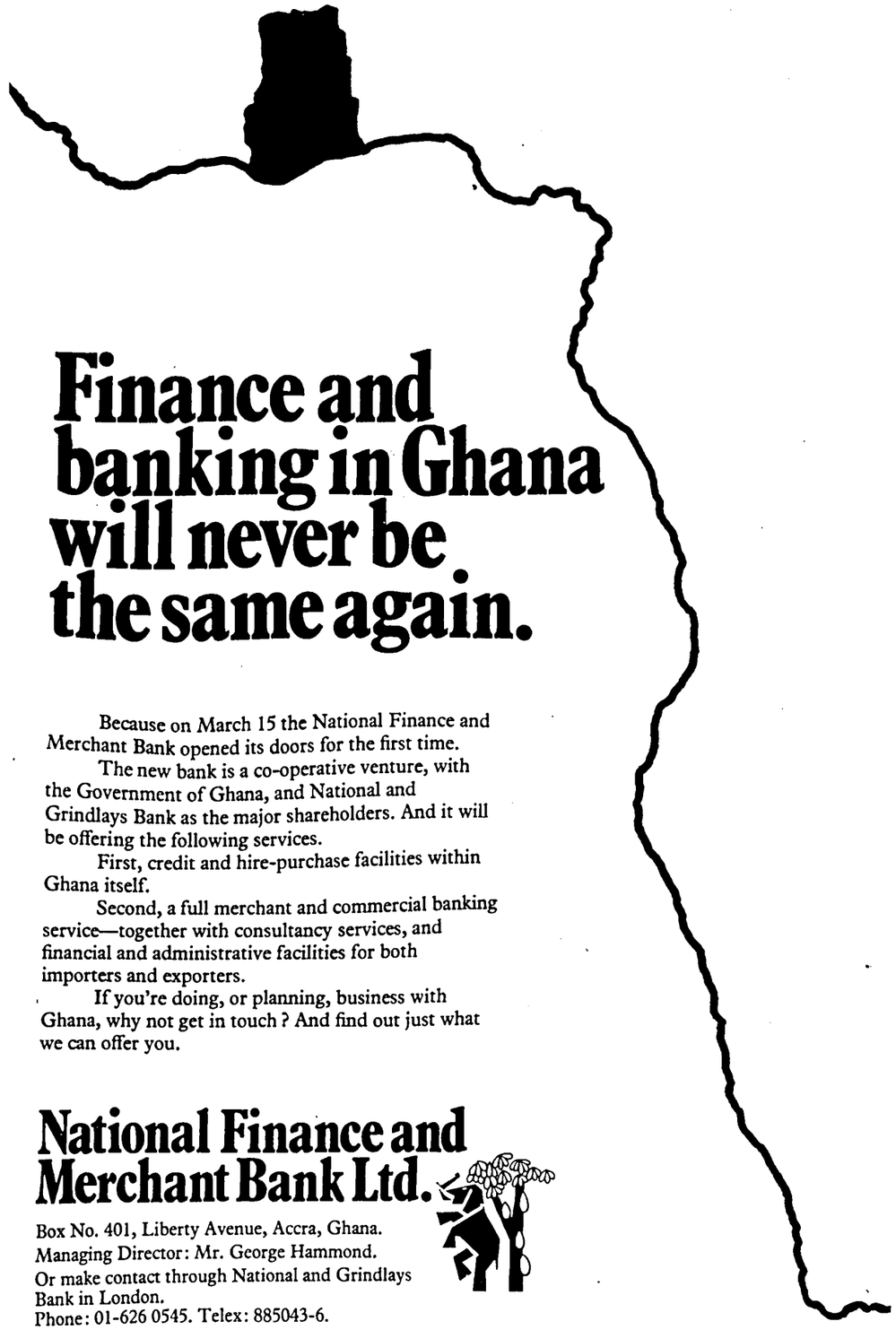
Lon Nol protects his cucumbers

FROM OUR SAIGON CORRESPONDENT

The supreme stewardship of the Cambodian nation has weathered some strange vicissitudes in its divinely guided history. On one occasion the grower of royal cucumbers found an intruder lurking in his garden at night, and after impaling him on a spear found the unfortunate victim to be the king himself. Far from being punished, the vigilant cucumber-grower was promptly elected to the throne, founding a new dynasty.



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The Cambodians could therefore be excused for seeming rather bored this week when Marshal Lon Nol booted out the chief of state, appointed himself first president of the Khmer republic, and at the same time solemnly undertook to uphold the 1947 constitution—which happens to be a monarchist one, or what is left of it. To be sure, Marshal Lon Nol's actual assumption of the presidency was not unexpected. But the manner of it was. Until a few days earlier, it had been planned that Lon Nol would wait for March 18th (the second anniversary of Prince Sihanouk's dismissal as chief of state), by which time the constituent assembly would have completed work on a brand-new republican constitution and paved the way for a smooth transition to presidential rule.

But late last week the marshal returned suddenly from the seaside, partly recovered from the stroke which last year left him crippled and semi-paralysed. Within hours, the interim chief of state, Cheng Heng, had "resigned" and nominated Lon Nol to replace him. The marshal, who was already prime minister and head of the armed forces, accepted. This marked the first patently unconstitutional link in the chain of succession that started with Sihanouk's ouster in March, 1970. Lon Nol quickly scrapped the almost-completed republican constitution, closed down the constituent assembly and dismissed the government. Then, on Monday, he swore himself in as president.

Nobody is sure what impelled the new president to move with such uncharacteristic swiftness and in a way so calculated to cast doubt on the legality of his own position. The official explanation was that the draft constitution was unacceptable to the government, and had to be aborted before the assembly could formally give birth to it. As one minister put it, the draft provided for a "dictatorship of parliament"—meaning that the assembly could dismiss the government but not vice versa. Marshal Lon Nol therefore sprang what amounted to a pre-emptive coup by the government against the assembly.

But there seemed more to it than just that, and one of the more ominous possibilities was that a group of army officers had pushed the marshal, fearing both the anti-military tone of the draft constitution and the rising star of the assembly chairman, In Tam, who is no friend of the generals but has significant political support of his own. Of course, one cannot rule out the possibility that the marshal acted as he did simply because his astrologer told him to.

In any event, a war-torn nation which sorely needed good leadership now finds itself in the hands of one superstitious and sick man, whose political judgment is erratic and whose physical strength was again visibly ebbing after four days back in the capital. And yet the transition was accepted with complete calm in Phnom Penh, where Lon Nol remains popular. The students and Buddhist monks seemed to approve, although student demonstrations against his right-hand man, General Sirik Matak, mainly because of his princely rank in the former royal family, resulted in the news on Thursday that Matak is retiring. The American embassy, surprised and shaken by the turn of events, could only hope that it would not make Congress angry back home.



No more chicks for these boys

West Bank

The farmer's worries

FROM OUR SPECIAL CORRESPONDENT

Jericho

As time runs on and Israel's physical presence on Jordan's occupied West Bank becomes more vigorous and penetrating, the Arabs there stare at their shrinking map and wonder what sort of autonomy can be picked out of the jigsaw. Israel now has 12 settlements on the West Bank. Are any negotiable? ask the Arabs. Or would the areas they stand in belong to Israel? Mr Dayan has said that wherever Israelis settle they mean to stay.

Sheikh Ali Jabari, the veteran mayor of Hebron, has consistently, and with some moral courage, pursued a policy conciliatory to Israel. But this has not spared his area from Israeli colonisation. The Israeli army commandeered 2,500 acres of agricultural land near Hebron for Israeli settlers. Now, on the brow of a hill commanding the city, big blocks of flats have gone up with the same fortress-strong appearance as those that enclose Jerusalem. Plans are in hand, though at present suspended, for constructing 1,000 more Israeli homes in the same style.

Between Hebron and Bethlehem is a block of three Israeli settlements. Down in the broader stretches of the Jordan valley the boys and girls of eight new Israeli settlements are starting their own agriculture on the fields that were formerly worked by Arabs. This was the region of Jordan's most luxuriant farms, but only a few Arab cultivators are allowed to work there now. On much of the land that the Israeli army holds, but is not using, orchards and market gardens have been allowed to wither away.

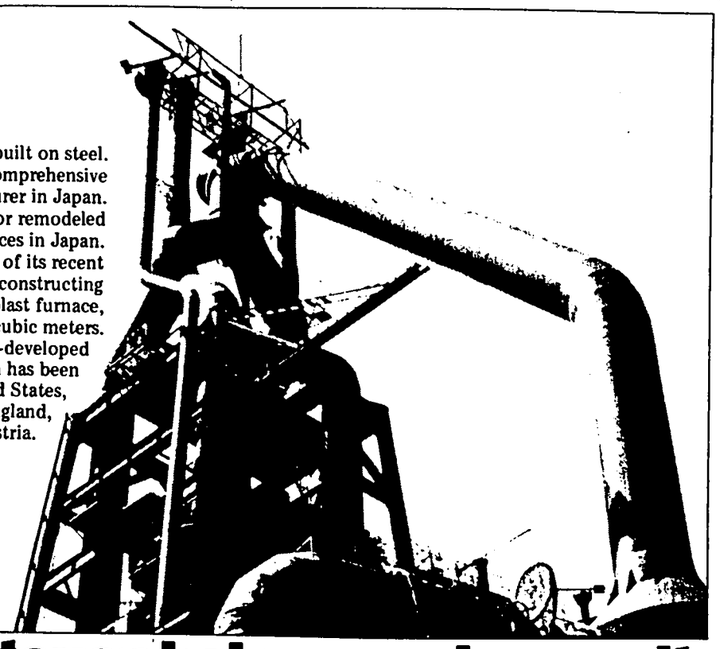
Before 1967 agriculture was the mainstay of the West Bank's economy. Now farming is feeling the draught because of land lost to Israel and the loss of labour: the 40,000 Arabs who have gone to work at Israeli building sites or factories. Property-owners—the people who will vote in the coming municipal elections—are, even if not farmers, concerned by this threat to the West Bank's basic economy. No serious alternative industry is being developed to which Arab labourers might turn when Israel's building boom slackens.

These Arab workers in Israel get at least £1.40 take-home money a day. The Arab smallholders who need farm labourers cannot keep up with such rates. The bigger farmers might do so if they could sell their produce in Israel, where the wholesale prices paid are commensurately high. But except when there are occasional shortages in Israel, the West Bank farmers must sell on the low-paying West Bank, or else in east Jordan—where prices over the past year have been abysmal.

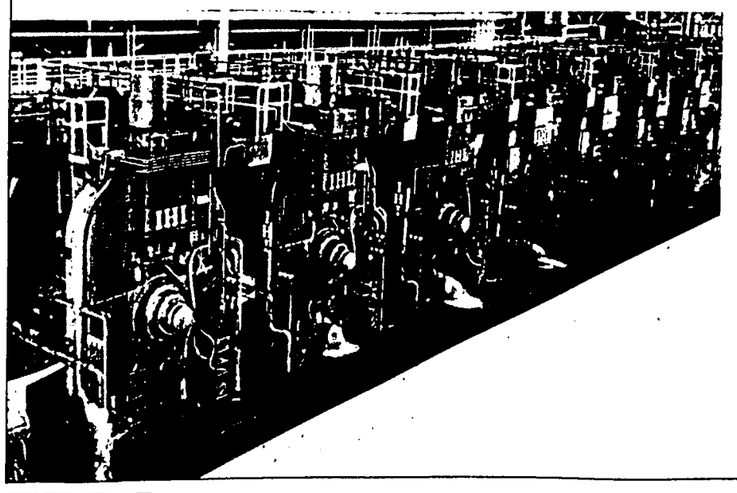
The Israeli authorities on the West Bank concerned with agriculture are doing their best to assist the Arab farms—advising them about crops, providing insecticides and helping them to get piped water. But they cannot shelter them from the thrusts of Israel's powerful commercial interests. The effect of this has been felt in the

Continued on page 49

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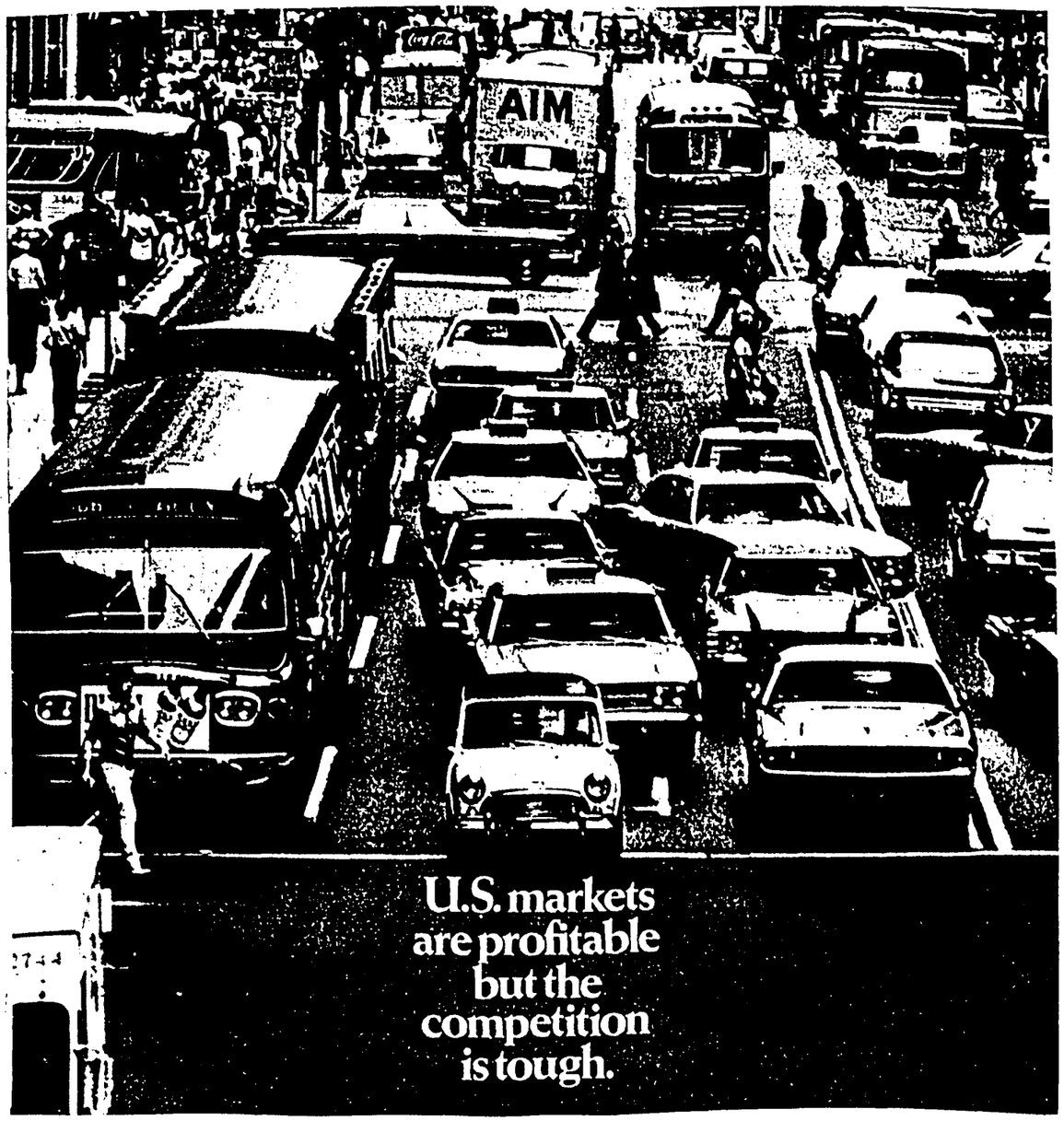
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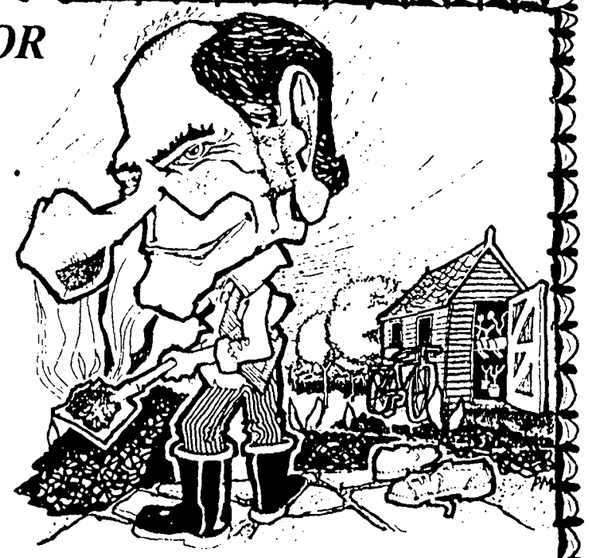
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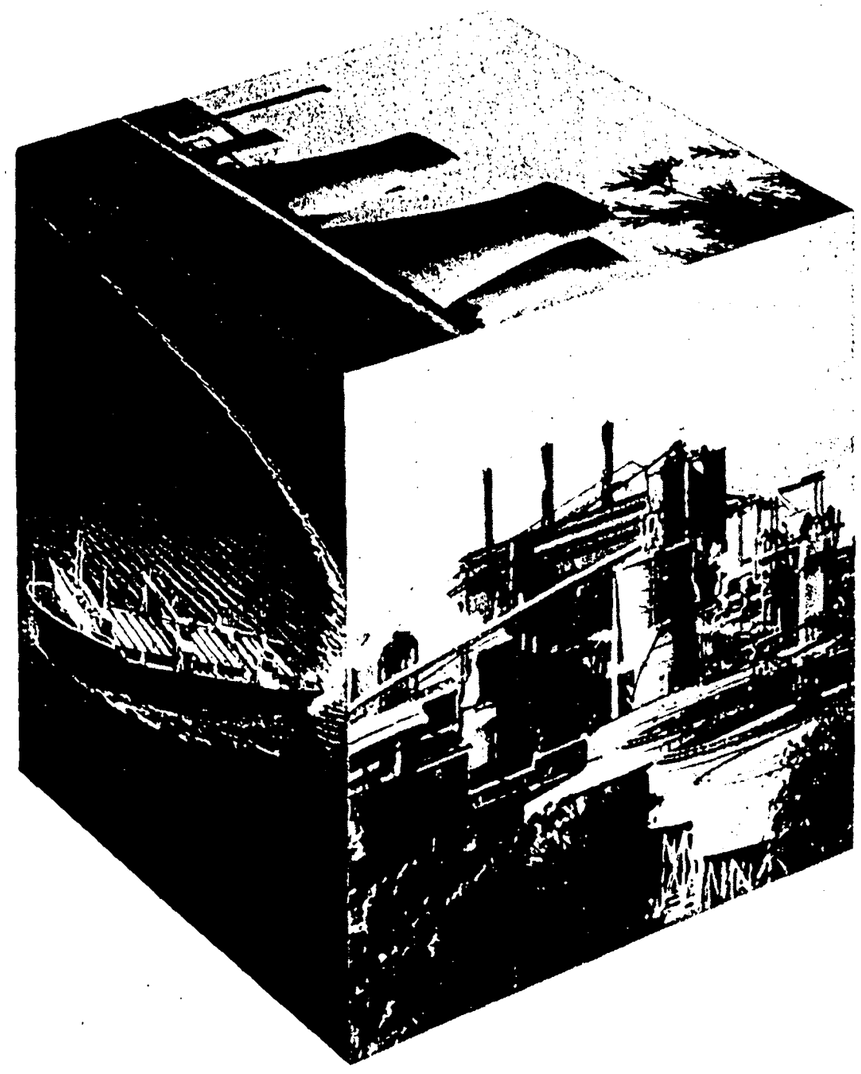
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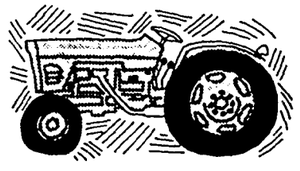
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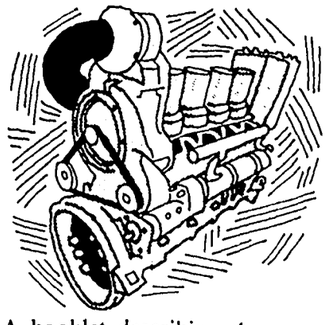
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Continued from page 40

man-made oasis near Jericho created by the Palestinian philanthropist Mr Musa Alami—the vocational school and farm of the Arab Development Society (ADS).

Here again the Israeli army has taken a great deal of land, the citrus trees dying upon it ; but there remain 1,000 acres of hospitable oasis. Yet it has been hard done by. It was once the biggest dairy and poultry farm in the region. It has had to cut down its herds because its principal former customers, the big hotels in east Jerusalem, are now obliged to buy Israeli milk. It used to supply the whole West Bank with day-old chicks and broilers. Now it can no longer do so because it could not compete with similar Israeli products subsidised by the government that were dumped on the West Bank at half the normal price during its necessarily short trading season. So the ADS was put out of the poultry business except for the selling of eggs. This was a severe blow, for the ADS applies its profits to housing and training destitute Arab boys.

With the farm activities curtailed, the number of children to be cared for had also to be reduced. Last autumn Mr Alami was officially informed that the ADS was acting "unlawfully" in running a smaller establishment, and told that if it did not expand to its former (pre-1967) strength the Israelis would take the whole place over. This ultimatum has now been withdrawn ; but that it could ever have been given remains disturbing.

Many farmers have a fear—perhaps groundless—that, should they run into difficulties in getting labour or markets, their farms might be expropriated. Meanwhile the farmer, like everyone else, Arab or Israeli, breathlessly tries to keep pace with the rising cost of living. On the West Bank this follows closely on Israel's, which has increased since 1967 by 300 per cent.

There is a clash between two economies, between Israel's grant-aided, intensely capitalised and broadly protected agriculture, and the Arab kind, labour-intensive, manually highly skilled but vulnerable and unorganised. It is a pity that some of the famous "resistance" money that King Hussein until recently was paying out in personal salaries did not go into something more constructive—into strengthening the Arabs' still embryonic farming co-operatives, or supporting the institutions where young Arabs get the technical training that will always ensure them a job.

India

Khaki election

It was more an annihilation than a defeat. Mrs Gandhi's Congress party swept the polls so completely in last week's state elections in India that the country is now virtually a one-party state. With 1,921 out of the 2,715 seats declared, Congress won a clear majority in 14 out of 16 states ; it failed to win only in the tiny hill states of Manipur and Meghalaya, where no party gained control, and in the special Goa area.

The most astounding victory for Mrs Gandhi was in the chronically chaotic state of West Bengal, where Congress captured more than two-thirds of the seats and the formerly fearsome Marxists were reduced from a near majority to a derisory handful of 14. Only the pro-Moscow communist party survived the Congress tidal wave in Bengal and its 35 seats can be attributed to an election alliance with the Congress party.

The largest remaining base for the Marxists, apart from Kerala which did not vote this time, is now in Tripura, another tiny hill state adjoining Bangladesh where refugees outnumbered the local population last year. These 15 seats, plus four more scattered around India, gave the Marxists a grand total of 33 in the whole country. The only opposition party which fared worse was the party of capitalists and princes, Swatantra, whose representation has dropped to 15 from 185 seats in 1967.

Other opposition parties were similarly struck down. The Hindu Jana Sangh, which is now the biggest opposition group, took 105 seats compared with the 174 it held in the outgoing assemblies, and lost its valuable base in Delhi. The pro-Soviet communists, no longer a proper opposition party, sailed along on Mrs Gandhi's coat-tails where they were allied with her in Bihar as well as Bengal, but lost where they were on their own in Maharashtra and Andhra Pradesh. This may be something of a reward to the Soviet Union for the help it gave India in the Bengal war in December.

It was the defeat of Pakistan more than anything else which gave Mrs Gandhi her overwhelming victory. India's national psyche received a bigger boost from the December war than from anything since independence. As a Jana Sangh newspaper complained bitterly on Monday, "a glorious national achievement was made to look as if it belonged to one party alone." The Bangladesh refugee problem also helped Mrs Gandhi by providing her with a ready-made excuse for sidestepping all questions about her government's performance last year. But now, with a vote like this, she has no excuse left.



Triumph, and no excuse left

Bangladesh

India steps into the breach

"Our problem is that they love us too much," an Indian diplomat remarked recently after a visit to Bangladesh. "Sheikh Mujib acts as if Mrs Gandhi were his prime minister and keeps phoning her up while his officials look to us to solve all their problems." "Of course," he added, "we know this can't last."

With her characteristically acute sense of timing, Mrs Gandhi is making her first state visit to Dacca this weekend to capitalise on what will probably be the warmest moment in Indo-Bangladeshi relations for some time. She comes flushed with victory in India's state elections—a triumph which must bring considerable comfort to Sheikh Mujib, since it kept the Marxists out of power in the neighbouring state of West Bengal. And she comes just in time to celebrate the withdrawal of the last of the 100,000 Indian troops who won Bangladesh its independence three months ago.

Although Indian troops were remarkably well-disciplined for an occupation army, the highly visible presence of turbaned Sikh soldiers inevitably provoked resentment and



Mujib salutes his departing friends

scattered clashes. So the pullout—two weeks in advance of schedule—is bound to enhance Mrs Gandhi's popularity in Bangladesh. But in fact Mrs Gandhi is said to have been even more anxious than Sheikh Mujib to get the troops out—less to put an end to sniping incidents than to quieten foreign suspicions.

The withdrawal should bring some quick benefits to Bangladesh in the form of American recognition and perhaps the start of a conversation between India and Pakistan's Mr Bhutto. But it may also set off a new round of troubles by removing the main buffer between the Bengalis and their detested minority, the Biharis. At the very moment the ceremonial retreat was sounded in Dacca last Sunday several hundred Biharis were reportedly being killed and wounded at a jute mill near Khulna. If more such attacks occur, it may redound on the Indians because of Mrs Gandhi's refusal to allow the Biharis to migrate back to their former homes in India.

Both the Indians and the Bengalis are highly aware of this and other potential pitfalls in their relationship. Both know that certain commercial conflicts are inevitable once Bangladeshi trade gets going again—over jute markets, for example, over smuggling of essential commodities to the higher-priced Indian market and over attempts by Indian businessmen to set up shop in Dacca behind Bengali frontmen. India has tried to forestall Bengali fears of an Indian commercial takeover by limiting trade between the two countries to state trading corporations. And it has instructed its diplomats and technical advisers in Dacca to walk softly. But its major method of keeping Bangladesh sweet is through aid.

India is far and away the biggest benefactor of Bangladesh and promises to remain so unless and until Mr Nixon swallows his pride and opens his coffers. The Indians have given their help with a minimum of fanfare as much to defuse opposition at home as to keep the Bengalis happy. (If commodity grants were announced, prices would immediately rise in India.) Total aid this fiscal year will be more than £50m. This includes a £5m sterling transfer in London to back Dacca's new currency, £10m in grants to returning refugees, and 500,000 tons of food grains.

Although Mrs Gandhi has proclaimed that India can and will meet all the needs of Bangladesh, she and Sheikh Mujib have a common interest in wanting to spread the aid burden. Sheikh Mujib's recent trip to Moscow was an attempt to spread it in the direction India favours most. The package the Bangladeshi leader returned with—an £18m credit previously promised to united Pakistan and unquantified pledges of technical aid—was considerably smaller than he must have expected from his best friend's best friend. But Russia won a strategically valuable toehold by offering to clear the Bangladesh port.

The failure of western countries to raise $6m for the port contract is symptomatic of their faint-hearted aid efforts. A $565m UN appeal launched last month for urgently needed relief goods, mainly food grains, has been answered by fewer than a dozen countries, of which only the United States has given enough to amount to more than a drop in Dacca's empty bucket—$35m in food and cash.

Bangladesh not only needs just about everything ($2 billion-$2.5 billion worth over the next two years according to its government estimates); it needs a good portion of it immediately in the form of expensive transport equipment if relief supplies are to get beyond the blocked-up ports. India has been doing its bit by rebuilding most of the 500 shattered bridges, and by donating 800 trucks; and some other help has come from voluntary agencies. None the less, very little is moving into or out of Bangladesh. It is probably already too late for enough housing materials to be imported and distributed to provide shelter for the millions of homeless before the May monsoon. And while governments fiddle with reports and committees, it may become too late to prevent a Bengal famine.

Iran

Firing squad at work

FROM OUR TEHERAN CORRESPONDENT

With the execution of a further nine Iranian political prisoners last Sunday, the number shot by firing squad since the present batch of political trials began in late January has risen to 19—and the end is not necessarily in sight. The group executed on Sunday was said to have been concerned with the murder of policemen, an attack on a police station in Tabriz, bank raids and other guerrilla activities. But the announcement of their execution by the department of military justice was the first indication of their arrest or indeed that further trials have been taking place.

In the wake of adverse criticism of the trials in the foreign press and fearful that the presence of outsiders might provide opportunities for prisoners to publicise allegations of ill treatment, the government has barred foreign reporters and observers from the hearings of the military tribunals. Not since the trial of 11 members of the Iranian Liberation Movement, an offshoot of Mossadeq's National Front, ended on February 18th, have there been any further reports in the local press. How many people have gone before the courts or what sentences they have received remains a mystery. All that is certain is that the military appeal courts have in many cases substantially increased the sentences imposed by the tribunals and have handed out a greater number of death penalties. Ten people, for instance, were granted reprieves by the Shah on Sunday, but some of them had been sentenced by the primary tribunal to terms of imprisonment only; their sentences must have been raised to the death penalty on appeal.

The impression in Teheran had been that after the first six executions the Shah did not want to risk alienating feeling abroad by having any more death penalties carried out. He may have changed his mind because of the persistence of sporadic guerrilla incidents. While these were not enough to do much damage, they kept the police on edge and made them excessively prone to pull out their revolvers. Bomb explosions have been matched by continuing student agitation. One measure of how seriously this is taken is that Savak, the security organisation, recently risked the unpopularity

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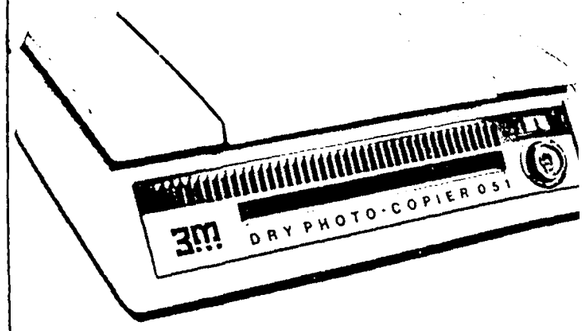
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The Shah now seems to feel that swift, sharp blows are necessary to eradicate both violent and non-violent forms of protest before the country marches in concert, to the music of swiftly expanding oil and gas revenues, towards what is termed "the great civilisation." But the social and political malaise among the middle and poorer urban groups is more complex than this. And many Iranians who would like to see the application of recognised standards of justice are ashamed for their country at the way the trials are being conducted. The tribunals are certainly damaging to the Shah's wish that Iran should be treated on a par with the rest of the civilised community.

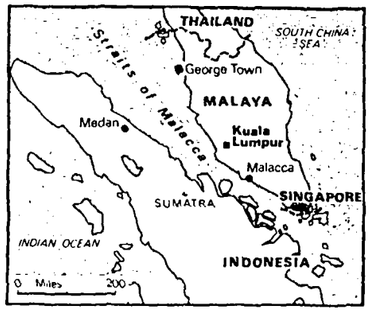
Malacca straits

The 12-mile tangle

In a world where many small countries are claiming up to 200 miles or more of territorial waters, the old 12-mile limit observed by Malaysia and Indonesia seems modest indeed. The problem is that, at their narrowest point, the Malacca straits are just under 24 miles wide. Does this mean that they are not an international waterway? More than 37,000 ships passed through the straits in 1970, and some of their owners will be a little perturbed if they are suddenly told that they have been sailing in territorial waters. But that is precisely what the Malaysian and Indonesian governments are now claiming the waters to be.

Their declarations were triggered off by a meeting between the Russian ambassador to Japan, Mr Oleg Troyanovsky, and the Japanese deputy foreign minister, Mr Haruki Mori, about a fortnight ago. The Russian was quoted as saying that the Malacca straits are "an international waterway which must be kept open for free passage by foreign ships." The Japanese were more discreet, but they are known to be interested in dredging the straits to clear away some of the silt that has narrowed them into a single shipping-lane.

The conference on the international law of the seas that is due to be held in Stockholm next month will give the lawyers a chance to wrangle over the respective merits of the Russian and



Malaysian-Indonesian claims. A victory for the Malaysians and Indonesians might set a tricky precedent. They have made it plain that they do not propose to interfere with ordinary shipping, but the Indonesians have claimed the right to stop military vessels. One of the immediate questions is who is going to pay for the dredging of the straits if the Japanese are told to keep off.

East Europe

Decadence moves east

FROM OUR EAST EUROPE CORRESPONDENT

Until very recently the communist regimes of eastern Europe clung smugly to the conviction that narcotics, alcoholism, hirsute hippy movements, juvenile delinquency and other manifestations of social alienation happened only in the decadent west. They seem to have been kidding themselves. Last month the Czechoslovak government, which does not readily admit flaws in its society, held a press conference to air its grave concern at the rising incidence of juvenile delinquency, robberies, alcoholism and prostitution. Apparently 30 per cent of all crimes and 50 per cent of all robberies are the work of people under the age of 18. And Prague Radio has claimed that Czechoslovakia is now distinguishing itself by climbing steadily to the top of the world alcoholic league table.

In Poland the authorities have stepped up measures against teenage hooliganism and alcoholism. One suggestion is that further strengthening of laws might even involve total prohibition—a measure described by one commentator as "noble but totally unrealistic." One difficulty is the ambivalent approach common to all east European governments: although they are concerned with the growing social problem, they are grateful for the growing financial revenues that come to them through their monopoly control of alcohol.

They are faced with no such dilemma over narcotics, which was the subject of a conference in Sofia in October attended by all of east Europe's governments. Bulgaria was a suitable choice for the conference, on the long trail from Turkey and the Middle East to western Europe. One smuggler who did not make it was a young Englishwoman towing a trailer containing 927 kilograms of cannabis. Her 18-month prison sentence could be considered lenient compared with the four-year sentences being handed out in Prague for the same offence. But then a newspaper poll in January revealed that 70 per cent of Czechoslovakia's "long-haired youths under the age of 18" were regularly taking drugs.

Curiously it is in Bulgaria, a particularly orthodox country, that the drug problem is being most openly aired. There is open discussion of the disaffection of the young and some youths have been publicly quoted as not accepting "the constrictive framework of philistine narrow-mindedness and materialism." An enquiry carried out last year by the party youth paper among 11,430 secondary schoolchildren in Sofia discovered that more than 50 per cent of the boys and 35 per cent of the girls regularly drink strong alcoholic spirits. It is perhaps for this reason that Bulgaria has introduced compulsory hospital treatment for 6-12 months for young alcoholics and drug addicts.

RUBBER TRENDS

Issue No. 53, March 1972

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THE WORLD

American Survey







Preferred by Florida's Democrats: Wallace (42 per cent), Humphrey (18 per cent), Jackson (13 per cent)

ELECTION '72

Wallace makes it a new ball game

Miami, Florida

Only Governor George Wallace of Alabama yet knows what his game is going to be in this presidential campaign year of 1972. Does he expect to play a serious part in the proceedings of the Democratic National Convention at Miami Beach in July? Does he merely want to disrupt the convention as he successfully disrupted the Democratic primary election in Florida on Tuesday? Or does he still think of campaigning in the autumn as an independent candidate for the Presidency? His present apparent lack of interest in the American Independent party of which he is supposed to be the leader, together with his evident neglect of the elaborate legal preparations which would be necessary to put him on the presidential ballot nationally, go against the third theory, but it still cannot be ruled out conclusively. All that is plain is that he is enjoying himself and that he is the winner by a bigger margin than anybody expected in the election in which Florida's Democrats showed their preference among their party's presidential candidates.

The Democrats are the larger of the two parties in Florida because, since local offices mostly belong to the state Democratic party by old habit, voters register as Democrats whatever their opinions in order not to waste their votes. Many of those who voted as Democrats on Tuesday would not think of voting for a Democratic President. Their numbers were swollen this week by people who wanted to vote for Governor Wallace as well as by others (as is apparent, decidedly fewer) who wanted to vote against him and who registered as Democratic voters for the one purpose or the other.

However it happened, Governor Wallace got 42 per cent of the popular vote in Florida's Democratic primary election and he can look forward to having 75 out of the state's 81 voting delegates to the Democratic national convention. The strength in delegates is not unexpected: the surprise there, to most observers (though not to those who appreciated the effectiveness of Mr Humphrey's state chairman, Mayor Kennedy of Miami, the place where Mr Humphrey picked up his six delegates) was that any legitimate Democrat won any delegates at all.

As Mr Wallace said, lounging elegantly enough in a reproduction baroque hotel chair in his right-wing stronghold of Orlando on Tuesday night, the electors of Florida have given the Democratic party a jolt. They are, said Mr Wallace, "fed up." What they have got to be fed up about is rather a puzzle: Florida is not a place that is suffering from unemployment or other economic hardship. If there is a pattern that is noticeable, other than the preference for Mr Wallace, it is a preference for candidates who support high spending on defence and on space travel over those who do not.

After Governor Wallace, Senator Humphrey did best. He conducted in Florida the kind of big-hearted, jolly campaign that four years ago turned on nearly enough, but not quite enough, people to defeat President Nixon. Mr Humphrey is still in good condition, health and spirits, his old friendships are still warm: it all brought him in 18 per cent of the Democratic popular vote, a respectable total in a crowded field. Next after Mr Humphrey came Senator Jackson, a loyal friend of the federal government's largesse to the defence and aerospace industries which are plentiful in Florida. Senator Muskie, Senator McGovern, Mayor Lindsay and Mrs Shirley Chisholm do not support such spending and they were the candidates who came at the bottom of the voting lists. Mr Muskie got 9 per cent of the votes; the others even less.

By all the earlier expectations it should have been Senator Muskie who came next after Mr Wallace. This is

the big event that did not happen. Not only did Mr Muskie speak out against the project for a shuttle vehicle in space, but he also ran a lacklustre campaign. He was sluggish, tired, moody and mostly lugubrious ; his staff work must have been poor since there was a notable lack of fuss, pomp and attendance at his meetings and, when he did arrive and did address those few who were present, he talked mostly not about anything substantial but about the problems of campaigning.

Clearly something has got to happen to Senator Muskie if he is to continue as a possible Democratic presidential candidate. There was a sign on Tuesday night that this change was in fact taking place. Senator Muskie as acknowledged leader of the field of Democratic candidates has been a vague and tedious spectacle, but Senator Muskie defeated and humiliated was a man noble in his anger and worthy of respect.

At a moment like this the thoughts of campaign planners turn to the rulebooks. A Florida state law ordains and regulates the primary election. Within its framework the state Democratic party made the rules by which delegates to the Democratic national convention are chosen. It had to pay regard to the guidelines for the selection of delegates laid down by the national party under the reforms ordered by the last national convention at Chicago in the fatal year of 1968. These are the texts over which the political scholars are now poring. The men who wrote them did not consider the possibility that an outsider, Governor Wallace, might not only enter the primary but sweep up nearly all the delegates.

The rules say that delegates must not be simply appointed by the chieftains, but must be chosen by caucuses (meetings) of those who say that they are the candidate's supporters. They allow each candidate a choice, to call such meetings in every congressional district before the primary election or to wait until it is over and then call meetings in the districts where he has won. Governor Wallace, who decided to wait, will now have to summon a caucus of his supporters in every district that he has carried to elect delegates committed to vote for him at Miami Beach.

Once they are chosen there will be 61 of these district delegates. With the idea of making room for delegates representative not just of districts but of the whole political life of the state, the rule-makers next provided for the district delegates to meet in a state caucus to choose 12 more, who must all be committed to support the statewide winner, Governor Wallace. The Democratic chairman in the state, Mr John Moyles—who neither could nor would support Governor Wallace himself—has the bitter duty of summoning this meeting. That done, the state Democratic Committee has the right to appoint eight more delegates to bring the total up to 81.

But all the delegates would then be obliged to vote for Governor Wallace either in the first two ballots, or until his total vote fell short of 35 per cent of all the delegates at the convention. Neither Mr Moyles nor the Democratic Governor, Mr Reubin Askew, could decently undertake to vote for Governor Wallace—and neither will. All the same, there are some openings here for Trojan horses, men who might join the Wallace delegation with the intention of eventually voting for somebody else.

With a delegation pledged to no recognisable Democratic leader, but to Governor Wallace, is Florida's Democratic party to play dead at the convention and forgo any part in choosing the party's national candidate? Obviously there are going to be some pressures to seek another way and at this stage two possibilities are visible. Governor Wallace might declare himself ill-treated and call on his delegates to walk out of the convention, whereupon an alternative group, putting itself forward as the "regular" Florida delegation, might claim the vacant seats. The other possibility is that the Wallace delegation might be challenged in the credentials committee as having not been put together in accordance with the national guidelines, which, among other things, call for a fair representation of black people, women and the young.

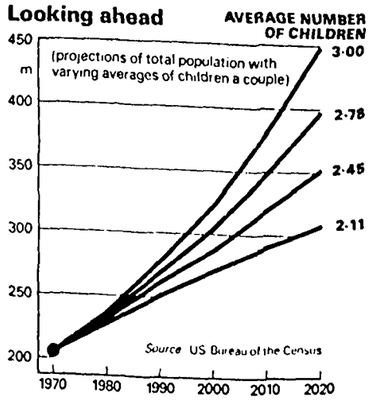
Who will do the challenging? Senator McGovern and Mayor Lindsay have at their disposal regularly selected teams of delegates from the districts, chosen before the primary ; Senator Humphrey, Senator Muskie and Senator Jackson have not, and there is no provision for them to summon caucus meetings and cause delegates to be elected now that they have lost the popular vote. Thus, in the absence of some compromise not yet thought of, the attempt to seat an anti-Wallace delegation might tend to favour Mr Lindsay or Mr McGovern : so the other candidates might be expected to resist it. The legal advisers to the various political factions look like having a busy time.

Target zero

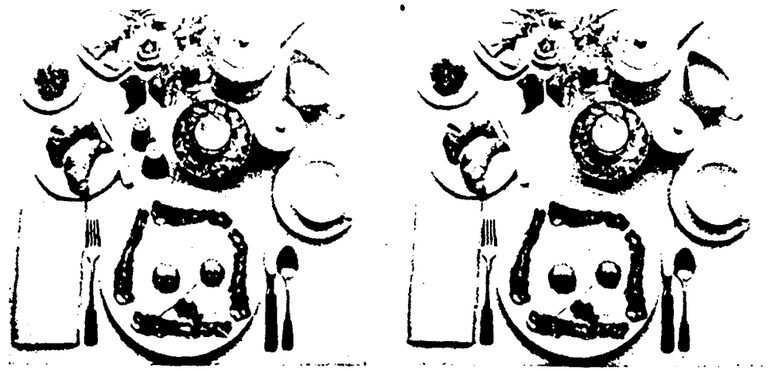
Two years ago President Nixon and Congress set up a commission to consider what level of population growth would be best for the United States. The answer has now been delivered : no benefits are to be expected from continued growth. The country's national policy, therefore, should be first to slow down the increase in population, then to keep it stable altogether. This declaration by the Commission on Population Growth and the American Future will delight all those who for several years have called for Zero Population Growth, ZPG. But this week's section of the commission's report, the first of three instalments, will not comfort those who have been arguing that the major reason for stopping the growth of population is to avoid crises such as the exhaustion of sources of energy or intolerable pollution of the air. The commission did not find the dangers ahead to be those of environmental disaster, but rather of an increase in public regulation and of a loss of freedom of choice in using resources like water and roads.

The United States, the commission suggested, could reach ZPG around the year 2050 if the average couple chose to have two, rather than three, children. That recommendation has already offended the United States Catholic Conference. It could be embarrassing for President Nixon who is flatly opposed to liberalising abortion laws. Yet while it appears radical to suggest that America should abandon for the first time its traditional belief in the virtues of bigness, that may be what is happening in practice anyway. Recent studies show that the country seems already to have shifted to the ideal of the two-child family. If that ideal were

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to hold, then the population would be stabilised at around 350m by the year 2070.

The total number of Americans is now over 208m. It has been increasing at a fairly steady annual rate of 1 per cent in recent years. Yet the general fertility rate (the annual number of births for each thousand women between the ages of 15 and 44) has dropped from 120.6 in the peak years, 1955-59, to 77.5 in mid-1971. An even more significant indicator, the average number of children that women expect to have in their entire reproductive span, dropped from a high of 3.6 to 2.8 over the same period. For younger wives, the average number of births expected was even lower. The total number of births has also been declining; the 3.6m children born in 1971 were 4 per cent fewer than in 1970. Moreover, a recent non-governmental study of census statistics suggested that the birthrates among poor, and especially among poor and black, women were dropping even more dramatically than those of other women. To ensure that this trend continues, the Population Commission is expected to recommend in its later reports that there be greater spending on birth control by the federal government and further easing of restrictions on abortion—but nothing more drastic. The commission's view, not shared by some demographers, is that much of the problem of growth can be solved by preventing the birth of unwanted children.

Black agenda

FROM A CORRESPONDENT IN GARY

For a number of years, many black as well as white leaders have preached that the ultimate goal for America's Negroes is to achieve a fair share of the political pie, to obtain, through the ballot box and through political pressure, the "clout" to which their numbers—23m, over one-tenth of America's population—entitles them. It was to this end that 2,776 delegates and 4,000 alternates and observers met last weekend in a high school gymnasium in Gary, Indiana, a place which six years ago elected Mr Richard Hatcher to be the first black mayor of a large American city.

The organisations represented, as well as their philosophies, were diverse, as might be expected in any group that attempts to speak for 7.5m voters in a state of turmoil. There were the militant black separatists who reject any idea of working within and profiting from white society and the white system. On the other end of the spectrum were such old-line organisations as the National Association for the Advancement of Coloured People which has for decades used the law courts to achieve black goals in education, housing and job equality.


Hatcher, Baraka and Jackson

There were also men and women schooled in the ways of elective politics, such as Mr Percy Sutton, the borough president of Manhattan and leader of the New York delegation, and Mr Julian Bond, the young legislator from Georgia who has played a forceful, if quiet, role in the black movement in America. Then there was Mr Roy Innis, the head of the black nationalist Congress of Racial Equality, a group which has moved from moderation into increased militancy since the assassination of the Rev. Dr Martin Luther King, Jun. There was also, of course, the Rev. Jesse Jackson of Chicago, the young lion of the American civil rights movement who recently took his followers out of the conservative Southern Christian Leadership Conference to form People United to Save Humanity.

But the most arresting of the personalities in Gary was Imamu Amiri Baraka, the brilliant and aggressive black playwright who abandoned his white name, LeRoi Jones, and became an abrasive critic of all things to do with white society. Mr Baraka was named chairman of the convention and sought (with a large degree of success) to make its three days of plenary meetings run as smoothly as possible. This he did by the sheer force of his own personality, with a mixture of tough rhetoric and jokes. He was able to keep intra-delegation battles off the floor and thousands of people in some reasonable semblance of order. Ultranationalist blacks, who had always admired Mr Baraka for his attacks on whites, were disappointed at his even-handedness but the more moderate elements represented at the convention were not. Indeed, the moderates, who had some initial misgivings about Mr Baraka at the outset of the convention, credited him at its end with being largely responsible for its accomplishments.

Just what these accomplishments were depended on the point of view of the various groups represented. Moderates were disappointed that the convention passed a resolution condemning enforced busing of black schoolchildren at the same time that white conservatives, such as Governor George Wallace of Alabama and President Nixon, were condemning busing of white children. Moderates regard opposition to busing as racism, whether the opposition is white or black. Militants were dissatisfied with the broad spectrum of the agenda which left open until a future date discussion of a separate black political party while implying that blacks should work within the Republican and Democratic parties to achieve their aims.

One fight that was headed off was over endorsement of the presidential candidacy of Mrs Shirley Chisholm, the first black woman to sit in Congress (as a Democrat from New York City) and the first black woman to become a serious contender for the Presidency. The New York delegation had wanted an endorsement for Mrs Chisholm; then it became known that some of the most powerful black leaders opposed either a presidential endorsement or Mrs Chisholm, or both, and Mrs Chisholm did not attend; instead she sent a telegram saying she was ill in Florida, where she had been campaigning.

The agenda, drafted in advance by an interdisciplinary team of professionals, established an "independent black political assembly" which would meet every four years before the presidential nominating conventions were held by the official parties. The agenda, since it seeks support from most American blacks, is necessarily vague and cuts across a broad range of social, economic and political isobars. It calls for 66 blacks in the House of Representatives (which has 435 members in all) and for 15 Senators (of a total of 100). A larger representation of blacks in federal government jobs is also urged.

In addition, it criticises American policies towards South Africa, Rhodesia and Portugal and calls for a greater black voice in formulating official relationships with the rest of Africa, as well as with the black nations of the Caribbean.

More important than the statement of goals, however, was the machinery established for continuing the black assembly as a political entity. The convention agreed, with much persuasion from Mr Baraka, to create " an ongoing structure naming 50 state chairmen plus a chairman from the District of Columbia " to see to it that the convention's agenda was carried out. What that group will do is now anyone's guess, but its creation was a significant accomplishment. For the first time, American blacks have a single steering committee, representative of and approved by the factions which in the past, and particularly since the loss of the unifying leadership of Dr King, have been at irritable odds with one another.

Story of a fake

Mr Howard Hughes, the billionaire recluse, said that it was a fake and now two months later the author, Mr Clifford Irving, has agreed with him. This week Mr Irving and his wife pleaded guilty in a federal court to charges of conspiring to defraud the publishers, McGraw-Hill, Inc, of the $750,000 which the company agreed to pay out for the Irvings' version of the autobiography of Mr Hughes. On the same day they and their researcher, Mr Richard Suskind, also pleaded guilty in a New York state court to charges of grand larceny and conspiracy. The sentencing has been held off until June 16th—an unusually long delay. No doubt Mr Irving will spend the time profitably on his new book telling the story of the forgery. The rights for this are reported to have been sold for $146,000—but not all of this will go to Mr Irving.

It was in the Irvings' best interests to make a clean breast of the whole affair. Their time in prison now promises to be short compared with what they might have expected if they had been convicted on all the charges which were brought against them by federal and state grand juries at the end of last week ; these included perjury, mail fraud and possession of forged instruments. At most they will now get five years and a fine of $10,000 for conspiring against McGraw-Hill and eight years and a $1,000 fine on the other



Suskind follows the Irvings

charges. In fact they are expected to get off with much less than this. Also, in return for their revelations and cooperation, the American government has agreed to intercede for Mrs Irving, a Swiss national, with the Swiss authorities who are trying to extradite her from the United States. She deposited the $650,000 which McGraw-Hill intended for Mr Hughes in a false bank account in Switzerland and has been charged there with forgery, counterfeiting and embezzlement.

It is McGraw-Hill which has paid the heaviest price for the whole affair. Although the company expects to get its money back its reputation has suffered badly. It was largely thanks to Mr Hughes rather than to its own diligence that it was saved from publishing a forgery under cover of the real thing. The billionaire, probably egged on by his camp followers, was angered enough, by what he still claims was an attempt to discredit him on the part of his enemies, to break his years of silence and denounce the autobiography in a bizarre interview over the telephone with a group of specially picked journalists.

McGraw-Hill had more explaining to do this week when the New York Times revealed that part of its best selling book " The Memoirs of Chief Red Fox " had been taken almost verbatim from an earlier account of the massacre of Wounded Knee Creek by another author. The publisher knew about this over two months ago when a suit for plagiarism was brought against it but it chose to remain silent. Furthermore, McGraw-Hill does not appear to have checked the authenticity of the manuscript with experts before publication. A number of specialists have since questioned the story of the man who claims to be Chief Red Fox. McGraw-Hill's mistakes are likely to revive considerable interest in reforming the old copyright laws.

Fairer schools?

The solution for the financial crisis of the schools is to have the states levy all school taxes and distribute the money among local districts in a way which would equalise educational opportunity. This is the verdict of the President's Commission on School Finance, headed by Mr Neil McElroy, which made public its report last week. Many educationists and reformers are bitterly disappointed by the commission's failure to recommend a substantial increase in financial aid to the schools from the federal government, which now pays only 7 per cent of the $45 billion a year spent on the schools (the states pay 41 per cent and local communities the lion's share of 52 per cent). But to a President harassed by huge budgetary deficits, this may be the best news in the report ; it also accords with his philosophical distaste for centralised government.

Without a big increase in federal assistance, there can be no equalisation of educational opportunity between children in, say, impoverished Arkansas and wealthy California. But there are immense inequities within the states which the proposals could do much to end. Local communities depend on the property tax to raise 80 per cent of their spending on schools ; poorer ones are finding that the voters, whose property taxes have doubled in the past decade, are simply refusing to approve new expenditures on education. The states can use the income tax and sales taxes, as well as the property tax which, if it were state-wide and uniform, would be less burdensome for the poor and the retired.

The commission proposes that transitional help should be given to the states and suggests $1 billion or so a year for five years. At about $20 a child, this is not much of an incentive, particularly as, in addition to paying the $26 billion now carried by local governments, the states would also be expected to level up spending on the poorer schools ; this, it is estimated, would cost another $6 billion a year. The states will certainly plead that they cannot afford this (although only half of them make even moderate use of the income tax). But they may soon have no choice, if the Supreme Court upholds the rulings of lower courts in six states which have found that reliance on the local property tax to finance the schools is unconstitutional in that it discriminates against the children of the poor.

In a week in which President Nixon

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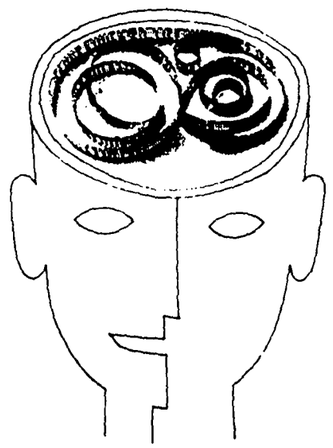


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is making up his mind about how he should oppose the busing of children to even out the racial mix in the schools, a point he must be pondering is whether the commission's proposals would lead to more money for schools in black ghettoes and thus lessen the pressure for integration. The commission proposed that the federal government contribute $1 billion a year for schools in the inner cities and would also expect the states to take the cities' special needs and high costs into account. If they did not, some cities would be worse off than they are today.

Spirit of '76?

The celebrations for the 200th anniversary of the founding of the United States have got off to a shaky start in Philadelphia, the city where the new republic was born. With only four years left to go and under pressure from Washington to submit plans for international approval next month, the city authorities have finally decided on a place for the World's Fair which is supposed to be the focal point for the country's celebrations. Four other sites had already been rejected. Furthermore few of the inhabitants of the City of Brotherly Love have much enthusiasm for being disrupted by this kind of commercial festivity. Even the famous Liberty Bell which proclaimed the birth of the new nation is being moved from its traditional home in Independence Hall to a new tower so that more people will be able to see it.

Philadelphia has settled on a deserted stretch of rubbish-strewn land between the noisy international airport and the smelly oil refineries on the outskirts of the town. To add to the unpleasantness the land is marshy and may be too soft for heavy construction. But there will now be no need to pull down buildings and houses to make way for access roads and pavilions. Two of the other areas which were considered would have encroached on either the crowded Negro district or on one lived in by the white, blue-collar constituents of the city's new mayor, Mr Frank Rizzo.

Other critics have been reconciled to the idea of the exposition because they think that it is a good way of getting money from the federal government to help to clean up an eyesore. Philadelphia already owns the land but the city is hoping that Congress will approve its plans and put up an initial $375m for the project. Even then the city, which has already spent $2.5m on plans and promotion, will have to find another $25m in working capital over the next four years.

But Philadelphia hopes to reap a big reward. One optimistic report suggests that the exposition could draw as many as 52m people and an income of $8.4 billion over six months. To achieve this the city will have to do something drastic about its hotel accommodation and its transport. At present there are not even enough beds for a modest convention; even if there is a building boom the exposition will have to rely on day trippers from New York and Washington.

Three other cities, Boston, Washington and Miami, are also planning bicentennial celebrations. But all these will be dwarfed by the new scheme for parks and recreational pavilions in each of the 50 states. The land, from 100 to 500 acres, will be given by the federal government to each state which will then operate and maintain the park. The money for the design and the construction of the buildings will come from Washington and the whole project will cost about $1.2 billion.

Bombs are catching

Luckily nobody was hurt by the bomb which damaged a Trans World Airlines jet aircraft at Las Vegas. But the week's scares—a bomb was found and defused on another TWA aircraft and a very primitive device was found on one belonging to United Air Lines—have led to cancellations by nervous passengers. TWA's bombs, the first ever to be hidden on an aircraft in the United States, were part of a scheme to extort $2m from the airline. As it turned out the plotters received nothing, but this seems to have been because they took fright. Like hijacking, extortion is contagious; last week's attempt may well have been stimulated by the successful extortion of $5m or so from the west Germans.

Unless the extortioners can be kept at bay, air travel may be crippled. President Nixon lost no time in ordering the airlines to put into effect at once new precautions which were not due to go into effect until June: tighter checks on cargo and luggage, closer examinations of passengers and prevention of unauthorised access to aircraft. There is so much air traffic in the United States—on average 450,000 passengers travel on 14,000 flights every day—that there is a temptation for the airlines to let down their guard once a crisis seems to be over. This will be less likely when precautions are required by law.

Mr Volpe, the Secretary of Transportation, who called an emergency meeting of airline chiefs last week, has also suggested that legislation might be needed to forbid the paying of ransom. More certainty of punishment for the guilty if they flee abroad would also help. The international covenant against hijackers seems to have discouraged this kind of air piracy to some extent and there will be pressure now for ratification of its companion measure, the covenant against other kinds of "unlawful interference."

Meanwhile the airlines are on full alert. Aircraft are being guarded; air parcels are being opened and some airlines are refusing to carry them at all. Luggage is being searched. Measures are also being taken to ensure that any intending bomber travels on the same aircraft as his bomb; no longer will it be possible to check luggage through and get off at an intermediate stop. Most of the "air marshals" who have been travelling on certain flights to deal with possible hijackers are being assigned to ground duties on April 1st.

One other suggestion is that airline employees should be required to work in pairs on aircraft on the ground. It is thought that last week's plot could only have been carried out by present or past employees. The bomb which was found was in a case of the kind used by pilots; the second was so well hidden that three searches did not reveal it. And the plotters showed a knowledge of how airports operate which outsiders are unlikely to have had.



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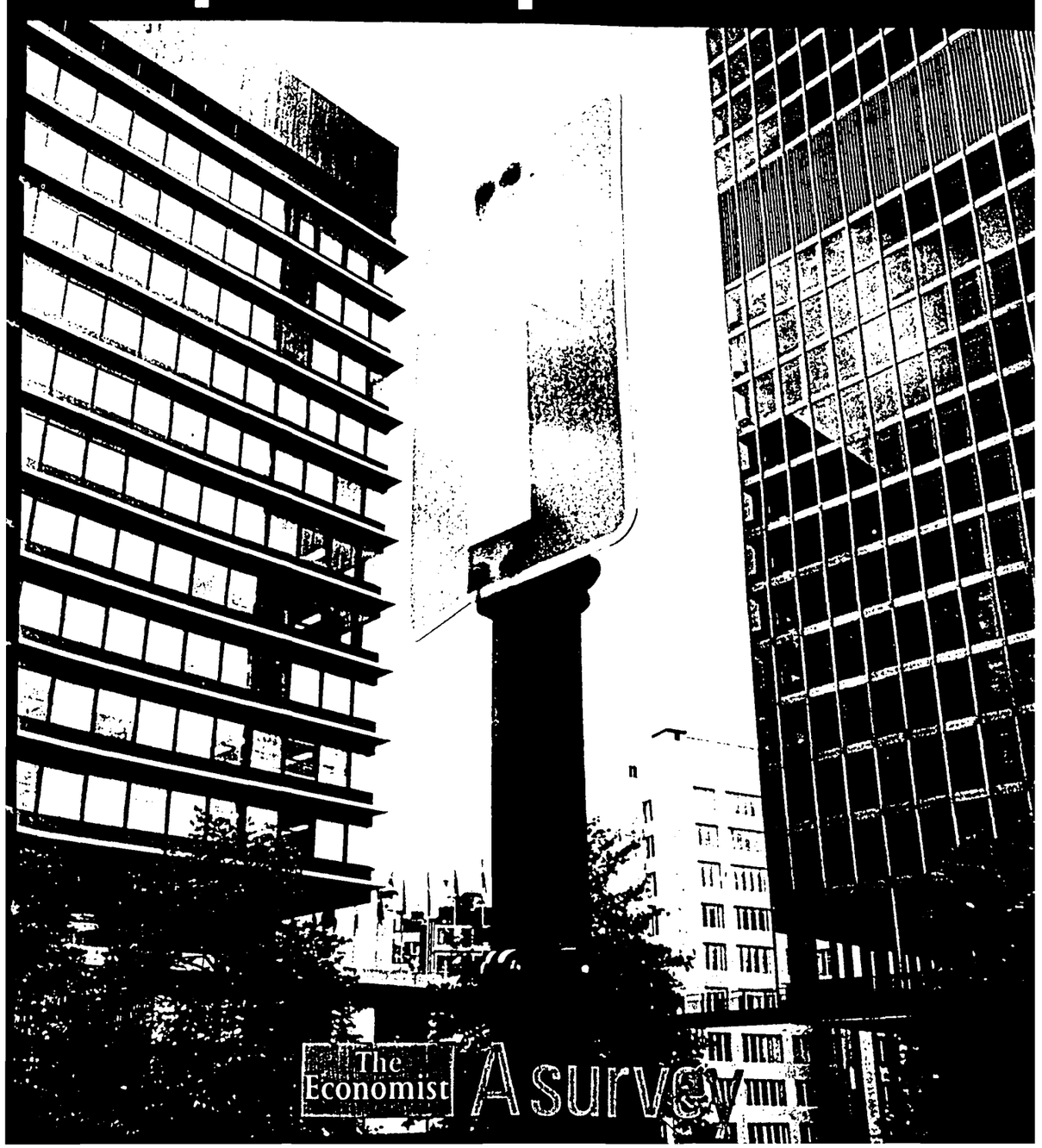
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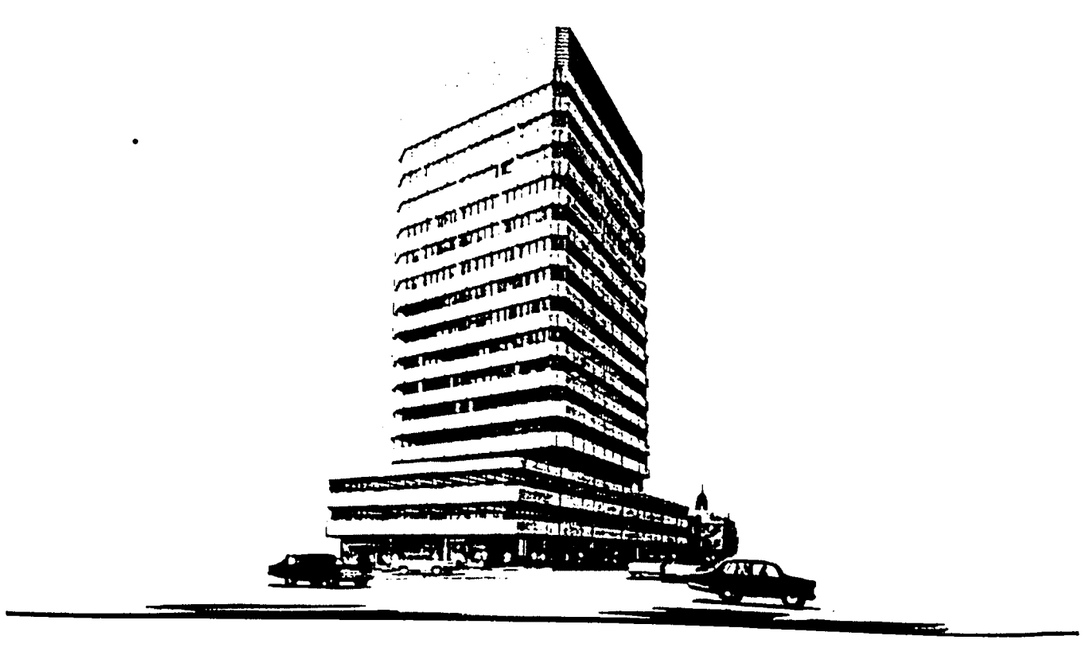


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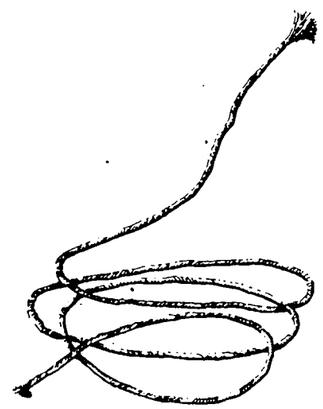


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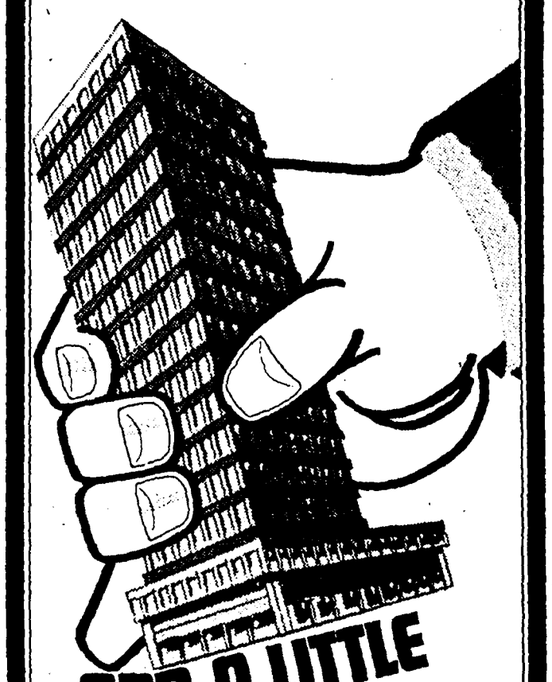
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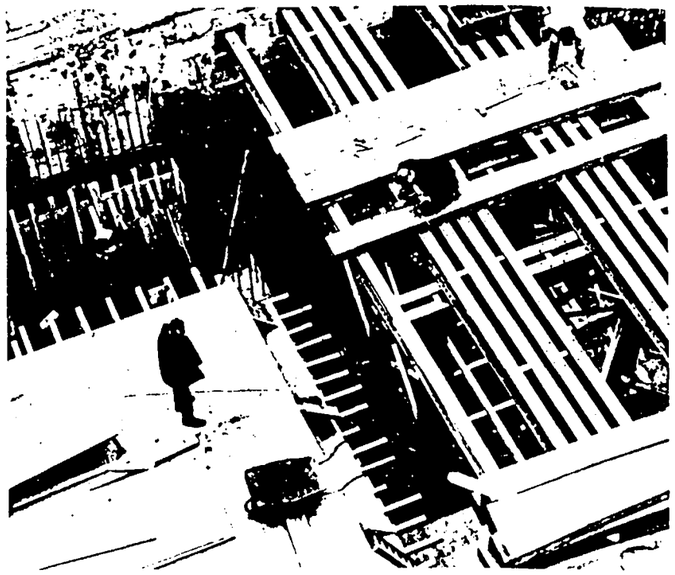
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The philosopher's stone

More millionaires have been thrown up by the property business in Britain since the war than by any other industry. Office rents are higher in London than in New York, Paris, Brussels and just about anywhere else. Rents have risen much faster than inflation. In 1971 a great number of investors found their way into big office blocks through property bonds. Every year the revaluations of property company assets effortlessly create gargantuan surpluses. Through economic boom and recession the men of property have been turning stone into gold. Can it last ? Where else can they go to gild the pavements ?

Faith, hope and . . .

Today, the property world is in a state of high excitement. It has always been excited, to a greater or lesser degree, since the war. But, now, the excitement is feverish. Everyone who has anything to do with property—and everyone with capital to invest now wants to have something to do with it—is convinced that property values can only go up.

On a tight and crowded island, much of whose stock of building is old and in need of replacement, there is a lot going for that belief. The population is growing and so is the demand for space per head—but the supply of developable land is limited and it will be limited even more as the environment lobby grows more vociferous. So the act of faith that property values will rise faster than consumer prices is well based.

But this belief is not as copper-bottomed as all that. There have been times this century when property values have fallen and there is the strong possibility that demographic movements will convert areas where there is currently a shortage of office space into desolate places where the offices will stand empty. The detailed planning restrictions make this possibility seem a far-fetched one, since the aim of planning is, or should be, to allocate the use of land to places where the demand for it can be satisfied, subject to the housing and transportation being available for those who are to work in the offices. But planning is sometimes overtaken by events.

Who is to say that in the next 20 years the demand for space will continually rise faster than the supply, guaranteeing its owners a continually rising value for it? Certainly no one would dare project the demand for any other commodity with such confidence.

And yet these projections are made every day by the sound and solid men of property finance. The growth of the property illusion—that what goes up, keeps on rising—is now part of the subconscious of financiers, insurance companies, pension funds, banks, and now, through property bonds, of the man in the street. Most people in business were trained and indoctrinated with conventional commercial wisdom in the years since the war. Those years may prove to have been exceptional, as the war left London and other important centres in desperate need of rebuilding.

Since then, however, the alluring sums of property development have entered the general consciousness. No one, for example, thought it in the slightest bit odd when Reed International popped £36m worth of sites into a joint company formed to exploit them with Metropolitan Estate and Property Corporation and then said that they would be worth £200m in a decade and a half. It may come true—but where in that estimate is the normal business caution that prudent men of affairs usually exercise ?

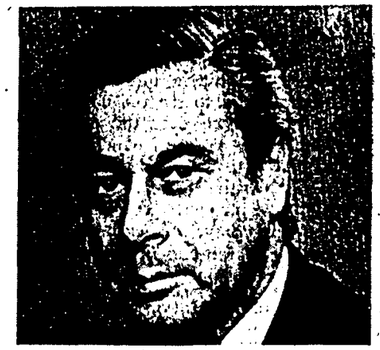
The property market has gone somewhat mad. The madness centres on the concept of asset values. In no other country in the world is an asset value defined in the way that it is in Britain for property. In the United States, a property is valued at what it cost and the Securities and Exchange Commission (SEC) does not allow companies to write their property assets up to market values. The SEC reckons that the only true value for a piece of real estate is what it cost or what it is sold for. The idea of valuing real estate at what it might possibly be sold for in the property market ruled out in the United States—but not, of course, in this country. Each piece of property is unique, and its price depends on what a willing buyer pays to a willing seller. The share market is different ; each share in a company is like every other and the actual prices of transactions in the stock market can be used fairly to determine the values of shares held. The



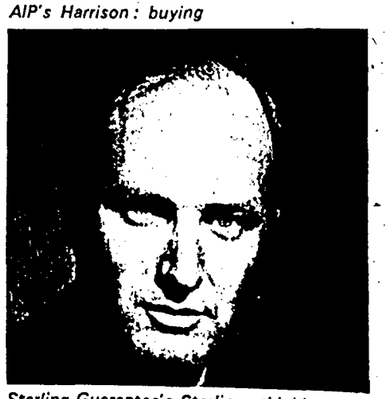
Star's Llewellyn : risen



British Land's Ritblat : rising



AIP's Harrison : buying



Sterling Guarantee's Sterling : thinking

property market is a whole series of individual and unique transactions.

Such an obvious statement of the commonsense facts of life is, however, regarded by the sophisticated financiers, estate agents and property men of Britain as antediluvian thinking. They value property as a multiple of the annual rent roll. So if rents on a top class building, with a first rate tenant and covenant, amount to £1m and the current yield on which such properties is being sold is 5 per cent (which, at the moment it is for the very best), then that property is worth 20 x £1m—that is £20m, even if it only costs £10m to buy the site and develop it. Plainly, so long as rents continue to rise and there is no danger of that building becoming vacant over the 20 years, then the present value of that building is, indeed, £20m. But that danger of vacancies is so far from anyone's thinking about property values, that all business decisions concerning property are made on the basis of continually rising rents.

Acts of faith are the stuff of business. No one would lend money to anyone else if he thought only of the dangers of an economic slump on a grand scale. But the acts of faith with property are of a different order. Take, for example, the way property is financed. A property company recently went along to a bank to arrange a long-term loan. The bank asked to see the company's cash flow forecasts over the period of the loan. This request, which a bank would make to any industrial client, was met with blank amazement. "Why," the property company said, "if we don't have the cash to repay the money at the end of the period—we'll sell one of our properties."

By way of illustration, consider the balance sheet and profit and loss account of Land Securities Investment Trust, the largest property company in the world and one of the best and most conservative of British property companies in its accounting methods. Its property assets are entered in the balance sheet, at valuation, at £682m. Against them stand short and long-term loans and mortgages of £364m. These loans will, one day, have to be repaid. Most of them are not being repaid annually. But, as an academic exercise, it is possible to calculate how much the company would have to set aside out of its cash flow each year to repay the loans by the latest date of their redemption. For 1971 that comes to roughly £24m. And what is the profit after tax (before transfers from reserves) of the company? All of £5m before dividends and a mere £1m of retentions after the dividends have been paid.

How, one asks wonderingly, can a company with practically no cash flow (and a good many property companies actually have a negative one) sustain borrowings of £364m? How do all property companies break the elementary rules of finance—that what is borrowed should be capable of being repaid out of earnings?

This question, which will, no doubt, be deemed eccentric and alarmist, is usually quelled in the following way. The important thing for a property company, it is said, is the relationship between the income from properties and the interest paid out on the money borrowed to create those properties. Land Securities' income is £28½m and its interest outgoings £21½m. At any time, it is further argued, the debt can be refinanced so long as this relationship holds true. Not only that, it is added, but the rental income will grow as leases fall in and are renewed at higher levels—and the increased rents will in turn feed back on the value of the assets (which, in the end, provide the underlying security). That is what has happened since the war—and that is what everyone assumes will continue to happen.

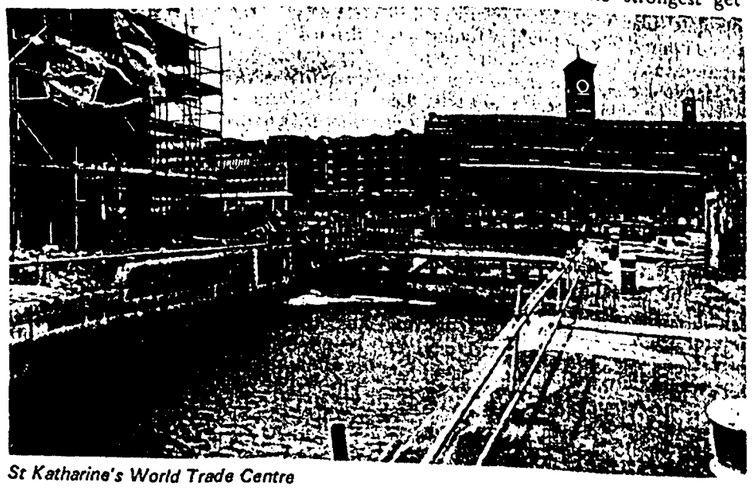
Like any act of faith, it is true so long as it remains true. As yet, there are no signs of any crack in the edifice of belief. But followers of the property religion should at least pause, every once in a while, and ask: "But suppose there isn't a god after all?"

The market and the money

Rents are going to rise for the foreseeable future—but the rise is not inevitable for ever. Land is fixed and the demands for its use grow even faster than incomes as people want more space in which to live, work and play. Recreation is very land-intensive, and land is continually becoming a scarcer resource, as the national income figures reflect: as a percentage of gross national product, rents were 5.5 per cent in 1960 and 7.0 per cent in 1970. But higher productivity means that the land used for factories and offices and shopping might grow more slowly than the growth in the labour force. An out-of-town shopping centre, with a very high turnover to space ratio, could release the high street of shops for houses—or even indoor swimming pools. Demographic changes could result in a more even distribution of the population.

So that although land is fixed, it is not as fixed as all that for some purposes. In part, the growing proportion of national income going in rent is related to the shortage not of the land but of the hardware built on it. The economic depression before the war meant that buildings were not replaced as they should have been and the stock of offices was depleted even further by war destruction. The scarcity element in rents may come down, so that office rents will simply rise in line with inflation, or perhaps even less.

The pressure of the demand for competing uses of land, in a free market system, means that the strongest get



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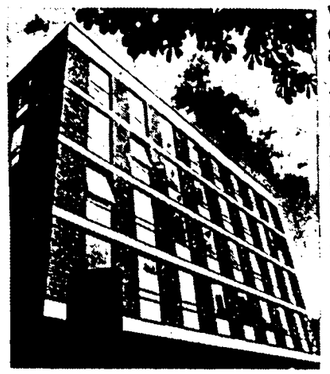
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The Property People

it. Society has tried to restrain market forces by planning consents, which designate certain tracts of land for specific uses. But gross inequities remain. A new class of middle income poor has grown up in London, unable to buy a house and too well-off to get council accommodation. Such devices as the Land Commission and the Betterment Levy tried to reallocate land and the super-profits of development. The Labour government tried a simple ban of offices. A future government which is more dirigiste might decide to dismantle the market mechanism entirely (by nationalising land) or partially (by creating disincentives for certain types of development like offices). Such a change—unthinkable under the present Government—might become thinkable in a decade.

But for the time being the demand for offices in London is still creating rents which are too high for the liking of the Government. Mr Graham Page, the Minister for Local Government and Development, said in Parliament :

> London. There should be no restriction on the provision of modern office space in London to replace obsolete or outworn premises or to satisfy the requirements of businesses which can function properly only from London. More than that there needs to be a supply of new and modernised space to take advantage of new stimuli such as the entry into Europe.

Presumably, the solution will be to get the GLC to become flexible enough to allow more central offices but in such a way as to avoid the danger of over-supply as is currently affecting Manhattan (where many office blocks cannot find tenants and where rents have actually fallen). Once Britain is in the common market, there will be an undoubted growth in demand by European banks, stockbrokers and companies for an office in the City or West End. This, in turn, will attract the Japanese and (even more) Americans to London town.

The City

Planning permission is granted by boroughs in consultation with the GLC. The Corporation of the City of London (the fancy name for the City's borough) is widely believed to be pushing planning consents through at a rate of knots to use up its meagre allocation so that it can then go back and press for more. British Rail has got the go-ahead for 131,000 square feet of offices above Blackfriars station—which fits in with the objective of letting some commuters step out of their trains and into lifts taking them to their desks. So the omens are fair for the redevelopment of the massive space above and around Liverpool Street and Old Broad Street stations —though quite when is a question a lot of people that have bought sites around and about would dearly love to know.

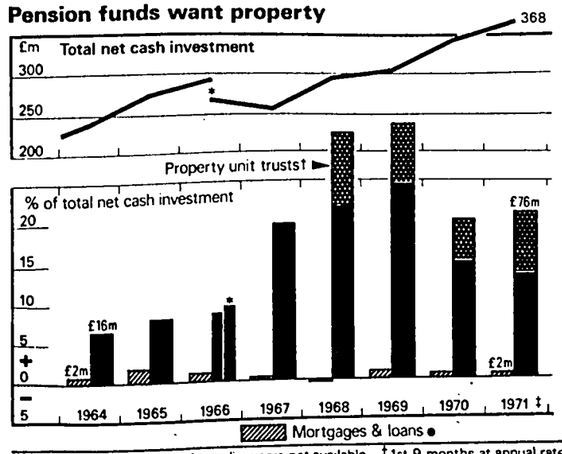
The area was once totally unfashionable for any self-respecting City gent. But the areas of respectability have already spread to the north—and they may well spread to the east. If a development is big enough, and well-enough planned, a whole neighbourhood can be transformed. Even London Wall, a triumph of brutal planning, has been a great success. The development of the brewery site in Chiswell Street, which Whitbread hopes to do with Trafalgar House Investments, will extend the City farther north. The City Corporation is studying the Spitalfields market area, which is run down and seedy and could provide further expansion.

The Thames-side ex-docks are in the process of transformation. On the right side of the river, Taylor Woodrow is turning the St Katharine's Docks into one of those World Trade Centres, with hotels, flats and even a marina. Across the river, not far from where Christopher Wren rowed after a hard day's work at the Cathedral, the Hay's Wharf site will, if intelligently planned, overcome the reluctance of City based and bred men to regard Southwark as a prestigious place to work. The snag is that the combined office space desired by the Whitbread/Trafalgar and Hay's Wharf schemes pre-empts a third of the GLC target for the whole of central London. Will they get it ? What effect will this addition to space have on the level of rents ?

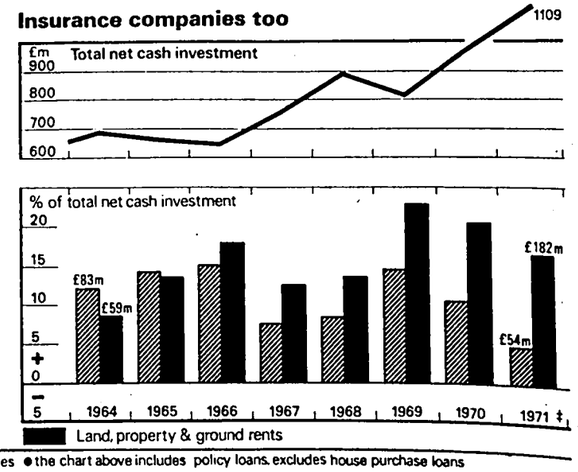
There are, in addition, a lot of big schemes planned for the heart of the City—Hambros Bank along Bishopsgate, Palumbo Plaza opposite the Mansion House and the National Westminster Bank also in Bishopsgate. No one knows the answers. Rents have again started their upward swing and are back to over £10 a square foot for the newest and the best. In New York a similar quality of space would rent for £4 (including rates), in Paris £6 and Brussels £2½. Is the City worth four times as much as the Quartier Léopold ?

Those who are prepared to by-pass the City, who reject the East End (in spite of the best salt beef restaurant in London), and who do not want to go to the surburbs might find a place in the shop-ridden West End and so make their secretaries happy—and their accountants too, as rents are in the £7 to £8 per square foot range. The

Pension funds want property



Insurance companies too



* Revised basis † Figures for earlier years not available ‡ 1st 9 months at annual rates ● the chart above includes policy loans, excludes house purchase loans

re-re-revised plans for Piccadilly are again going to be a focal point for argument, and once Lady Dartmouth has mulled over the future of the Covent Garden area (which takes in the best part of the Strand too) with the help of one of those vocal residents' associations, which are springing up all over the place, then there will be more offices there too (as well as, according to some delightful rumours, a cherry orchard). The concept of really comprehensive development is gaining ground. The Grosvenor Estate, for example, has had prepared a fascinating future plan for the whole of Mayfair and beyond, which cannot but force the planning authority to define its own thinking more closely. One of the side effects of the plan is a pedestrian Oxford Street, which the Metropolitan Estate and Property Corporation is involved in helping to realise.

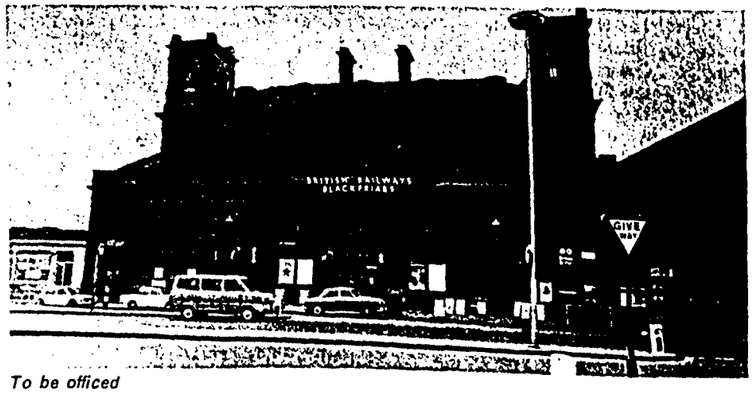
Funds

Rents are determined by the supply and demand for space. Property values are determined by the supply and demand for property as an investment. That, in turn is influenced by the future outlook for rents and the supply of money.

Some investors have recently been prepared to buy completed properties on a yield of 5 per cent, or over 3½ per cent less than the return on gilt-edged securities. The relationship between the two is close. A pension fund wants a stream of income running into the future ; and it has to weigh up the total security and liquidity of gilt-edged stocks, and the constant flow of interest they provide against the risk and illiquidity of bricks and mortar, which are likely to produce more income at each rent review. It also has to consider the rival attractions of equities as a hedge against inflation. The pension funds and insurance companies did, it would appear, somewhat reduce their purchases of property in 1971 as the bull markets in both gilt-edged stocks and equities got under way.



Spitalfield : to be developed ?



To be officed

But they have also found that the competition for properties has pushed yields above levels they reckon are justifiable. The growth in money supply has put cash into the hands of other buyers, and the number of top rate investments has not kept pace with demand.

In addition, the availability of money has given the developers more bargaining power. Whereas many in the past were forced to sell the properties to the institutions and lease them back (so giving up a considerable proportion of the subsequent rent increases they were in turn charging the tenants), they are now able to negotiate better terms on such leaseback deals. Or, sometimes, they can obtain straight fixed-interest loans without giving up a slice of the equity. Or they find the money from other sources, like the banks. There are two forms of leasebacks : one where the developer takes all the risks and gets a higher slice of the profits ; and the other where the institution shares in the risk by splitting the profit according to some kind of formula. Between the two there are many variations, which the one in a stronger bargaining position can negotiate to his advantage.

But yields are also influenced by fashion, and the phenomenal way the property bonds burst into prominence last year has had an influence greater than the sheer bulk of money (around £100m) they had to find a home for. The coincidence of bond fund advertisements on one page of the newspaper and the latest deal by a rising or risen property company on another has created the atmospherics of a bull market in property.

Once interest rates rise again, so will yields. If this happens at a time when rents are on a plateau, the implications for the property bond funds could be serious. The way that they have been advertised has emphasised growth plus security, and the small investor is as much impressed by that promise as he is disillusioned by the failure of unit trusts to come up to his expectations. If growth does not, for a year, take place, if rents fall and/or yields rise, then the bondholder might sell. In any case, as funds of no matter what sort mature, a steady stream of redemptions will build up. A slump in sales meeting rising redemptions in an open-ended fund would, unless the fund has a cast-iron credit standby, force the fund to sell properties off into a market that would be in a bad shape.

This gloomy prognosis might never happen—but the Scott Committee, which is investigating property bond funds, will have to make recommendations to guard against such an eventuality. Liquidity remains the main bugbear of property bond funds and some people are worried about the quality of the investments that some of the funds, especially the smaller ones, have been making. Unless there is a dramatic slump, top class property investments will always find a buyer—but some of the small shops in distant high streets will not, and however conservatively the funds are valued, the basis of valuation is current market prices. So there is no real margin of safety for a slightly worse market in property.

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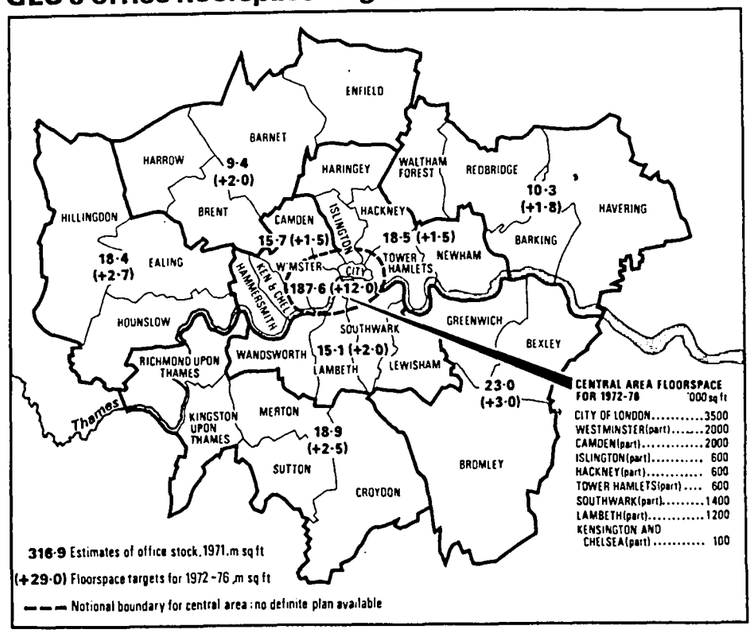


Every time I mention front elevation, Hammersons think I'm talking about Salisbury Square

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GLC's office floorspace targets



The plan for London

There is one fact about London that even the most ardent property developer dare not ignore: its economy has been declining, is declining, and could decline much faster than even the haters of congestion want.

In 1939 the residential population of Greater London was 8.5m. In 1961 it was down to 8m and the Strategic Plan for the South East foresaw a population of between 7.1m and 7.3m by 1981. But, 10 years before that date, London's population has already shrunk close to that figure. The employment situation is even worse. In the past five years, the number of jobs available has fallen by 10 per cent to 4.1m, and the range of jobs available to the least mobile—broadly those that live in council houses—has diminished.

The reason for London's much faster than expected contraction is the acute shortage of most categories of housing. The inflation in the cost of somewhere to live is driving people out of London. By definition, these men and women are the most mobile section of the community and the ones whose jobs cannot be filled by ex-dockers or gas workers. The fall in population and the change in the composition of the population that stays behind could cause a serious imbalance in the regional economy of London which might in turn accentuate its decline.

The art of guiding regional economies is even less advanced than that of providing a reasonable standard of living for the country at large. The statistics are poor; the tools for analysing the interaction between regional economies primitive; and the weapons for implementing policy decisions totally inadequate. So it is inevitable that the strategy for London as spelt out in the Greater London Development Plan (the GLDP) has met with severe and penetrating criticism in the inquiry examining the GLDP—and outside it. Most of the heat has been generated by the proposals for the Ringway road systems—and much of the rest of the plan has been dismissed almost contemptuously.

But the GLDP cannot be dismissed by property developers as lightly as that. The plan lays down a target for the increases in new office space for the period to 1976. That target is 29m square feet for the whole area; 12m for the central area (the City and bits of Westminster, Camden, Islington and the other boroughs bordering the centre), 5m square feet for the other "inner" boroughs, and the rest for the outer ones like Croydon, Hillingdon and Enfield. Where there is competition for development within an area, criteria are laid down to determine priorities. Like it or not, these are the broad rules the GLC and the boroughs will be using to decide on planning applications.

Developers will not like these rules. While each of them is convinced of the need for planning—for restrictions on supply enhance the landlord's bargaining strength with his tenants—each individual developer has splendid reasons for his particular project getting the go-ahead. There are, however, excellent grounds for attacking the office-building philosophy of the GLDP—and it is a shameful reflection of the lack of an intelligent self-interest by developers that so few of them bothered to go to the inquiry to put the case against it.

The GLC settled on floor-space targets for implementing its employment policy for the best and worst of reasons. Control of land use is the only effective economic weapon the GLC possesses—and will remain so until the central government works out a coherent national framework for regional authorities to operate in. The brief for the GLDP as stated in the 1963 London Government Act is to "lay down considerations of general policy with respect to the use of land." Sensibly, the GLC interpreted this

This survey was written by David Gordon

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widely to mean setting "broad policies and strategies for the future development of London as a whole." So the GLC looked at employment and population and economic movements, as well as roads and houses, to determine the policies needed "to create a physical environment and a social and economic framework which will conserve and improve standards of life in London." That sounds well—and the main threat to its achievement was in economic activity.

So one objective of the plan is to cut the net annual population loss back from 75,000 a year. Another is to stimulate new employment to compensate for the losses "particularly in manufacturing employment"—as yet another objective is to maintain a range of job opportunities. The notion that London is a burgeoning centre for the service industries and that these industries will provide jobs for all those displaced by the shutting down of factories, docks, distribution centres and the like has been dealt a sharp blow by GLC research. This shows that the decline in employment in the service trades as a whole was appreciably higher in London than elsewhere in Britain in recent years. The only sectors with a strong demand for labour are: insurance, banking, finance; professional and scientific services; and miscellaneous services. All of these require professional or clerical skills and office space—but the GLC wants to divert employment to those that have lost their jobs in warehousing, in furniture-making and the fur trade.

But the GLC does not have the weapons to pursue a thorough-going employment policy. It can do something about housing (there was a devastating critique of the GLC's housing policies by Mr Christopher Holmes at the inquiry) and something about transport, both of which bear on employment—but its most important policy instrument for employment is the passive one of granting, or not, permission to build offices or factories. And even there it is circumscribed by the central government's controls through office development permits and—currently a far more acute source of frustration—through industrial development certificates. The government is engaged in the kind of detailed scrutiny that should clearly be left to the local authority; and it is doing so because it feels something should be done, but does not really know what.

The lack of an adequate array of tools for the policy the GLC rightly wishes to carry out, and the consequent reliance on the planning machinery to guide employment along the desired channels, should lie at the heart of the criticisms that the developers should level at the GLC. But there are other criticisms as well. As the chief dynamic of employment is found in the demand for the kind of office-based services that the City and the rest of London provides, there is a strong case for encouraging office development, rather that the reverse. The method used for calculating the floorspace target is, in any case, somewhat primitive (see below). And even within the context of the stated targets, the actual granting of permissions needs to be speeded up. The table (page xvii) shows that the rate at which permissions have been granted is well below the 8m square feet a year required to hit the target of 29m square feet of new office space by 1976. (And it is a long way behind the liberal rate at which the Department of the Environment is now granting office development permits.) Further, the method of allocating office

The GLC's target

The Greater London Council has a precise idea of how much new office space it wants by 1976: 29m square feet, or roughly 10 per cent more than the existing office stock. As this number is the main constraint on office development in the region, it is worth examining how it was arrived at. The assumptions and the calculations are spelt out in a background paper (number B 452) for the Greater London Council Development Plan inquiry.

The method is simple. Take the target of office employment in 1976 and multiply it by the average space per employee to get the total space needed. Deduct the existing stock of office space—and the balance is the new office space needed.

Number of office employees in 1976	1,610,000
Average space per employee	216 sq ft
Total space required	348m sq ft
Existing stock in 1971	317m sq ft
Extra space required	31m sq ft
Provided from vacancies	2m sq ft
New space needed	29m sq ft

But the calculation is the only simple thing in the exercise. The basic target of employment has been formulated by extrapolating past trends (which might change) on the basis of very poor statistical evidence (so the trends might not be trends after all) and in some major industries (construction, transport and communications) future demand is based on "judgment." The industries were put into broad groups of operatives (manual workers) office workers and others. Employment in offices is growing, but other job opportunities are fading away, as this calculation shows:

	000s	
	1966	1976
Operatives	794	620
Office workers	1,535	1,610
Others	2,096	1,857
	4,425	4,087

The target figures for 1976 are the result of adjusting past trends of the increase in the demand for labour by changes in the supply resulting from GLC housing policies and from improvements in the transportation of commuters. But the underlying growth in demand is less than that of supply, and there is a danger that the targets will not be met, setting in motion a cycle of declining demand and falling income that could perpetuate itself.



The factories close down; so do the jobs

Office Development Permits

	Total	GLC area	GLC planning permission
1966	3.5	1.4	2.0
1967	6.5	2.8	1.6
1968	8.4	4.1	2.4
1969	11.6	6.9	4.0
1970	19.9	10.3	4.9
1971	17.0*	9.1†	5.0‡

* To September † To June ‡ estimated

space between the boroughs where demand is likely to exceed the detailed targets is bound to cause trouble and delay. Back in 1970 the GLC's senior planner for the central area, Mr Christopher Kirby, was asked at the inquiry how the allocation was going to be apportioned. He said:

> We have no guidelines. We do not have very much idea of how you do resolve this particular question of allocation. We do not know, quite frankly, how we are going to come to a just and equitable solution. It imposes on us a necessity over and above the normal planning purpose to work with the boroughs.

There are, now, some guidelines—six to be precise—which include: the redevelopment of areas of poor layout or design; provision of residential accommodation in conjunction with development; improvement of the public transport system; and the provision of small suites of offices. There are some small signs of more flexibility. Following the Hay's Wharf scheme, and allied proposals for developing the waterfront, the allocation for Southwark has been increased by 1m square feet to 1.4m—but that is still not enough. Moreover, the revised version of the GLC's written statement of the plan now has a new sentence in it recognising that "London, as a capital city and centre for international trade, must make its full contribution to national objectives and in order to do so it must provide the necessary space, skills, communications and other services." It would make a great deal of sense to increase the central area's allocation at the expense of the other areas of London; but in any case the GLC's planning procedures will have to be speeded up just to cope with the existing targets.

Dealers and developers

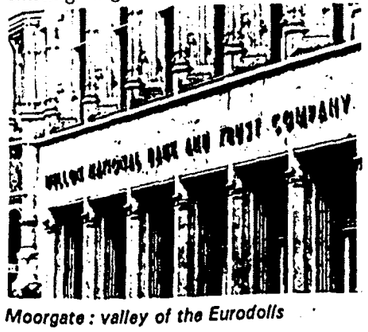
The largest property deal for several years was carried through by one of London's smallest banks when Dalton, Barton, with a capital of about £4m, bought the elephantine Bush House in The Aldwych for itself and clients at a cost of £22m. Those who have ventured into the depths of Bush House to do a broadcast for the overseas service of the BBC or to get a cheap meal from the rather good canteen there might wonder why anyone should want to buy such a hideous monster, built by a North American, Mr Bush, in the 1920s. When Mr Bush built his house there were no such things as plot ratios, garaging space and all the other restrictions that limit the amount of office space developers can now put up. There is a lot of space in Bush House, and much of it is let at well below normal market rents. The sums that could arise from redevelopment are mouth-watering. Once modernised, the 360,000 square feet could be let at over £6 per square foot, increasing the rental income from the current £700,000 per annum to £2.3m by 1980. By then, the building will probably be worth £37m, leaving a profit, before modernisation costs, of about £15m—although, of course, the purchasers having bought the property on a yield of 3 per cent, will be losing the difference between that and the cost of financing the purchase in the interim. One could reasonably ask the vendors, the Representative Body of the Church of Wales, why it did not go in for redevelopment itself. The Church of England, with the help of Jewish property entrepreneurs, long ago saw the benefits of getting a continuing slice of Mammon's property cake for its clergy.

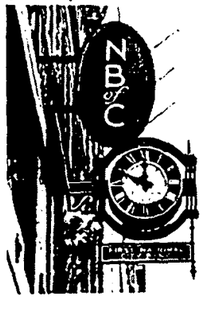
One would have thought that by now most people had woken up to the potential of property. Even the dullest of industrial companies should have worked out the property development possibilities of its sites and offices—though many sold their birthright in the years of credit squeezes by selling their long leaseholds or freeholds to the institutions and then renting the office space back. Often they had no choice, but many of them seemed to believe that property was such a different business that it should be left to the specialists to exploit. This attitude is reprehensible. While the property illusion lasts, shareholders should get their cut of it. Companies too dull to think about their property will find themselves bought out by the growing number of latter-day Charles Clores who are nosing around looking for cheap sites hidden in the balance sheets of trading companies.

But property development is far more tricky than it looks. The developer has to have a special kind of skill and flair: an eye for seeing a shopping centre where the untrained observer sees a disused warehouse; a talent for getting as much finance as possible out of the institutions without parting with much of the equity; and, lastly, a knowledge of planning law and real estate practices. He has to orchestrate a team of lawyers, planners, architects, builders and estate agents and nurse the project through the several years it might take to mature.

So the manufacturing company which thinks it is sitting on a gold mine may well find it difficult to do the mining. Those that have the flair tend to be running their own property companies and will only help out for a large slice of the cake. Estate agents, especially the large ones with project development departments, can help—but there is always bound to be some dilution of enthusiasm if the people running the development do not have an interest in its equity.

Firms of estate agents fall into two categories: those that are entirely independent and those that are linked with property companies. Into the first cate-









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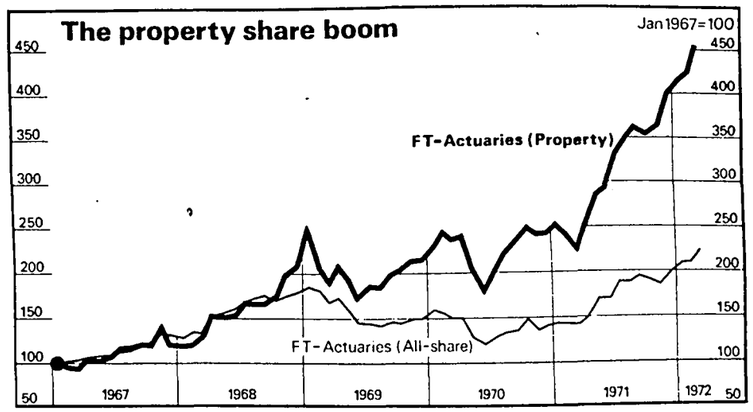
gory come the large firms like Edward Erdman, Jones Lang Wootton, Healey and Baker, Richard Ellis and into the second come D and J Levy (Mr Joe Levy is a director of Stock Conversion and Investment Trust), Hamptons (owned by Trafalgar House Investments), and Conrad Ritblat (owned by British Land, and where the senior partner, Mr John Ritblat, is the chairman of British Land).

The estate agents-cum-property developers keep both sides of their business separate, but they admit that the contacts, clients and propositions that come in through one door may go out through the other. There is nothing much wrong with this arrangement so long as the clients are quite certain what the picture is, as they are almost bound to. The entrepreneurial estate agent gets his satisfaction out of putting two and two together to make eight while the professional gets the same sort of job satisfaction as a lawyer or accountant does. Since estate agents now know so much about finance, about what other people are doing and about the arithmetic of investment (many run the property portfolios of the institutions), the temptation to become entrepreneurs as well is very strong.

Nominally, estate agents have to be partnerships, but since there are ways round this which allow the partnership to be owned by a corporation, the most honest thing is for the Royal Institute of Chartered Surveyors to allow them to become limited companies and define precisely the relationship with associated property companies. Then everyone would know where they stand.

The new boys

The most spectacular movement into the capital gains end of the property business was made by Mr John Ritblat, who was encouraged by Sir Maxwell Joseph to sell the partnership to Union Properties and run the company. Union was merged with British Land and two further acquisitions created the ninth largest property company (by market capitalisation) in Britain. The company's rapid progress has delighted shareholders—and confused investment analysts who cannot quite understand how the company is making any profits. The reversionary income of which Mr Ritblat is so fond (the increase in rents when the leases fall in) is yet to come, and in the interim he seems to be relying on dealing profits and the profits of the partnership. The big bonanza is expected from Plantation House, that giant block in



The top fifteen

The property share market has risen by 4½ times since the beginning of 1967, twice as much as the Financial Times-Actuaries all-share index. In 1971 it dumbfounded the experts, who did not believe the boom could continue, and today it is still going up. The dividend yield, a mere 1.85%, is treated by investors as an irrelevancy; they are hooked on the underlying asset valuations. Of course property dividends will be boosted by the proposed corporation tax changes—which helps those companies which distribute up to the hilt, but all of that and a bit more has long been discounted.

Land Securities and Investment Trust, the biggest and most solid of the companies, is looking the cheapest. Its image has suffered as chairman, Sir Harold Samuel, avoids the limelight that many of his newer confrères seek, and the company is often regarded as conservative and undynamic. But it offers the best value for money. MEPC has recently undergone a radical re-rating; and the market has swallowed its practice of valuing developments still in the pipeline as if they were completed and let without any hesitation. But the developments are there, and will no doubt pay off—but the MEPC shares are fully valued. Town and City is another company with a large (£150m) development programme, which the Prudential Assurance is largely financing. St Martins continues to look dull. It has none of the glitter of Star now without the over-dynamic Mr Robert Potel but better organised to exploit the many good things he initiated.

Hammerson, as the yield demonstrates, goes after capital growth and its geographically broad development portfolio is exceptionally high-geared: a rise of a third in gross assets will double the assets per share. A good share, but not for the nervous. Only half Capital and Counties' portfolio is in offices, and it also does housebuilding and construction, and has some developments in hand which will probably result in a loss before transfers from reserves (interest payments on work in progress is effectively extracted from the profit and loss accounts of most property companies).

Slough Estates is the expert on industrial estates, is low-geared, but indexes rents annually to inflation; thus a good steady hedge, but no great leaps of growth should be expected. British Land is new and exciting, Stock Conversion is old and exciting, and may pick up if the Piccadilly scheme goes ahead; Central and District is also run by old hands at the property game who still have a few tricks up their sleeve, but the old-timers at Great Portland only have arms there. Bernard Sunley should not really be in the table as it is half a construction company, but it looks quite inexpensive. London City and Westcliffe is in unfashionable residential properties, whereas Amalgamated Investment and Property is in everything that is fashionable, and is looking dear. Trafalgar House Investments is missing because it has successfully diversified into other industries from the capital base established by property. In all, the advice for potential investors is: be very cautious about property shares and consult the experts like brokers Rowe Rudd, Reade-Hurst Brown and Quilter Hilton, Goodison.

	Market Capitalisation £m	Asset Value* p	Current Price p	Discount on assets † %	Dividend Yield %
Land Securities	282.6	289	198½	− 31.3	2.2
Metropolitan Est & Prop	247.7	196	258	+ 31.6	2.0
Town & City	108.6	138	134½	− 2.5	1.9
St Martins	95.1	167	204	+ 22.2	1.4
Star (GB)	92.2	430	315	− 26.7	1.7
Hammerson	90.5	330	585	+ 77.3	1.1
Capital & Counties	76.8	96	130	+ 35.4	2.0
Slough Estates	65.1	68	108	+ 58.8	2.5
British Land	65.0	121	152	+ 25.6	1.8
Stock Conversion	59.4	613	795	+ 29.7	0.8
Central & District	53.9	172	238	+ 38.4	2.0
Great Portland	52.2	250	297	+ 18.8	2.0
Bernard Sunley	41.7	263	267	+ 1.5	1.8
London City & Westcliffe	39.2	35	73	+108.6	2.1
Amal Invest & Property	38.4	333	375	+ 12.6	1.6

*Rowe Rudd Estimates †Undiluted discount (+premium) on estimated net asset values

Mincing Lane which is to be modernised (releasing even more space) so that when the leases fall in the rents can be bumped up to produce an income from the property of closer to £3m than the £1m at present coming in. As an estate agent, Mr Ritblat is well aware of how to get every ounce of profit from a building; and as a financier he can see how to split Plantation House into separate units which could be individually sold off or mortgaged. The same approach will no doubt be applied at the Croydon centre, all 600,000 square feet of which were bought for £10m.

Another of the property names to hit the headlines in the past few months is Sterling Land, run by a team of four, one of whose members, again, is an active estate agent, Mr Stuart Lipton. This is one of several property companies to which Mr Jim Slater has lent his name, with a consequent miraculous effect for the share price. What Slater Walker reckons to have done is to speed up the natural forces of growth by several years by nurturing the company with cash and know-how. Slater, Walker also has major stakes in Cornwall Properties and Argyle Securities, which, with share prices unrelated to anything except expectations, provide excellent currency for takeover bids, and it has its own property portfolio of around £25m.

Another company, Sterling Guarantee Trust, is rather special. It thinks of itself as a financial group with strong line management, capable of moving into badly run operating companies, and turning that side of things round, while finding the best way of exploiting the property assets. Since companies with a poor trading record tend to sell cheap, the property they own can be got hold of much cheaper than if it was bought in the property market. The company has a more relaxed atmosphere about it than some of the dashing go-go companies around. Sterling Guarantee's major success to date has been the takeover of Gamages, and much is expected from the stakes it has recently acquired in Earls Court and Olympia.

Yet another company continually in the news is Amalgamated Investment Properties, which is run by Mr Gabriel Harrison. He has a great talent for buying property, but, so far, he seems better at buying than at anything else. He is closely associated with Mr Michael Rivkin, who is helping Hay's Wharf to develop some of its 30 acres along the river (for an as yet unknown slice of the profit). These are some of the new men of property. On the whole they are young, and their youth invites scepticism. The question is whether they will be able to survive if the bull market in property comes to an end.



Housing remains the problem

Bonds in disguise

The closest thing to a property bond fund in the United States is a Real Estate Investment Trust (REIT). There are in all about 120 REITs, with total assets over $6 billion (of which $4 billion came in during the last two years) and institutions like the Chase Manhattan Bank and Connecticut General Life Insurance have sponsored their own REITs. When Wall Street tumbled, investors turned with enthusiasm to a form of savings which offered high income and the prospect of some capital growth.

REITs invest in (a) short-term construction and development loans, (b) long-term mortgages, (c) property, or (d) a combination of all three. Mortgage buyers often obtain an "equity kicker in the form of options or a share-of-rentals arrangement, but even so REITs are far closer to specialised property banks than to real estate funds as these are understood in Britain.

They were first authorised in 1960 by federal legislation designed to boost the supply of mortgage capital. A minimum of 75 per cent of their assets must be in loans or property and 90 per cent of the income must be passed on to shareholders. In such circumstances they are exempt from paying federal income taxes, which enables them to offer shareholders an unusually high dividend yield of 7 or 8 per cent. This is the attraction for investors, rather than the possibility of a capital gain when the properties are sold and, indeed, REITs are not allowed to value their properties other than at cost. Those REITs that hold mortgaged properties get an increase in their equity value as the mortgages are paid off, and the American practice is to do so annually.

Many REITs invest solely in short term loans, and with all of them their equity capital is geared up by their own borrowings. So their success is largely determined by their ability to maintain a wide spread between the cost of borrowed money and the return obtained from it. As closed-ended funds, (unlike offshore property funds) their share price is determined in the stock market by expectations of future earnings far more than by considerations of the "value" of the underlying properties—if they have any. The enthusiastic projections of underwriters (the shares and debt of $1.4 billion raised in 1971 by REITs account for fully 16 per cent of all underwritings) have not been borne out, but as a whole their performance is often very creditable.

But the market values of trust shares have not risen accordingly. The difficulty seems to be that stock market investors will not bid up the trusts' share prices (thereby lowering their yields) because they have somehow been led to expect, from the REITs, a miraculous contradiction in terms: a high-yield growth stock.

Unhappily for the optimists, the perpetual-motion upward cycle has been prevented by several factors. First, the well-publicised failure of one of the largest trusts, Continental Mortgage Investors, to show the expected increase in earnings in 1971 led to a lot of sales of shares in REITs in December, from which even the more successful trusts have not yet fully recovered. Second, the proliferation of numbers of trusts, while probably irrelevant to their operations (since they are only a tiny part of the vast real estate financing field), has prevented investors' demand from being concentrated on single issues. Third, the variety of different kinds of companies, and the complications in their capital structures resulting from the widespread use of warrants and convertible debentures, has made evaluation and comparison of individual issues difficult.

REITs are clearly an important new addition to the money markets, offering flexibility to their sponsors, high yields to investors and a new source of money for the construction and real estate industry. But at least until they have longer records of results and are better understood, their shares on Wall Street are likely to continue to act like bonds in disguise.

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HQ Europe

There are two types of foreign businessmen on the continent of Europe. Those who like Paris, and those who cannot stand it. Those that cannot stand Paris tend to go to Brussels, because of the ganglia of bureaucracies and communications, or to Amsterdam because it is so nice, or to Frankfurt or Dusseldorf because they have to. They would go to Switzerland, except they would have to spend all their working time outside Switzerland. Italy is a non-starter. In all the major European cities the service industries are growing, and the offices and hotels to service the service industries. There is plenty of scope for future development, particularly in Paris and Brussels.

I loved Paris

The Paris of many people's springtime is changing fast. Place de l'Etoile is now Place Charles de Gaulle. Looking down the Champs-Elysées from it, every other building seems to be yet another glossy car showroom. Two huge buildings which should never have been built because they are totally out of scale with their surroundings crop up in most Parisian panoramas. The new Faculté des Sciences skyscraper in the Quartier Latin is one, and the Tour Maine-Montparnasse, rising fast to 60 storeys, is another. More through-roads are encroaching on the banks of the Seine, taking the world's most individualistic drivers to one of the innumerable underground car parks that have been constructed for their benefit. The Boulevard Péripherique ring road has been driven through the outskirts of the Bois de Boulogne, though in a triumph of environmental engineering, it goes underneath the Lac Supérieur. They have even painted the Eiffel Tower a different colour.

Paris is far from being a boom town for property developers, in spite of all the cranes and building sites and notices advertising new apartments "de grand standing." Property people of all sorts are now under a cloud following the "scandale" of the Guarantie Foncière. This is quite unfair. The swindle was a simple financial one. Investors were guaranteed a 10 per cent return—and the promoters used new money subscribed to pay it out. The properties were bought from associated companies at inflated prices which could not possibly have given a 10 per cent return to anyone. Inevitably, the pyramid collapsed. But in the minds of many, property development is once again associated—as it always used to be in France—with the murkier side of business. Which is one reason why the impeccable gentlemen from Britain are now being sought after by French promoters who need a name and a balance sheet and finance behind them.

The promoters

The process of raising property finance in France has a great deal in common with film finance. At the centre of things is the promoter who has an option on the property (same argot in both fields) and bustles around to find a backer who will take all the risk and give him as big a slice of the profits as he can negotiate. He juggles with the site, the planning permission and the money. If the scheme works (the movie makes money), his credibility rises and he finds it easier the next time. If it flops, the banks carry the candle and he pushes off to Lyons or Marseilles to try his luck again.

The postwar property pioneers in London were also speculators. But the difference was the availability of long-term finance in Britain, at that stage provided without an equity stake by the insurance companies and pension funds. They would lend a high percentage against the investment valuation of their security, the completed building—a sum large enough to pay for the site and the construction costs. In France buildings are traditionally valued at cost (though this is changing), and no one will provide long-term finance. The insurance companies buy property outright. The banks, if they can be persuaded to lend longer than 10 years, demand capital repayments from the outset. Thus the common form of financing is to go to a specialised property bank to get the medium term money, and to sell the apartments, or shops, or offices or factories off to the occupiers—or the institutions. This property trading



Skyscrapers make kidnapping tougher

activity is certainly lucrative. Buildings which yield 11-13 per cent on completion (this is the net rents as a percentage of the site and building costs) are sold by the developers to the institutions on yields of 9-11 per cent. For example, a building which costs £1m and is rented out for £130,000 can be sold to an institution for £1.3m. This makes the developer 30 per cent on his money, and a much higher return on the actual equity he will have put up. Usually he will find a quarter of the equity himself and so, with luck, he doubles his money, though he will make less if he sells before completion—and many do. The eventual landlord has his rental income indexed to the cost of living, giving him a guaranteed hedge against inflation.

The financiers

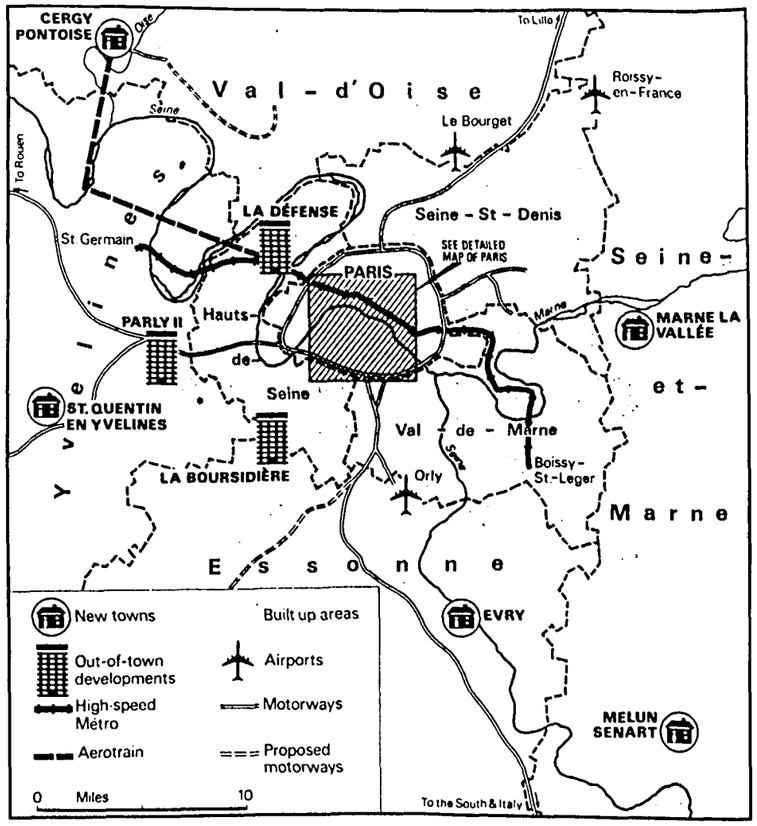
One of the leading private property organisations in France is the Immobilière-Constructions de Paris group (ICP), founded in 1926 by the Blum and Weil families. The 30 companies in the group (whose initials make up such slavic-sounding mnemonics as Cofimeg, Sefimeg, Ufimeg, Silic and Sofap) basically do two things: promotion and financing. They are separately constituted to take advantage of the various types of institutions for which the government provides fiscal incentives to promote real estate developments of one sort or another. The main institutions are:

Sociétés d'économie mixte. These have private shareholders, who provide the property development expertise and some of the finance, and public shareholders such as government agencies or local authorities who provide the muscle to purchase the land compulsorily. They are mostly concerned with urban renewal and comprehensive suburban development. La Défense and Montparnasse are two examples.



Le vieux Paris

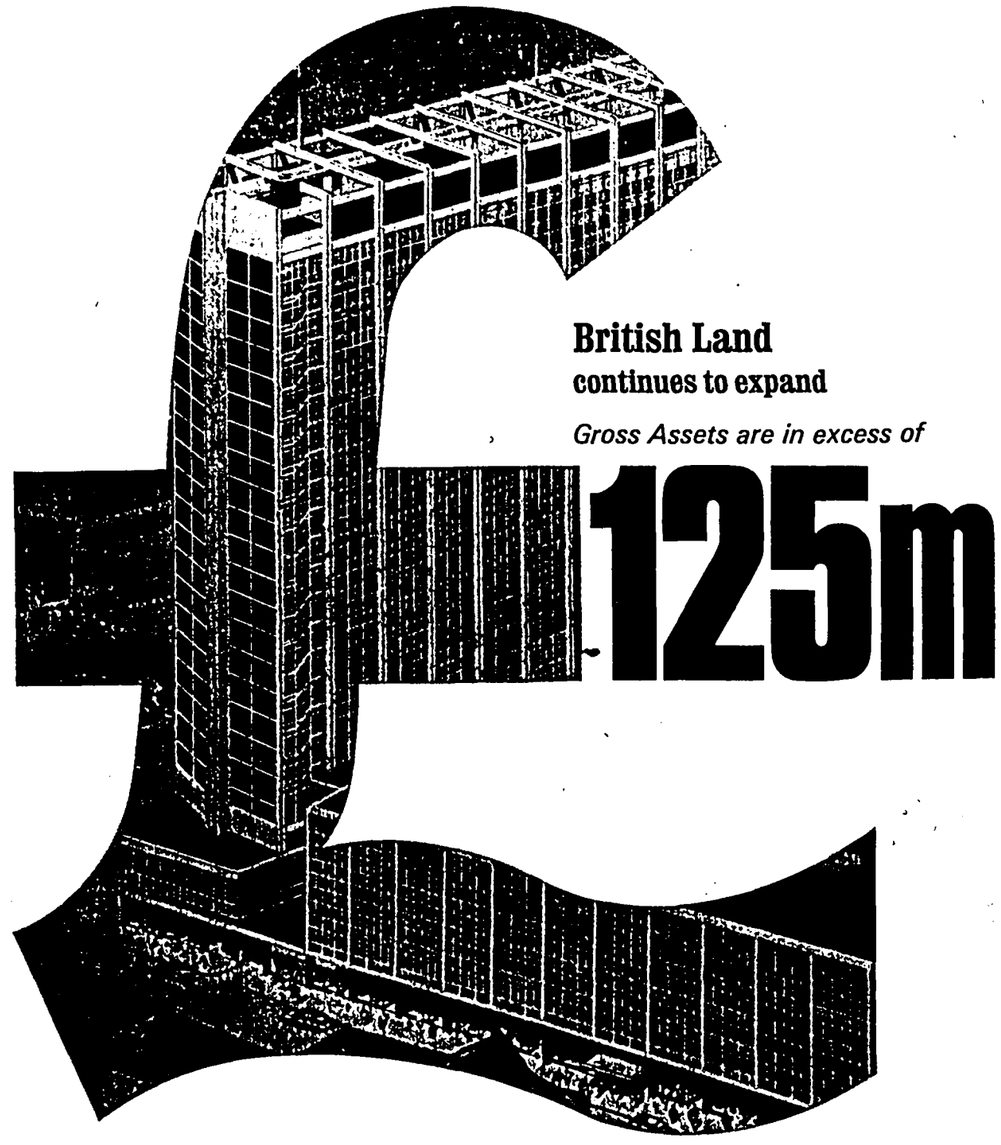
La Région Parisienne



Sociétés immobilières d'investissement. These are also designed to encourage the provision of flats and houses for rental, but in them the local authorities do not participate. Shareholders get part of their dividends exempt from tax.

Sociétés immobilières pour le commerce et l'industrie (Sicomi). These institutions buy offices and factories and rent them out. They also sell them on hire purchase, an arrangement confusingly dubbed with the Anglo-Saxon term "leasing." They are usually run by a bank on behalf of a pool of other banks. ICP's Sicomi developed the rather beautiful factories on the way out of Orly airport—so beautiful in fact that they are used as offices. Again, part of the dividend is tax free; 80 per cent of the profits has to be distributed.

The money-lending side of ICP's activities is handled through the Banque de la Construction et des Travaux Publics (BCT). It has £260m out on loan, a half in mortgages to home buyers and a third in loans to promoters. The loans are generally for under five years. The BCT says that the property developers do not want to borrow for longer as they have little interest in staying in as investors. They simply want to tide themselves over until one of the Sicomis or insurance companies buys them out. But the British developers are asking the BCT for long-term money and the BCT is gradually and grudgingly extending the length of its loans to them. Since the current, perhaps temporary, regulations of the Banque de France prevent money being brought in from abroad for property investment, all the finance has to be raised locally (for the Banque de France does not want any more sterling or dollars raised in the Eurodollar market in its reserves) with the



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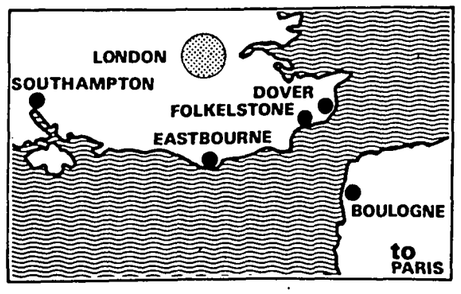
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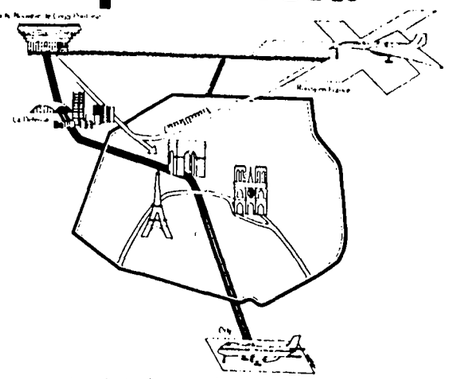
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British parent company putting up a guarantee of eventual repayment.

Recently the BCT participated for the first time ever in a loan to a British company covering the whole cost of site acquisition and building for a period of seven years. Only 30 per cent of it was guaranteed by the parent company, the rest being secured on the property. However, the BCT would not have taken part in this loan unless a local British bank had not taken part as well. There are now faint signs of an embryonic long-term mortgage market in France, and the specialist banks like the BCT will be organising it. The BCT already organises consortia to participate in schemes. The other main ones are Compagnie Bancaire, associated with the Banque de Paris et des Pays-Bas (Paribas), and La Hénin, the subsidiary of the Compagnie Financière de Suez. The Crédit Lyonnais and the Société Générale are also active property lenders. Barclays Bank now does medium-term financing and the Société Financière Européenne, the medium- and long-term credit bank group of a number of big banks including Barclays, Bank of America, Dresdner Bank and the Banque National de Paris, is getting more interested in property finance. The money is there ; but the French banks and the insurance companies have to be persuaded to lend it.

The banks and financial institutions suffer from pervasive and deadening government control and influence. This reinforces the native French belief that everyone is on the fiddle and money should be kept liquid and stacked under the bed or in a Swiss bank account. Similarly the French stock market is a dead duck and even deader for property companies that might want to raise long-term capital. However, if foreign banks and institutions are allowed to operate freely in France, things might change. There is talk of a massive development to be organised by a British property company and backed by British institutions. These could, perhaps, borrow medium term on the Eurodollar market (once foreign exchange restrictions are lifted) and, in five years' time, refund the borrowings with long-term money transferred from London. The influence of the British insurance companies might also push the investment yields on completed developments down closer to British levels.

Permits

Office permits in Paris have become very tight in the past year. The government is now firmly committed to a national planning policy whose broad strategy is worked out by a small but high-powered agency, La Délégation à L'Aménagement du Territoire et à l'Action Régionale (Datar), directly responsible to the prime minister's office. The aims of the policy, as elaborated by M. Chaban-Delmas in a recent speech are :

(a) To prevent saturation growth in the Paris region ; to stem the growth of population ; and to move inessential activities outside the region.

(b) To discourage the fast-growing service industries (responsible for 1.4m of the 1.7m new jobs which will have been created in the 10 years to 1975) from settling in Paris by ensuring that they grow in areas where agriculture and mining is on the decline.

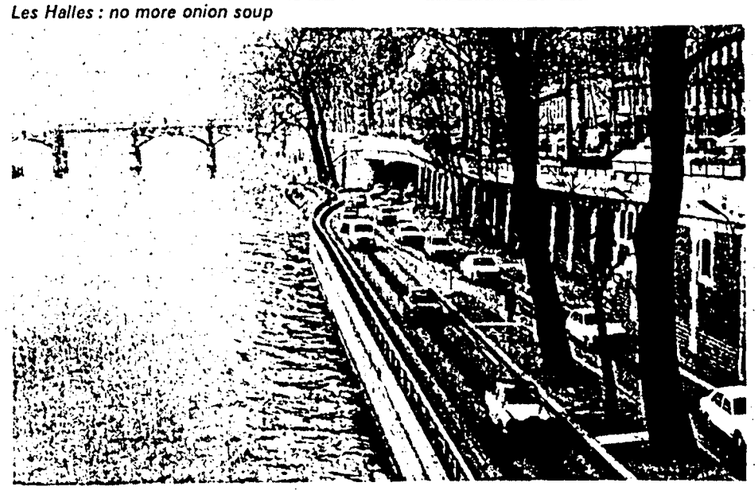
To do this, Paris is to be squeezed and the regions made more attractive. In Paris the annual total of new construction licences is to be limited to 6½m square feet ; priority will be given to the new towns outside the central area and to the poorer eastern section of Paris ; and any development in the Paris region will have to have a strong justification for being there. The regions are to be given far more fiscal and financial help.

That is the theory. In practice there will be much " dérogation "—or bending of the rules, the well-known method which the lower echelons of the bureaucracy use to cope with the precise and intellectually coherent and often unworkable directives of the top civil servants.

But the policy is biting. The Paris region planning authority, consisting of Paris and the adjoining seven prefectures, has reduced the number of new towns planned from nine to five



Les Halles : no more onion soup



Cars in—fishermen out

under pressure from Datar. Within the region it is being very tough on office planning applications in the central area, especially the business districts of the eighth and ninth arrondissements. In general it is pushing the new towns and the eastern part of Paris. Datar is trying to cut the expansion of the massive La Défense office developments (already amounting to 5m square feet) as, once again, it favours the western parts of Paris—the bits stretching back from the Champs-Elysées, and the favoured residential 16th arrondissement and from the exclusive suburb of Neuilly.

There are three control techniques. Office licences ("agréments") are granted by a decentralisation committee on which there are representatives of Datar and the Paris region, and the applicant usually has to name a tenant for an office building. Then there is planning permission. And, lastly, there is a development tax ("redevance") of £3 per square foot overall, which is reduced to £1.50 in places where urban renewal is needed and to nothing in the new towns. It is payable a year after planning permission is granted.

If the experience of the Labour government's ban on office development in London is anything to go by, restrictions of supply in places where there is a natural demand pushes up the rents in the popular spots and transforms the prospects for previously unfavoured districts. This is already happening in Paris.

The sites

The most sought-after area for offices in Paris is around the Champs-Elysées. Rents are in the £6-£8 range per square foot and will go higher. There is a fair amount of construction underway, and the Intra Bank site next to Le Figaro with part planning permission for 200,000 square feet of offices is up for grabs (and has been on the point of being sold for four years), but the chances of new permits being granted in that area are slim. The same goes for the other main business area around the Bourse and the Opéra.

So where should the developers aim? There is always the off-chance of getting permission in these areas for a small building if the developer can produce a firm tenant. One or two British companies have not been in the past above getting their friends in London to write to the Parisian authorities saying that space in such and such a location is absolutely vital. The British have gone for small blocks so

(Continued on page 32)

Tour Maine-Montparnasse

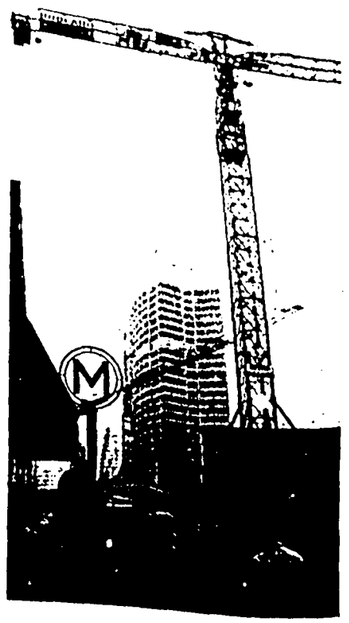
The Eiffel Tower is still the tallest building in Paris—but only just. The Tour Maine-Montparnasse will be 656 feet high; the Eiffel Tower is 906 feet. The man now responsible for it, M. Jean-Claude Aaron, is not guilty of understatement when he says "it is not just an office block—it is a monument"—a monument against which many Parisians are now, far too late in the day, protesting. M. Louis Vallon, a deputy for Paris, recently called for construction of the tower to be halted: "It is going to dominate the whole of Paris and crush the most outstanding buildings of our capital with its mass." Too true—and too late.

The development plan for the area around the Gare Montparnasse was concocted in 1958 by the Société Nationale des Chemins de Fer Français (SNCF) and the City of Paris. The SNCF needed a new station, and Paris thought it would be a good idea to provide employment for the commuters right there. So a société d'économie mixte was set up, and the plans for a huge office complex were shown to the public in 1961. The voices of dissent, if there were any, proved ineffective.

The 1m square feet of office blocks bordering the station platform, massive and hideous, are completed and let. But the tower was much more of a problem. An American, Mr Wylie Tuttle, had first crack of the whip, but failed to raise the money. Then M. Aaron, a successful developer, was asked in. His approach to raising the £40m-odd cost of the tower and surrounding exhibition halls and galleries was to sell half the space from the drawing board. The buyers were the 24 insurance companies, banks and pension funds that took shares in the company, and the eventual occupiers. The tower was sold off floor by floor, at a cost of around £40 per square foot, and 40 out of the 53 lettable floors have gone. Some of these were bought by Sicomis and overall a fifth of the space is designated for rental rather than sale, at rents of around £4.50 a square foot. The spectacular view out will make letting easy.

M. Aaron and his own company do not own any of the equity of the company doing the development. They will get a share of the profits. But he is hoping to try to create a fully fledged quoted property company along British lines in France, to find a way of capitalising his development skill. He will, inevitably, need bank backing—and he has already assembled British and American institutions and banks, as well as French ones, to get it. But please, M. Aaron, no more monuments.





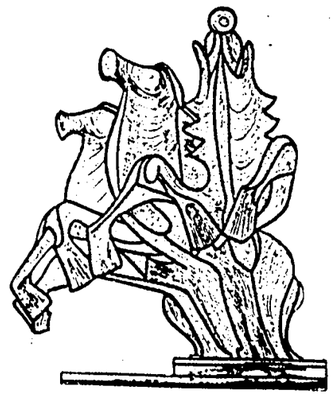
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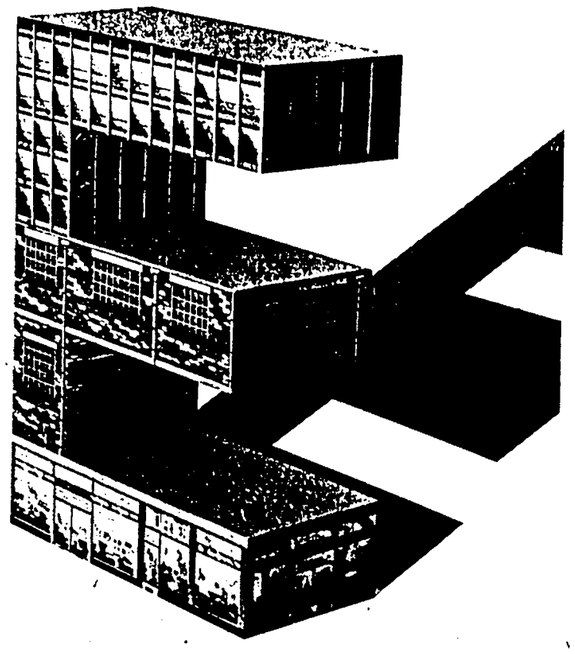
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de Balkany 2

The Parisian bourgeoisie has a precise dream of what suburban life should be like. It consists of a centrally heated apartment in a modern block of flats set in a park dotted with swimming pools. Monsieur wants to be able to get into Paris fast, either by driving along an autoroute or to the station and getting on a train. Madame wants to be able to push her shopping cart to the enclosed air-conditioned shopping centre and, having bought the food in a supermarket, wants to have a coffee and then wander round the local branches of the top Parisian department stores, perhaps popping in to the cinema in the afternoon. The enfants want places to play in and to swim in, horses to ride on, schools to play truant from.

The dream has been realised with taste and imagination at Parly 2. Although clearly not everybody's idea of paradise—certainly not the French movie-makers who frequently choose Parly 2 in which to set films of domestic alienation and bored infidelity—if people must live in suburbs, better Parly 2 than Balham 1. The man who has realised the suburbanites' dream is M. Robert de Balkany, young, dynamic, aggressive—all the kind of things needed when vision has to be converted to reality. He got his first taste of grand conceptions when studying architecture at Yale University. Luckily he flunked out, for few qualified architects survive the transition from the fantastic and idealistic visions of schools of architecture to the bricks and mortar of a municipal refuse collection headquarters.

Back in Paris he went to work in his father's business. Then, in the late 1950s he set to work on his first apartment block. Although it contained only 18 flats, it took three years to complete. Then came Elysée 1. All 500 flats were sold in three weeks. Then Elysée 2; its 2,000 flats were sold in a twinkling of an eyelid—and the "2" suffix stuck. He has now built 20,000 flats and has another 15,000 under construction. In the development of huge shopping centres his company has no rivals in Europe. In total he has something over £400m of developments on hand or recently completed. The main ones are shown in the table below.

How, in a country as conservative in its habits as France, has M. de Balkany brought it off? There has been a retailing revolution in France. In one bound, France has moved from the corner store to the giant hypermarket, supermarket discount store and huge covered shopping centre. With the benefit of American experience, few mistakes have been made. The key element in all the schemes is the demographic and economic study carried out by the French office of the American property consultants, Larry Smith. Once the future economic development of the area to be serviced has been researched and road and rail access studied, much of the guesswork has been removed. The regional planning authorities have also taken a strong and sensible line. Having planned which are to be the growth towns, permission for only a certain number of shopping centre sites has been given. In the greater Paris area, the number is 14.

If the planning is advanced, the financing is not. There is no quoted de Balkany property company. Each development is a separate company, owned largely by the financiers. The financing method for the housing is straightforward. The company puts up the money to buy the land and do the studies, and gets a short-term loan for the building. Then the apartments are sold from the drawing board; 80 per cent mortgages are arranged for the buyers; and the mortgage companies hand the money over as the building progresses. The below-the-line profit to the developer is somewhere between 13 and 18 per cent.

The financing for the shopping centre has to be done—because of the lack of a sophisticated long-term capital market—in a way that leaves little of the equity in the developer's hands. Usually 65 per cent of the shopping area, the amount taken by the big stores, is sold to insurance companies or Sicomis which then rent the space to the stores—on a yield that gives them 10 per cent on cost. There is little profit to the developer on this part of the deal. The gravy comes from the 35 per cent of the shopping area rented out to the smaller shopkeepers who are charged a rent which is equal to 6 per cent of their turnover, with a basic minimum. In 1971 the sales at Parly 2 reached about £30m, and the annual sales increases have been phenomenal. In January, 1972, sales were 24 per cent up on the previous January, which was in turn 35 per cent up on the year before.

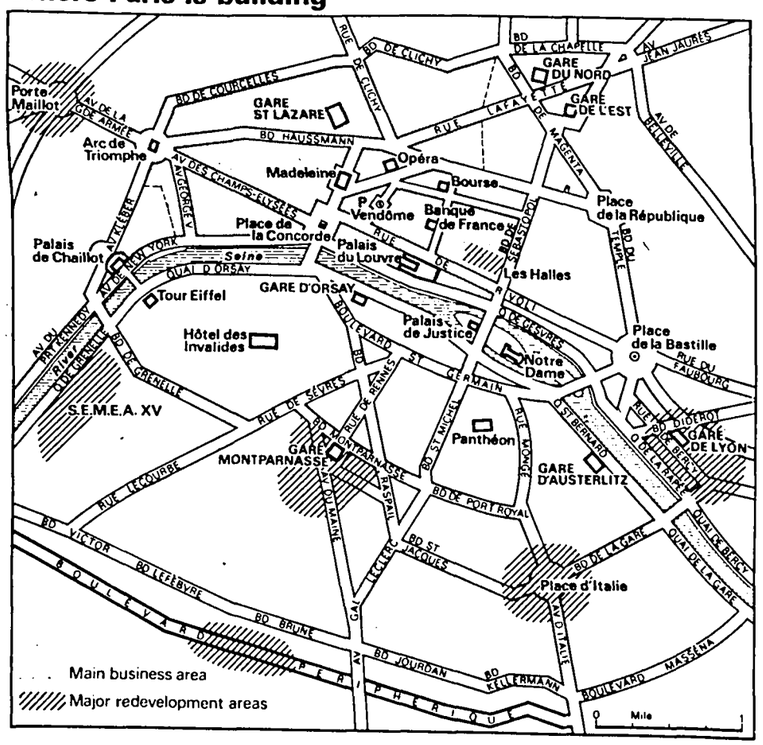
For M. de Balkany there is no way of capitalising his profits. He is looking towards Britain with another of those twinkles in his eye. There is talk of a regional shopping centre outside Manchester that he would like to do with Trust Houses Forte. There is the thought of those lovely British price/earnings ratios on property companies applied to the leaping profits of his companies. M. de Balkany would like to have a quoted company on the London stock market one day.

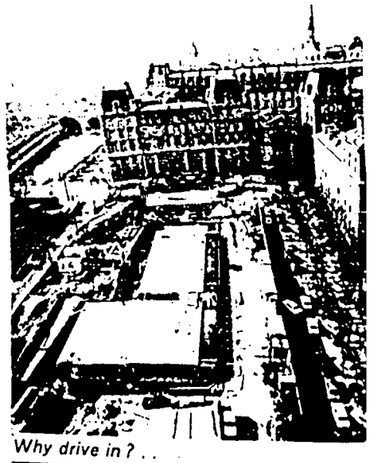
		cost £m
Parly 2	7,500 dwellings, 600,000 sq ft of shopping	100
Grigny	7,500 dwellings	80
Velizy 2	1m sq ft of shopping, 107,000 sq ft of offices	12
Rosny 2	1m sq ft of shopping, 1m sq ft of offices	30
Lyons	1.2m sq ft of shops, 1m sq ft of offices, hotel	40
Other shopping centres		20
Other housing developments		140



The de Balkanisation of Europe

Where Paris is building

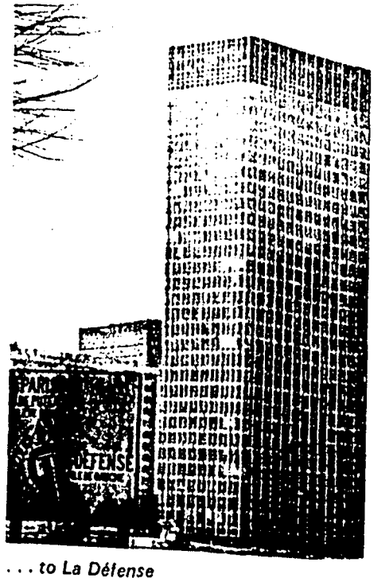




Why drive in? . .



. . . when the métro's lovely . . .



. . . to La Défense

(*Continued from page 28*)

far. They can be easily sold when the medium-term loans mature if refinancing proves difficult. And foreign companies setting up shop in France—and French companies under pressure to decentralise—do not need acres of space in the centre.

Within central Paris there are various schemes in different stages of development. Most advanced is the Montparnasse development. Already 1m square feet is up and let, and the 1m in the tower block is taken care of. But the scheme has acted as a magnet. A tall Sheraton hotel is on its way, and several smaller blocks too—one of them by Chesterfield Properties.

Another station development is round the Gare de Lyon and Gare d'Austerlitz—the Bercy La Rapée district, famous for its wine merchants and aromatic odours. To most snob Parisians it is just one of those working class areas on the wrong—the east—side of their city and the developers will have to overcome a lot of Parisian prejudice. But 1.3m square feet are up, or going up, and another 1.2m planned.

The French are great believers in the power of rapid transit to bring growth and prosperity. The new high-speed métro, already in operation between Auber and La Défense (La Défense is 3½ miles, and four minutes away, from Etoile) and will be passing through the Gare de Lyon on its way east. The vital necessity of being near a main-line station or a high-speed métro makes it difficult to expect too much from the urban renewal scheme SEMEA XV along the Seine in the 15th arrondissement or from the Galaxie area round the Place d'Italie in the 13th arrondissement.

As for the new towns, they are all to be linked to Paris with motorways and high-speed métros and trains and aerotrains, but the risks in office development there are still high. Shopping centres (though many have already been collared by the formidable M. de Balkany) and the construction of factories for rent seem a far better bet at this stage. Star (Great Britain) has taken a bold gamble by developing 600,000 square feet at La Boursidière on the outskirts of Paris. But the cheapness of the site and efficiency of construction are making for very low rents.

Several British estate agents have established themselves in Paris, such as Richard Ellis and Weatherall Green

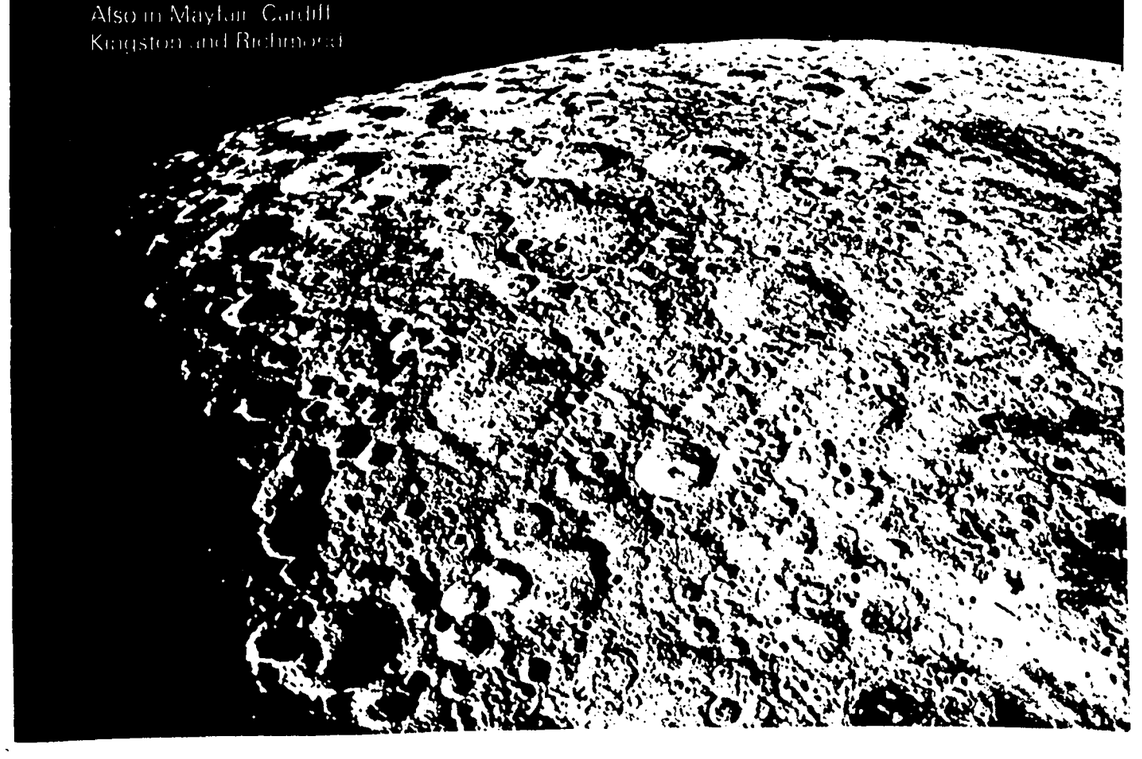
Property
What next?

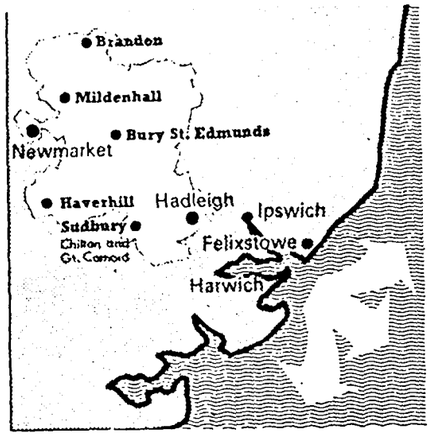
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Brussels is sprouting

It is easier and quicker to get to the centre of Brussels from London than to the centre of Paris. It can take less than three hours door to door if all goes well. It is easier to dabble in property development in Brussels than just about anywhere else. That is why the British have done, or are doing, about £60m worth in office buildings. The trouble with Brussels is that it is all too easy

For those who want a headquarters in Europe from which to oversee subsidiaries dotted around the continent, Brussels is probably the best place. For those who have to watch the doings of the common market commission, an observation post in Brussels is obviously vital—provided that the facts, views and opinions obtained there are checked out in the ministries of Paris, Bonn and so on. For those who want to create businesses in Belgium, the rival attractions of Antwerp could well win out, for that is where the industry is. For those who just want to work in a quiet, pleasant, provincial atmosphere Brussels is fairly quiet, fairly pleasant and very provincial. In spite of the commission and Nato, Brussels is not an important place to be in. As a financial centre it has a dull stock exchange and, on the whole, a conservative banking community.

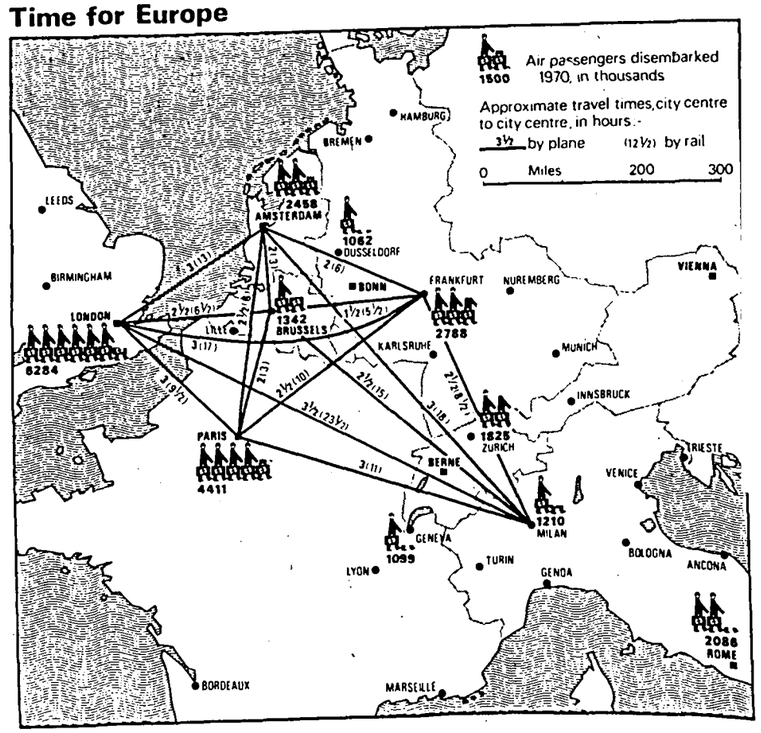
But it is the nearest thing Europe has to a capital; and the first name that comes into the head of British developers who are trying to prove themselves good Europeans is Brussels. Everyone seems to speak English: the Flemish population speaks English as well as it does French; the Walloons prefer speaking English to Flemish. The main source of instability in Belgium is the language problem, which brings down governments with monotonous regularity, which seems to be getting worse rather than better, and which occasionally erupts into street rioting. But to take a property realpolitik attitude, property values might actually benefit from this situation. French-speaking Brussels is an enclave in the Flemish-speaking region and the 19 communes that make up Brussels cannot expand. Brussels is surrounded, in local parlance, by an iron collar.

Brussels also speaks the language of commerce fluently. Since Belgium exports 45 per cent of its gross national product and imports 44 per cent, contact with foreigners has always been extensive and the provision of services associated with trade is generous. Belgium has very liberal exchange controls and tax policies which are highly favourable to foreigners. So successful has Belgium been in attracting foreign companies that over half of new investment each year is generated by them. Belgium is stiff with American, Dutch and German businessmen, and if the local politicians had not been so busy with their linguistics, they might well have turned their polemics to the domination of large pieces of their economy by non-Belgians.

American executives and their wives are particularly fond of Brussels; it is a rather better home from home. The suburb of Waterloo, with large houses, swimming pools, and nearby supermarkets, is largely an expatriate colony. Apartments are cheap and plentiful. Good roads and a clever tram-cum-métro system make it easy to get into town. And the good roads, the Trans Europe Express and the slummy airport 20 minutes away from the centre make it very easy to reach other European capitals fast. The telephones, courtesy of Bell Telephones, work better than in most places.

So there are plenty of good reasons to think about property development in Brussels. But there are better reasons for turning it down. Brussels breaks the cardinal rule of property development which states: the tougher the restrictions the greater the profits. The concept of city planning in Brussels is in a rudimentary state. The Belgians would say that they have all the planning they need. Being Belgians, that is not very much. Planning applications have, by law, to be decided on in three

Time for Europe



months. There is no restriction on how space is to be used : apartments can be used as offices, offices as hotels, hotels as warehouses, warehouses as car parks. (Even the Grand' Place, that miraculously complete square left over from the seventeenth century, is used as a car park—though cars are to be cleared away from it as an experiment.) There is no such thing as an office development permit, and offices can be plonked down where the developer wants, and, more or less, as big as he wants.

There are rules and regulations concerning the height and depth of buildings, and on the amount of car parking that has to be provided. But the rules can be bent. There is a regulation which demands that one car space should be provided for 500 square feet of offices—but it is not enforced. Certain areas have a "plan d'aménagement" which lays down the type and amount of permitted development within them. About a fifth of Brussels is covered by these plans, and a further two-fifths are under study. Again, there is flexibility in their application. The Avenue Louise, once a stately street of elegant, (if run down) town houses, is turning into a ribbon development of amorphous office blocks whose heights are determined by the sight lines from the Royal Palace. However, the ITT tower and the Tour Louise are to rise up out of it with brutal disregard for the scale of the neighbouring buildings.

If planning is no problem, neither is finance. The mortgage banks like IPPA and the Caisse Hypothécaire will grant mortgages for periods of up to 27 years, with floating interest rates. In January, 1971, the going rate was 9¾ per cent ; now it is nearer 8 per cent. The mortgage might only be up to 70 per cent of the cost, but the rest can be obtained against a guarantee. British property companies, with their strong balance sheets, have had no trouble at all in raising local finance. Some of the more aggressive banks will even bring both the site and the offer of finance to potential developers. With a bit of tough negotiation sites can be bought on a contract which grants let-out clauses if building consents and finance cannot be arranged.

Sites abound, but the British have wisely stayed close to the Avenue des Arts and are responsible for half the developments along it (see map). The triangle stretching back from there through the Quartier Léopold to the Rond-Point Schuman near the commission is the one most favoured by Jones Lang Wootton, the British estate agents who decided eight years ago (possibly wrongly) that Brussels was going to be the big city for Euro-property developers. However, the unfamiliar quality of independence and professionalism that the British agents have brought to Belgium has assured them of plenty of local business. Knight Frank Rutley has linked up with a local, M. Jacques de Duve, and has adopted the role of being a principal rather more than the firm would in Britain. The third of the British triumvirate that has practically sown up the property market in Brussels, Richard Ellis, has gone for the Avenue Louise area and has tempted Heron Holdings, Brixton Estate and Town and Commercial, three of the 17 British property companies busy in Brussels, to try their luck there.

And luck comes into it, as is inevitable in such an open city. The past few years have been boom ones—but in 1965 rents actually fell. A pretty chart prepared by Jones Lang Wootton shows increases in rents from 1963 to 1970 which are not mouth-watering : in the centre of town they have gone up from £1.12 to £1.39 per square foot ; in the Avenue Louise from

Around the Avenue des Arts

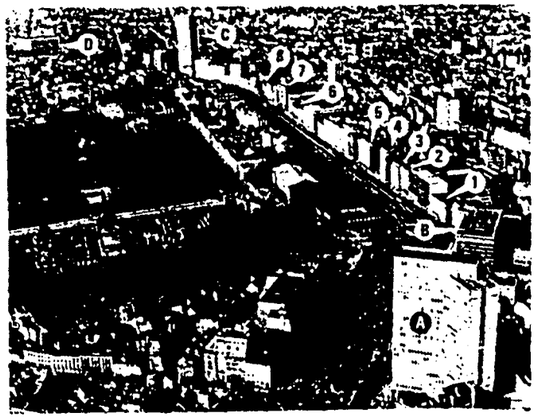
BRITISH DEVELOPMENTS *

Developer	square feet
1. Commercial Union	226,000
2. Oddenino's	64,500
3. Star (Apartment block)	
4. Star	75,400
5. Hammerson	120,000
6. Taylor Woodrow	183,000
7. Amalgamated Invest	59,200
8. Beezer	53,800

BELGIAN DEVELOPMENTS

A. Tour de Namour
B. Banque Lambert
C. Tour Madou
D. Galilée

*Completed & planned



Charlie de Pauw

One man dominates property development in Brussels. His name is M. Charles de Pauw. He is familiarly known as Charlie, and he has given his initials to the series of companies he has promoted, like Consortium des Parkings and the Compagnie de Promotion. Very early on he realised that affluence and the ease of motor access to Brussels would give rise to a significant demand for parking space. That is what he set out to provide.

From cars he moved on to the village for Shape and large office developments. It is popularly assumed that his path was smoothed with help from an ex-prime minister, M. Paul Vanden Boeynants, then the councillor in charge of public works for Brussels and now the Belgian minister of defence. A book called "Les amis de Paul Vanden Boeynants et leurs affairs" assembles all sorts of bits and pieces of information into a montage of innuendo in which the names of de Pauw, Blaton (also builders and developers), and Vanden Boeynants and others are continually linked. No allegations of impropriety are made, merely implied. They may all be false, but it is as well to bear in mind that conflicts of interest are not frowned on in Brussels with anything like the same severity that they are in Britain. Unlikely things can often be managed. The tower block that ITT is putting up among the low-rise buildings of the Avenue Louise might not, for example, have survived the public outcry had M. Paul-Henri Spaak not been on the local ITT board.

The two main developments M. de Pauw has completed in Brussels are the 500,000 square feet each of the Philips building and the Grande Poste building (in which the city of Brussels has taken most of the space) set over an attractive and well planned complex of shops known as the Galleries Anspach. But he is now working on his most ambitious project to date—one of those World Trade Centres that every city now seems to want. One block of 500,000 square feet is going up, and another seven of equivalent size are on the drawing board. Finance for the first block has been put up by the Banque de Paris et des Pays-Bas, who are taking around half the space. The second block will probably be started quite soon, but those who are pushing Brussels as a developers' bonanza are casting doubt as to whether any more will get off the drawing board in time to affect the whole property market. That reckons without the excellent salesmanship of M. de Pauw.

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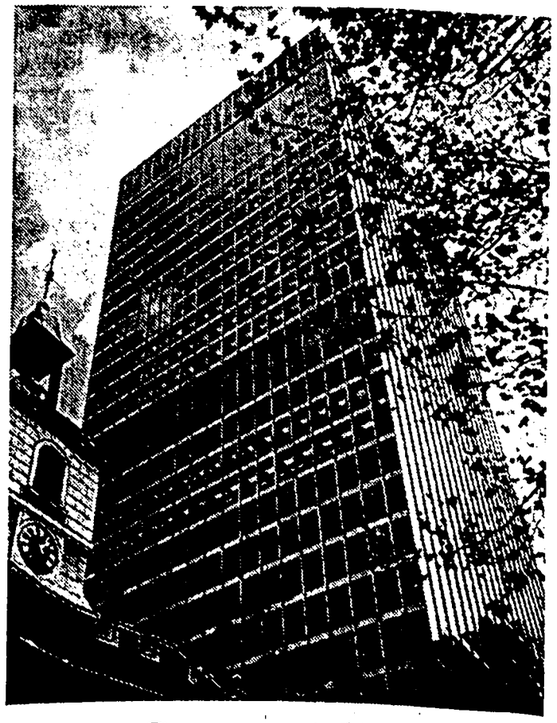
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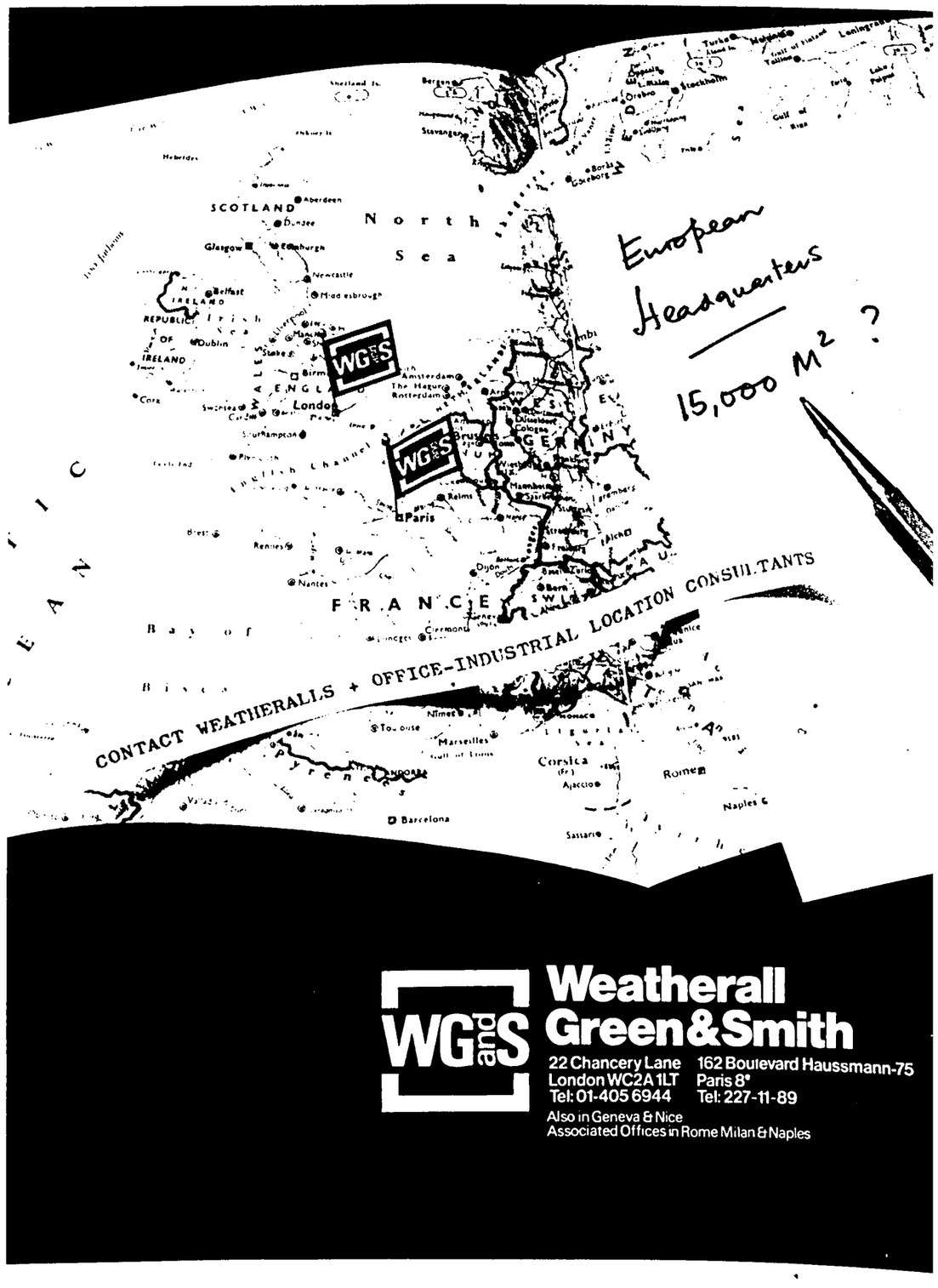
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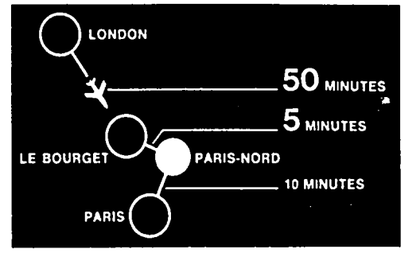
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Books

Grand synthesis

GRAND STRATEGY: VOLUME IV, AUGUST, 1942-AUGUST, 1943
By Michael Howard.
HMSO. 801 pages. £7.25.

BRITISH FOREIGN POLICY IN THE SECOND WORLD WAR, VOLUME II
By Llewellyn Woodward.
HMSO. 693 pages. £4.10.

Except for a preliminary volume surveying the situation before September, 1939, Mr Michael Howard's book completes the official British history of the grand strategy of Britain and its allies during the second world war. The five earlier instalments of this history are without exception indispensable guides to the complicated problems and the painful and often controversial decisions from which grand strategy—the harnessing of national resources to the waging of war and the winning of victory—was constructed. Not unexpectedly, Mr Howard maintains the excellent standards which they set. Despite its length, nearly 600 large pages without its appendices, it is a compact account of its period, and his talents as a military historian have combined with the weight and sweep of his subject to make it also truly absorbing.

If not the most crucial of the war, the period was at least as central in its importance as it was in the war's chronology. At the beginning of it, in August, 1942, the Allies were still on the defensive in Russia, the Middle East, the Far East and the Atlantic—in every theatre and campaign except the strategic bombing of Germany, which was yielding poor returns—even if their victory was already sure. At the end, in September, 1943, North Africa and the Mediterranean had been cleared, Italy had been knocked out of the war, the Russians had begun their counter-offensive, the U-boats had been mastered, and the western Allies, as well as landing at Salerno, had hammered out the essential details and timing of an invasion of Europe from the United Kingdom in the knowledge that their control of the Atlantic and a vast expansion in American shipbuilding were at last removing the most serious obstacle to the free deployment



Salerno: first foothold

of their mounting military resources.

This change was the result of victory in hard-fought battles in North Africa, Russia and the Pacific, as well as in the Atlantic. But, as Mr Howard says, these battles could not have been won "if decisions had not been taken to deploy certain forces at certain points in order to achieve certain objectives," and it is with these decisions that he is concerned. They were often bitter and always protracted because the problems involved, some technical and others political, affected the highest circles and the deepest concerns of states. As the problems did not lend themselves to rapid decision, he has been right to judge that, in the course of recounting the decisions, "to summarise would, only too often, be to distort."

Since the evidence he has used is now being made available to other historians, instead of remaining confidential until 1992-93, he feels that he may have recounted them with too much quotation and paraphrase and at unnecessary length. His fear is unfounded. The general public, for whom in part this history was intended, will welcome the detail, while no one who follows after him in the search through the files is likely to be other than profoundly thankful to him for charting the way.

To the second volume of the late Sir Llewellyn Woodward's history, which covers the period from the middle of 1941 to the end of 1943, the second of these remarks applies with equal force. The government long ago met the needs of the wider public by publishing his single-volume account of British foreign policy in the second world war. As this fuller version—in five volumes—comes out, it, too, has to compete for the attention of the experts with the archives themselves. But the decision to issue these volumes is one to be applauded. Within the limits of the task he set himself, which was to analyse the British government's wartime foreign policy on the basis of the evidence available to the government at the time, rather than to assess it after the event, Sir Llewellyn's work is emerging as an impressive exercise in arrangement and synthesis, and as a guide to those who labour with the documents it will remain serviceable for many years.

On the flip side

THE LAST OF THE GIANTS
By C. L. Sulzberger.
Weidenfeld and Nicolson. 1,067 pages. £6.

FALLEN OAKS
By André Malraux.
Hamish Hamilton. 123 pages. £2.

Conversations with the great tend to produce better anecdotes a year later than weighty reporting the next day. When the great are seriously selling a line they are invariably dull and unpersuasive; when they are not selling a line they much prefer to talk about the past or people of the past, and so say things that are glad and sad by turns but are not history, and are not immediately printable if the journalist wants to be asked back again.

So Mr Sulzberger's anecdotes of everyone from de Gaulle and Churchill to forgotten diplomats and Africans is a highly readable and enjoyable flip side to his staid, responsible, ask-me-back columns in the New York Times. To M. Malraux no cliché uttered in his presence, far less one by himself, is devoid of philosophical importance. So he is a trifle high-falutin'; but since not many people got to hear de Gaulle's last table talk his recollections, too, are entertaining: a sort of flip mandarinese.

Mr Sulzberger's Churchill is almost in a half-world: Chartwell had a visibly declining owner whereas the Boisserie never quite seemed to, even

at the end. Churchill in 1956 has three glasses of wine, two of port and two of brandy at lunch, reads his books aloud, plays with his carp and defends Stalin (who "never broke his word to me"). But although his lucidity no longer has a dynamo to keep it going, he seems more at peace with destiny than Malraux's report of de Gaulle, living with his cat, two television sets, his trees and the stars. The general is profoundly pessimistic, surviving "consciously at the end of a civilisation," watching "the funeral procession of a world." Nixon is popular "because Asia still believes peace to be possible." But that is a Pandora's box :

> I don't believe the United States, in spite of its power, has a long-term policy. Its desire, and it will satisfy it one day, is to desert Europe. You will see.

That is the authentic voice of gaullism all right, and it explains the despair of the Americans Mr Sulzberger writes about who had to deal with de Gaulle in his prime. M. Malraux can be as superficial as the next man : spotting a plough, he is instantly reminded of the Cincinnatus indoors. But then he hits the essence of gaullism in the next sentence :

> Perhaps the clue to his character was not simply the impulse to say "No," but that he was at ease only when he said "No."

So there is great contempt for the Pompidous of the world who believe things can be solved by getting people to lunch together. That, of course, would never do for journalists, Mr Sulzberger among them. Not much misses his eye or ear : Tito pouring claret into his champagne (learned from King Paul of Greece), Prince Bernhard drinking only bourbon because the Germans had robbed him of his scotch, an ill Dulles saying "the hell with it" in Paris and taking two portions of lobster bisque.

There are, naturally, many unguarded remarks. George Brown declares Gaitskell "is always away when troubles comes." Macmillan admits on the common market in 1962 that he has no alternative policy : "I have always made it a rule in my life to avoid fall-back positions. When you have a fall-back position, you always fall back." Allen Dulles of the CIA boasts : "The Russians are too smart to put bases on Cuba." Dean Acheson muses on Dulles and Selwyn Lloyd : "They're a pair of slick lawyers trying to outsmart each other." And Randolph Churchill and Julian Amery will not mention Eden in July, 1956, except as "the jerk."

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Mafia at home

HONOUR THY FATHER
By Gay Talese.
Souvenir Press. 542 pages. £2.75.

So much has been written and revealed about the Mafia in recent years that this once deadly secret organisation has become close to an open book. Crime experts have plotted its rise and its organisation ; in prison Joseph Valachi sang to the federal authorities ; in 1969 the Federal Bureau of Investigation released thousands of pages of the intimate conversations of Mr Samuel de Cavalcante, a minor boss whose office it had bugged (much of this treasure-trove appeared in paperback) ; recently a novel about the Mafia was turned into a film. What can Mr Talese add ?

The answer is that over a period of six years he cultivated and then became a friend of Mr Bill Bonnano, son of Mr Joseph Bonnano, head of one of New York City's five Mafia families. Over this period the Bonnano women and children came to know and trust Mr Talese. Thus he knows not only what it was like to be a mafioso, but also the strain and loneliness of being



Bill Bonnano : family failing

a mafioso's wife, sister or child.

Mr Bill Bonnano, third generation American, is a significant and tragic figure, with one foot in the Sicilian underworld, the other in the world outside. There was a point, after college in Arizona, when he might have turned his back on the Mafia, although his qualifications for life outside it were slight. But his father, whom he respected and loved, needed him, and the days of boredom and worry, punctuated by terror, began ; this was the period of the famous "Banana war." The Mafia and its feudal loyalties were breaking up.

Not only was the federal government embarked on its own onslaught against organised crime, but the organisation itself was running downhill, rent by feuds which ageing leadership could not put down ; new recruits were of poor quality. Young Bonnano was finally sent to prison—for a credit-card fraud. Long before then, both he and his father had recognised that Cosa Nostra was becoming a thing of the past.

Mr Talese has sympathy for the argument that the Mafia could not have existed without the demand of ordinary Americans for pleasures, particularly gambling, which puritanical laws put beyond their legal reach. It had its standards, too, not only of family life, but in business ; its commission of elder statesmen strongly opposed expanding into narcotics. In a way, "Honour thy Father" is almost elegiac. But it would have been a better book if Mr Talese had not succumbed to the fatal temptation to manufacture thoughts and conversations; this does not lend verisimilitude but arouses scepticism which is probably not warranted.

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Where philosophers fear to tread

BEYOND FREEDOM AND DIGNITY
By B. F. Skinner.
Cape. 225 pages. £2.25.

"Beyond Freedom and Dignity" comes the demise of autonomous man. Beyond free will, liberty, choice comes the recognition that man is controlled by his environment—"influenced" is only a misleading, soporific synonym. Mind becomes an explanatory fiction for a physiological relationship between physical stimuli and behaviour; a simple (in the philosophical sense) "causal" relationship which science will eventually be able to describe. Professor Skinner exhorts by example; we should not be content, he says, with a philosophical explanation of human behaviour which has changed little since classical times—are we content, he asks, with the same level of development in the physical sciences? We no longer accept the personal, rogue element of individualism imputed to the elements by the ancients: nor should we accept this in a science of humanity.

This is persuasive, coherent, fluent, gripping stuff: it is enough to make this an important book, though the philosophical logic is not always very sophisticated and the arguments are not very rigorous. Professor Skinner's equation of the concept of goodness with a positive reinforcement to action is drastically naive: with Austin died the idea that goodness has no meaning beyond what a man chooses to do. With freedom he deals in greater depth, starting from Mill's unhelpful definition that "Liberty consists in doing what one desires"; he reduces the idealistic, inspiring passion for freedom into a characteristic of the human organism, an urge to avoid "aversive" elements of the environment, and he does no disservice here.

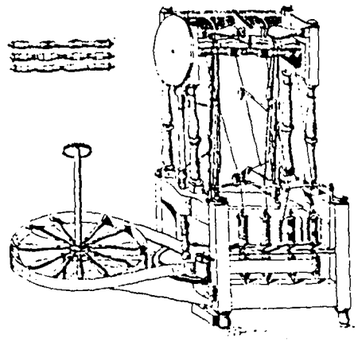
Professor Skinner has expounded his theory admirably simply, and without the obfuscation of references or more than a scattering of footnotes, so that it is hard to tell how much of, say, Strawson's analysis of the nature of memory and mind he would accept as a stumbling-block in his spring-cleaning of non-physical concepts. But in any case his philosophy is of minor interest. This is not because he agrees with Hume, that whatever theory one ends up with does not by itself change anything; he can discard mind, as Hume discarded anything outside it, but "man remains what he has always been." It is because he is a psychologist, and what he wants is not just a better science of behaviour (he does not go into its present state of development at much length) but a technology through which this science can be used.

In this mood he is once more interesting and less clear. He is at pains to reassure: "Man is not made into a machine by analysing his behaviour in mechanical terms." No: but he is discovered to be one. He emphasises the use of "positive reinforcers" (rewards) to control mankind rather than "negative" ones (punishments); but there is no intrinsic difference between them, to his argument. There is a good deal in his plea for a greater understanding of the environment's effect on human behaviour, but his parallel with the natural sciences breaks down when he adds that this will only come when we know how the environment works on man; the nature of scientific experiment has been the observation of consistent consequences, not an insistence on a causal relationship before the emergence of convincing evidence. But perhaps his most subtle argument is the substitution for an individual's self-control of control over others, since each man's environment is largely man-made. We can alter the actions of others, but only think that we determine our own. Professor Skinner, in his optimistic mood, believes that the evolution of a culture becomes "a gigantic effort in self-control." No one could say he has discarded idealism.

Georgian tinkerers

SCIENCE, TECHNOLOGY AND ECONOMIC GROWTH IN THE EIGHTEENTH CENTURY
Edited by A. E. Musson.
Methuen. 211 pages. £2.25 cloth, £1.10 paperbound.

In history, as in other subjects, the tidal wave of collections of reprinted articles has been of considerable use to professional scholars as well as to students. Mr Musson's volume (the work of nine authors) is concerned with the industrial revolution and with two overlapping sets of relationships: between science and technology on the one hand, and between technical change and economic progress on the other. It contains case studies as well as general surveys and material on trends and individuals as well as institutions like that "eighteenth-century technological research organisation," Birmingham's Lunar Society. In addition—an unusual bonus in



Georgian technology: Spinning Jenny

books of this sort—it has a very lengthy introduction by the editor.

Much of the book is concerned with only one aspect of the problem: the extent to which technological innovation was the product of systematic training and scientific interest, or the work of "practical tinkerers" and "native empiricism." The answer, as always, is obfuscated by the nature of the question. We can doubt neither the importance of "unscientific" technicians nor the significance of systematic procedures and scientific curiosity among industrialists and innovators.

The other main aspect of the problem—the role of technical change in the industrial revolution—is less satisfactorily dealt with. Of course, since the late Professor Ashton swept it aside, no one can respectably support the claim that the industrial revolution was merely "a wave of gadgets." Nevertheless, the attempts of modern economists to measure the various contributions of capital accumulation, education or technical change to economic growth are reflected in the recent ambitions of economic historians. Unfortunately, little systematic research has yet been done (or, some might argue, could be done) on the measurable impact of technical innovation on eighteenth-century industrial development. Hence the need for Mr Musson's introduction, which is largely a valiant, if rather inconclusive, survey of the treatment of technological and scientific variables in growth theories. This is a helpful guide to the literature, but it does not really advance the historical discussion. Our uncertainty about such matters as whether technical change was "merely" a response to changing demands or was itself an independent variable in economic growth leaves plenty of scope for controversy. And to judge by Mr Musson's strictures on some of his critics, "Vitriol in the Industrial Revolution" is more than the title of one of the articles that he reprints.

Becoming respectable

COMPARISON OF ECONOMIC SYSTEMS
Edited by Alexander Eckstein.
University of California Press. 366 pages. £7.50.

Once upon a time, the comparison of economic systems meant little more than a description of the United States and a description of Russia. The subsequent inclusion of other countries made the textbooks longer and, if anything, even more boring. But then people began to realise that differences between, say, America and Poland might depend on differences between Americans and Poles as well as between capitalism and socialism. The advent of a rather unclassifiable economy in Jugoslavia added to the complications.

These developments, together with a decline in chauvinism among intellectuals, mean that the burgeoning literature on comparative economics has now become interesting. What is more, the "meta" stage has been reached. This means that it is now intellectually respectable to discuss the methodology of comparative economics. The present work is an impressive monument to this, since only one of the papers presented to the conference which it records can be epitomised. (This is Professor Bergson's statistical demonstration that in 1960 the Russian economy produced noticeably less output per unit of input than did the American.)

Two major papers attempt to construct new sets of pigeon-holes for the filing of observations. Dropping the grand "isms," they concentrate on ways of classifying a number of separate aspects of economies, such as organisation and motivation. Some quite high-powered mathematics is used in an attempt to produce general definitions of such concepts as centralisation and decentralisation. Later on, near the end, there is a survey of eastern European economists' views on the comparative evaluation of economic systems. This makes it clear that they too—since the death of Stalin—have gradually become more interesting. Finally, in the last chapter, an author commissioned to write "An Integration" was only able to conclude with a few platitudes. This, however, is a normal and healthy symptom in a field of rapidly advancing scholarship.

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Business Brief

Unctad: eight years on

Unctad's secretary-general, Mr Manuel Perez-Guerrero, published his report to Unctad III —the third United Nations Conference on Trade and Development—this week. From April 13th to May 19th Santiago, the capital of Chile, expects to entertain over 2,000 delegates from 135 countries, 600 United Nations officials and countless hangers-on for this occasion. Unctad is regarded by many developing countries as their best single hope for economic take-off. Many western countries consider it the biggest talking shop in the world. Both are right.

The prophet who inspired Unctad was Mr Raul Prebisch, the evangelical Argentine economist. The success of the first Unctad conference in Geneva in 1964 (which at least produced a permanent Unctad organisation and secretariat and set up the four-yearly monster talk-ins), was largely secured by the unrelenting diplomacy of Mr Prebisch, and also by Mr Edward Heath, then British Secretary of State for Industry, whose crucial intervention at Unctad I is still recalled with genuine admiration at Geneva and in the third world.

Mr Prebisch convinced the less-developed countries (ldcs) that their best hope lay in presenting a united front, and in putting their demands to the rich countries as a matter of right. He formed the "Group of 77" (which now has 96 members). The 77 message was this:

- The rich countries are getting richer, the ldcs poorer relatively, and often absolutely, despite the influx of aid and investment.
- Ldcs are denied fair access to the markets of the rich countries. Rich countries tend to repel cheap-labour imports. Bargaining on trade and tariffs in treaties like the General Agreement on Tariffs and Trade is on a trade-off basis. Ldcs, with their tiny home markets, have little to offer as bargaining counters.
- Ldcs have suffered and will continue to suffer a continuous worsening of the terms of trade.
- Simultaneously they face a mounting burden of debt-servicing charges. They are also discriminated against in other ways: eg, on shipping, insurance and by multinational companies.
- These trends, in the long run, threaten world political and military stability. Rich countries therefore have a vital interest in reversing the process.

Today these ideas seem fairly uncontroversial. But in 1964 they evoked cries of indignation from rich countries, not only protectionist ones like the United States, but even do-gooders like the Scandinavians.

Preferences

In 1964 Mr Prebisch and the 77 proposed that ldcs should be given a tariff preference in the markets of the rich countries as a universal rule, and with no quid pro quo. This represented a complete breach with post-war trade and tariff thinking.

The 77 said they were asking for special treatment solely because they were poor. This was vehemently opposed, particularly by America and also by Japan, the Nordic countries and some of the Six. Mr Heath's plan, embodying some sort of "generalised preferences" scheme, saved the day. Since 1964, the opposition has largely melted away. Generalised preferences have been introduced by Australia (1966), the EEC, Japan and Norway (last summer), and subsequently others, including Britain (January, 1972). Among the rich countries this leaves only Austria (expected to introduce a scheme this year), Ireland, New Zealand and Canada. And, of course, America.

America's position here is crucial. It has only recently shelved its main points of opposition to generalised preferences: its complaints against the "reverse preferences" enjoyed by France and Britain in their former colonies, and the "special preferences" enjoyed by some ldcs in the EEC and British markets. It is retaining the right of reopening these issues later, but seems ready to give Administration support to an outline scheme under which sensitive items like shoes and textiles would be excluded (as they are in most other other countries' schemes). All the schemes taken together should produce benefits for about $6 billion a year of the ldcs' exports, might produce extra trade for them of $300m a year by the mid-1970s, and should certainly provide a big incentive for international companies to set up manufacturing in the ldcs.

At Santiago the 77 will press for America to hurry up, for all the schemes to be widened (eg, to include more agricultural products), for less draconian safeguards and for deeper tariff cuts.

However, the spotlight has now shifted off preferences. The 77's main thrust at Santiago looks like being concentrated on monetary affairs. Here ldcs say:

- The extra liquidity created by the increase in the gold price is far less advantageous to them than an equivalent issue of special drawing rights (SDRs). Because of the gold price rise, forthcoming SDR issues will be smaller.
- SDRs ought to be handed out directly to them as a form of aid, rather than to rich countries.
- They want a say in future monetary reform.

The rich countries, at Santiago or later, may well concede the first point. A once-and-for-all hand-out of SDRs to compensate ldcs for the gold price change would not wreck the SDR system. Points 2 and 3 will no doubt be turned down flat. But Unctad's whole history so far testifies to the effectiveness of persistence, provided the 77 can hang together.

As the SDR becomes an increasingly accepted medium of international settlement, and as more and more ldcs run into big debt-servicing problems, it is quite possible that opinion in the rich countries will swing towards saying that some of them should be disbursed as a form of aid. This is a policy that *The Economist* has advocated for many years. On monetary reform, feelings in the developing world have been running high since last August's events, not least because some ldcs (India, Brazil), have bigger reserves than some Group of Ten members (Sweden). It is absurd that the Group of Ten should be treated as an inner sanctum, which nowadays tries to fix up between rich countries' politicians matters that can much better be handled by a free market. America agrees the Group of Ten is too narrow.



Prebisch started it

Politically, the west ought to be very thankful for Unctad so far. At Geneva in 1964 the communist countries were dumbfounded to find themselves classified along with the other rich countries, and asked what they were doing to help. Their refusal to admit any general responsibility (or even to commit themselves to an aid target) unleashed powerful criticism; their excuse, that not being former or current imperialist powers they were not to blame for the poverty of the developing world, evoked scorn and disgust. The Chinese will be at Santiago, fresh from acting as hosts to the Nixons and ready to bid for the leadership of the ldcs. The Soviet block's decision to reduce or abolish preferences on their exports is recognised for the non-event that it is. Now ldcs are pressing for their surpluses on trade with individual communist countries to be automatically assignable to other ldcs.

Even more awkwardly, the ldcs want to be able to use surpluses to buy from other communist block members. This second proposal would mean that an ldc, having earned a surplus on trade with Bulgaria, might demand east German machine tools in payment. It is an open secret that the Comecon members are at loggerheads about permitting this sort of very limited multilateralism even among themselves.

On less central issues, the ldcs have achieved some solid progress. On shipping, it is now agreed that the liner conference system does work unfairly against countries outside the charmed circle of the traditional maritime powers, although there could still be a row over proposals to police the system. On multinational companies it is now accepted that when subsidiaries operate in places like India, then the exporting and buying policies of the subsidiaries, as well as the transfer pricing within the multinational firm's own internal accounts, are matters of legitimate concern to host countries. Something will also have to be done about the operation of the patents system, and the vast and accelerating cost of transferring technology to the ldcs.

How united?

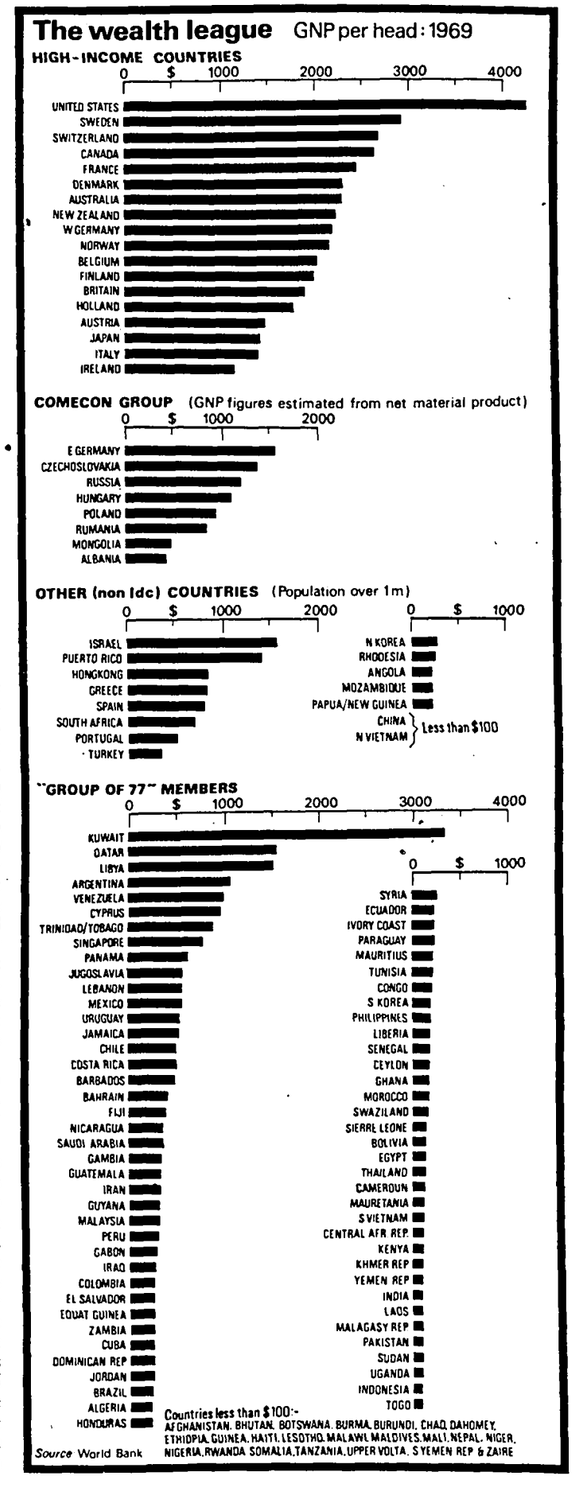
Future progress now hinges on one big "if." Will the 77 keep going as a group? Consensus is easy on straight issues between rich and poor: like cocoa—where the rich (ie, America) have resisted a price-fixing agreement; or research on natural commodities (eg, rubber) to meet the challenge of synthetics; or persuading rich countries not to stimulate their output of produce competitive with the ldcs, such as sugar, rice, vegetable oil, citrus fruits. Agreement is more difficult on issues like tea and coffee, where a new group of ldcs is trying to increase production at the expense of traditional ldc producers. Most serious of all is the explosive new problem of the least developed countries. Countries which have always thought of themselves as poor hate to be told that they are now members of the world's middle class.

Despite the progress Unctad has made, benefits from the system are not evenly distributed. The lion's share goes to a score or more countries that are already relatively well off (Brazil, Mexico, Singapore), or have their own extensive industry even if their gnp per head is low (India and Pakistan). They will be special beneficiaries of the preferences scheme. So now the least developed, in return for their political backing, are demanding something for themselves.

Who are the least developed? After much haggling, the secretariat has worked out a set of criteria—taking in gnp per head, industrialisation, and literacy—under which 25 ldcs qualify for "hard core" status. Unfortunately, only one, Haiti, is in Latin America; given the political push for Unctad from that continent so far, this is inconvenient. Also excluded are Indonesia, India and Pakistan, despite their claims to have more starving people than all of the hard core countries put together. The hard core, mostly in Africa, has a total population of 148m (8.5% of the ldcs' total). The argument about who should qualify will continue. Behind it lies the fear that rich countries may seize on this issue, not just as a way of dividing the 77, but as an easy way of giving aid on the cheap —by, say, steering more towards the hard core while cutting back elsewhere.

This fear is probably misplaced. More serious will be the trend for the richer ldcs consistently to hog more than their share of private investment and grow faster than ldcs as a whole. This will tend to happen anyway: the early stages of industrialisation are normally a phase of rapid growth, and private investment inevitably concentrates in the most advanced country in any region: Kenya in East Africa; Senegal (where Dakar was the former capital of French West Africa); Singapore; Mexico and Brazil. The process could induce the rich countries to argue that making concessions to the 77 as a group is a nonsense. The 77 could spike this suggestion in advance if the richer of them agreed now to help the poorer ones.

A hopeful start on this course is the batch of schemes under which ldcs intend to lower tariff barriers to one another. Many of these schemes operate on a regional basis: one hope is that the richer countries in each region will unilaterally throw open their markets to the more backward members of that region. Just as Unctad has sprung from the awareness of the widening gap between the ldcs and the rest, so it could be poisoned if inequalities between the ldcs were left to widen unchecked.





HERCULES INCORPORATED

Record 1971 results

A report from Werner C. Brown, President

Sales of Hercules and its consolidated subsidiaries increased for the thirteenth consecutive year, reaching a record $812 million. Net income rose 6.9 per cent, equivalent to $2.78 per share, compared with $2.61 in 1970 (restated).

Earnings for both years include, for the first time, Hercules equity in the income of affiliated companies in which Hercules owns a 20 per cent or greater interest. This increased earnings per share by $.11 in 1971 and $.10 in 1970. Realignment of currencies added an additional $.09 per share in 1971.

The increase in sales came entirely from commercial business.

Hercules international sales continued a strong trend, with new export records from the United States and from sales of overseas production. The company now owns or participates in the operation of 39 main plants in 19 countries outside the United States. Overseas sales are handled through 28 principal companies; 13 are wholly owned and 15 are companies in which Hercules ownership ranges between 20 per cent and 80 per cent.

During the past 5 years over $111 million has been spent in research in a continuing effort to meet the challenging needs of growing markets and opportunities in the '70's. To keep pace with this effort, Hercules now has more than $850 million invested in expanded property, plant and equipment. Contributing to this worldwide programme, and of the utmost importance, are over 20,000 employees and more than 24,000 shareholders.

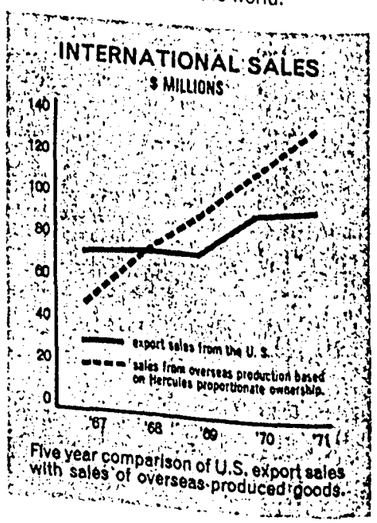
Hercules, a worldwide chemical company, makes over 1,000 basic chemical materials and products such as rosin and rosin derivatives, synthetic resins, rubber products, paper chemicals, plastics and polymers, agricultural chemicals, cellulose and cellulose derivatives, Dimethylterephthalate, and many others. They are sold to manufacturers of all kinds of industrial and consumer goods that feed, clothe, house, transport, and fulfil the working and leisure needs of people all over the world.

CONSOLIDATED STATEMENT OF INCOME

(THOUSANDS OF DOLLARS)

	YEAR ENDED Dec. 31, 1971	Dec. 31, 1970
Net Sales and Operating Revenues	$811,884	$798,608
Cost of goods and operating expenses	596,744	582,323
Selling, general and administrative expenses	112,827	111,065
	709,571	693,388
Profit from Operations	102,313	105,220
Other income—net	3,577	6,580
Interest and debt expense	(15,167)	(21,894)
Equity in net earnings of affiliated companies	3,244	4,977
Income before Taxes on Income	93,967	94,883
U.S., foreign and state taxes on income	40,588	43,303
Net income before Extraordinary Item	53,379	51,580
Net gain on realignment of currencies	1,736	—
Net Income	$55,115	$51,580
Earnings per share of common stock	$2.78	$2.61

SOURCE: 1971 ANNUAL REPORT.



Five year comparison of U.S. export sales with sales of overseas-produced goods.

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BUSINESS

Where we are now

Wherever Mr Barber sees the economy going after his budget next Tuesday, it has failed to come up to his expectations of a year ago. What went wrong?

The last economic indicators before Mr Barber's budget have suggested that Britain is in a state of profitless recession. On Wednesday it was learned that industry had started 1972 by turning out no more than it had done in the closing months of 1971—or, more to the point, than it had done as far back as the spring of 1970, in the last days of Mr Wilson's government. Earlier in the week had come the news that manufacturing industry had cut its investment by nearly 10 per cent in the October-December period, reducing it to its lowest for more than three years. So British industry has expanded neither its output nor its investment during the lifetime of the present Government.

Even the overseas trade figures have turned sour. On Monday a £32m deficit was announced for February, with imports up sharply. With all-too-familiar echoes from the past, but for the first time for quite a while, the trade news sent sterling nose-diving in the foreign exchanges, the spot rate losing 1¼ cents in two days.

This was not the stuff Mr Barber was looking for on the eve of his second budget. Yet, surprisingly, the explanation he will have to give on Tuesday of why the growth forecasts of his Treasury advisers at budget-time a year ago have not materialised will not feature any disappointment over investment or exports. The cause is more simple, or at least more homely: it is that the British people have not spent enough.

In the 1960s the Treasury nearly always underestimated the shopping zeal of the British people: it was as if they found something faintly abhorrent in it. But its expectations for 1970 and 1971 exceeded actuality, despite the huge wage settlements in these years. Our table illustrates the point. Halfway through the first half of 1971, that is to say at budget-time a year ago, the Treasury assumed that in those first six months personal consumption (in real terms) would be 3.3 per cent higher than in the first six months of 1970. But it ended up no more than 2.3 per cent higher. At the same time, the Treasury had looked forward to a 5.3 per cent rise in consumption over the coming 12 months, a forecast subsequently uplifted by the July tax boosts to around 6 per cent. The National Institute of Economic and Social Research now expects a growth in consumption of only 4.9 per cent in these first six months of 1972 if Mr Barber does nothing next week to jack it up. Since consumer spending is now running over £36 billion a year, and on the plausible assumption that the institute is right, the cumulative effect of these two errors has been that today's consumer spending is running about £700m a year less than the Treasury expected in March, 1971. The average British family is saving (or at any rate not spending) about £38 a year more than Mr Barber expected it to do.

It is not hard to see how this shortfall came about. Mr Heath and his ministers, like good Tories, believed that steady economic growth in Britain can only be achieved through stimulating more productive investment, better management, better labour relations, better marketing overseas and all the other things that add up to industrial efficiency. But that stimulus, they have argued, could come only after business confidence had been established; and, in their old-fashioned wisdom, they thought that business confidence could be generated only through a booming home market. Hence the lopsided efforts to get British consumers consuming.

What this cycle of reasoning overlooked was that consumers need to have confidence, too. The assumption that they are mugs, and businessmen are not, has been proved wrong. British workers have not been prepared to fling their money around just to please the Treasury knights; they have been wary of spending as the prospect of becoming unemployed or on strike has become all

Guessing Britain's growth

% changes in real terms:	1st half 1970—1st half 1971		1st half 1971—1st half 1972		
	1971 budget forecast	Actual	1971 budget forecast	end-July forecast*	NIESR now
Gross domestic product	+1.3	+0.4	+3.1	+4-4½	+3.9
Personal consumption	+3.3	+2.3	+5.3	+6	+4.9
Public consumption	+1.7	+1.8	+1.7	+2½	+2.6
Fixed investment					
Private	+2.1	−1.3	+0.5	+3	+2.9
Public	+3.5†	+4.7	+2.7†		
Exports	+2.2	+3.3	+2.3	+3	+4.3
Imports	+5.6	+6.8	+6.3	+9	+4.6

**Unofficial estimates, apart from that of gdp.*
†Excludes purchases and sales of land and existing buildings.

too real. The brief splurge which followed the July measures last year seems to have largely fizzled out. The abolition of hire purchase controls and the purchase tax cuts naturally caused some big spending on durables, particularly on cars ; new car registrations topped 1.3m in 1971, after several years around the million mark. Domestic suppliers could not meet domestic delivery dates ; and, temporarily, the proportion of imported cars among new registrations went up to one in four, which in part explains the jump in Britain's import bill. There was a similar rush for colour television sets. Spending on property, as a hedge against inflation, has also gone pretty mad in some parts of the country: more and more people are not only buying one house, but two.

But except on property and cars, the spending momentum seems to be fading away. Consumer confidence which was only middling around Christmas time, suffered a bad setback with the miners' strike and some potential purchases were lost for good. At least when there are a million unemployed around, the British no longer say "buy today because things will be dearer tomorrow." Like the Americans, they tuck something away until times get better.

What about inflation ? Until the Wilberforce II fiasco, it looked as though the Government's informal incomes policy was having some measure of success. Settlements in the public sector since the second half of last year had been running at 8 or 8½ per cent, compared with 15 or 15½ per cent a year earlier, while the private sector (which last year lagged behind many of the nationalised industries) had been settling at around 9 per cent. Now, with the miners' success fresh in everybody's mind, expectations for the next round will have been jacked up by a number of percentage points, as the railwaymen are demonstrating. But perhaps the line will be held at 10 or 11, rather than the miners' 25.

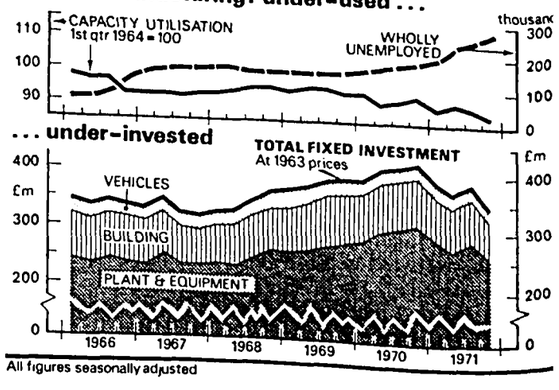
On the eve of Wilberforce II retail prices were rising at "only" an annual rate of 5 or 6 per cent, where last year they were going up in double figures. Wholesale prices had slowed down even more. Some of the improvement was caused by the Confederation of British Industry's initiative to keep price rises down to 5 per cent in the year to next July. It is doubtful how much longer industry is willing or able to keep this up. In private industry, the drop in profitability will slow investment and cause more unemployment. In the nationalised sector, the increase in unprofitability will cause more deficits. Coal, as a "special case," has already breached the limit with its post-strike 7½ per cent price rise ; steel is due for a 5 per cent increase in April, and possibly quite a bit more in the autumn when it changes over to the common market pricing system. Others, like the post office, are able to keep their increases down to 5 per cent only by running into very red figures. Last week's announcement of lower sugar, milk and potato prices, by courtesy of the Government, was a purely political gesture, and not a very intelligent one. By paying £31m of taxpayers' money into the marketing boards, it will make a small impact on only 3 per cent of the items in a family budget.

The biggest new concern this week was over the way exports have been running absolutely flat in recent months, while imports have risen by leaps and bounds. February's import figure of £784m was the highest ever, and £43m higher than in January. Tobacco which had been held up by the American dock strike accounted for some of the rise, but there has also been a steady upward trend in imports of finished manufactures ; car imports alone have increased by a quarter in the past three months. Imports of industrial materials have hardly moved as yet, but will rise sharply if there is a real economic upturn. Britain's current account surplus of £952m in 1971 was helped by a 5½ per cent "improvement" in Britain's terms of trade, largely because our exports became 9 per cent more expensive (which may hit our long-term competitiveness hard). For the moment, those invaluable invisibles are still more than making up Britain's trade losses, and are continuing to earn £50m or more net a month. The customary deficit on shipping has recently come down, while net earnings on other services, especially insurance, have increased. The only laggard is travel. After several very good years, the surplus on this slipped to only £26m in 1971, when the number of British people taking holidays abroad went up by 25 per cent.

Even if the national institute is right in its rather optimistic forecast that world trade will expand in volume by 8 per cent this year, it now seems likely that a revival of economic growth in Britain will bring us back into balance of payments deficit. Mr Barber's proper course is to take this on the exchange rate.

There are three dangers for the unemployed in next Tuesday's budget. One will be if the Chancellor pays more attention to the worsening of the foreign balance and to protecting the present artificially high sterling exchange rate than he has hitherto said that he will. The second will be if he underestimates the extent to which the rise in voluntary saving now allows a cut in the "normal" burden of taxation ; the scope for tax cuts, because of this, could conceivably be very high. The third will be if the Government fixes a price restraint pact with the CBI which keeps profitability and investment down. If any of these three things happen, Britain is likely to continue in profitless recession.

British manufacturing: under-used ...



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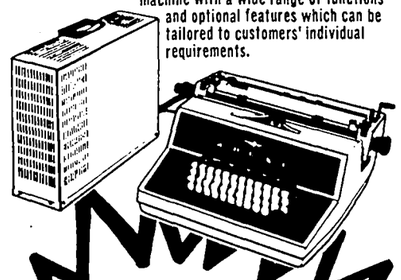


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The générale's charmed circle of friends

Belgians are more than a bit fed up that the bulk of their industry is controlled by so small a handful of people. But there are pitfalls for anyone who thinks it is easy to move in and shake things up

The oldest and biggest of the Belgian holding companies is the Société Générale de Belgique, known simply in Belgium as the générale. It has a capital of a mere £77m from which small base it exerts a powerful influence over large sectors of industry ; the companies in the group have assets of around £2½ billion, their turnover is said to represent a third of Belgium's national income. Much of what they do not control is in the hands of a few family groups, led by the Boël, Janssen, Solvay alliance, whose outlook is usually in sympathy with that of the générale. Many people would like to celebrate the 150th anniversary of the société générale this year by tearing it apart.

M. Henri Simonet, then a Socialist deputy, introduced a bill last year calling for much tougher control over the holding companies by the Commission Bancaire, the regulatory agency for financial institutions. The bill failed, but M. Simonet is now Belgium's minister of economic affairs in the new government formed early this year. As a backbench MP he accused these tightly controlled giants of "laying down the law in vast industrial, commercial and financial complexes without taking account" of wider needs or even of shareholders' interests. But as minister he needs the co-operation of the holding companies to solve his regional economic development problems—particularly in the depressed French-speaking areas of Wallonia. Precisely because they are largely oblivious to their shareholders, the holding companies can probably respond the most easily to government prodding to invest in backward regions.

In the past 15 years there have been a total of 41 takeovers ("offres publiques d'achats") among quoted Belgian companies. Only one was contested and although it happened seven years ago the reverberations have not yet died down. The bid was by the Compagnie Lambert for control of Sofina, a holding company in which Lambert had been a frustrated shareholder for years, unable to prod the management into exploiting its underemployed assets. But the powerful Boël family was also a major shareholder together with Lazard Frères, the French bank, and the two decided to resist the Lambert bid. To their flag came Mediobanca from Italy and the société générale from nearer home. The générale decided that Lambert should be prevented from winning control whatever the cost. And Lambert did not win control. The shares have never since reached the price of the takeover offer, which Lambert would probably have improved on had it not seen the storm clouds gather. Ever since this alarming breach of the traditional calm, the links between the générale and the Boëls and their relatives by marriage, the Solvay and the Janssen families, have been strengthening.

Other Belgian companies, startled by the noise of conflict, have taken steps to ensure that large blocks of their shares are defensively placed in the hands of friends. Mergers that would involve dilution of control are spurned. Rights issues of shares to raise fresh capital are a very last resort after all the loans and overdrafts have been used up. The holding companies have been tidying up things among one another, swapping companies and, at the instigation of the Commission Bancaire, buying out the more hopelessly impotent of the minority shareholders. They have emerged more invulnerable than before. The générale, in particular, has used its muscle to shake up important sections of industry.

Started by King William I of Orange to foster economic development (in a part of his country that eight years later, in 1830, became independent Belgium), the générale still thinks of itself as an economic development agency. It hears little from its shareholders. Not that shareholders in Belgium are practised at asking probing questions. As on much of the continent, shares are bearer shares—that is, they are held anonymously unless their owners want to vote at shareholders' meetings, in which case they have to register the shares with the company. Locking shares away anonymously is a good way of avoiding the tax inspector, but helps explain Europe's dull stock markets. Under 10 per cent of société générale's shares are registered, and the majority of those are in the name of two giant Belgian insurance companies. They are in turn controlled by the société générale, which obligingly votes its shares in favour of the management at their shareholder meetings—a nice example of the autonomy given to management by the cross-holding arrangement.

The registered shares thus carry a weight out of all proportion to their number or value. This is one of the chief bonds linking société générale family companies to mother, even though the proportion of total equity held, either directly or through other family members, is usually less than 25 per cent. Control is reinforced by interlocking directorships. Another important bond is cash. Associated companies with surplus cash give it to mother who redistributes it to more needy members of the family. About £40m of cash belonging to the associated companies (and their forgotten shareholders) is on deposit with the parent company, a hefty addition to the £77m of its own capital. But the strongest link of all is probably the feeling of belonging to a powerful club. Although the operating companies are allowed considerable autonomy, people within them do move from one to the other, so that the société générale provides a life career that culminates, for the chosen few, on the board. The scientific and technical exhibition that the générale is mounting this year to celebrate its 150th anniversary will be showing off what each member company can do and fostering the feeling of togetherness in the process.

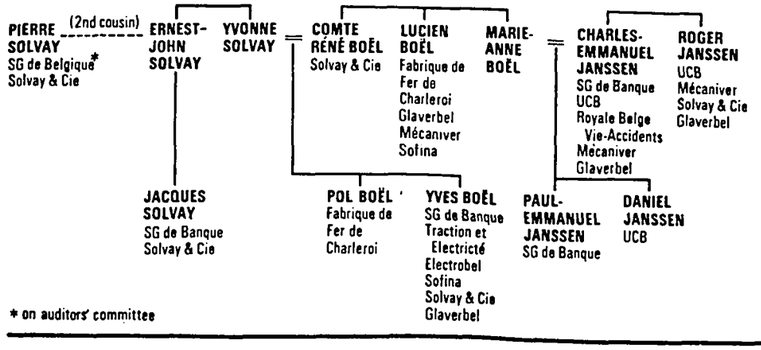
The chairman of the board, carrying the traditional title of governor, is M. Max Nokin, who has been welding the group into a more coherent shape. Its old fashioned coal, steel, cement and textile businesses were once much bolstered by the Congo, which by 1960 was contributing half the group's income. In the past 10 years the group has undergone a vast change and is concentrating on steel (Arbed, Cockerill and Sidmar) ; on non-ferrous metals and metallurgy (Hoboken-Overpelt and Union Minière); on banking (Société Générale de Banque) ; and on tidying up the rest of the sprawl.

This reorientation would have been difficult if the générale had not been able to commandeer the resources of its affiliates. Union Minière has been particularly useful, because it gets an annual compensation payment from the nationalised copper mines of Zaire—the new name for Congo Kinshasa—based on copper sales, which came to £10½m in 1970. Union Minière contributed to the more than £100m cost of the générale's modern Sidmar steel plant, well out of its usual non-ferrous line of business; and also helped to make the Hoboken-Overpelt metallurgy business into the générale's outstanding success. The holding giants do sometimes use their power for the greater economic good, but shareholders are not consulted much in the process.

Sometimes, however, the results of the system are dismal. Just after the war, Acec, a sprawling electrical company controlled by the société générale and the Empain group, seemed to be in much the same boat as the Dutch Philips company. Philips is now large and international ; Acec is controlled by Westinghouse. Neither of the Belgian controlling shareholders would cede control to the other, and the company slid from bad to worse. The société générale's record in more advanced industries like electronics, computers and plastics is far from a shining one. This makes the choice of a scientific and technological exhibition for the celebrations a bit ironic. Pour encourager ?

The Commission Bancaire has done what is within its power to persuade the holding companies to open out to their shareholders. They now publish details of investments held directly and indirectly, including their market value. There is growing support for a Belgian version of a takeover code, with the Commission Bancaire acting in

The Boël/Solvay/Janssen directorship tree



* on auditors' committee

The Solvays are the descendants of the two brothers who founded the Solvay company in 1863, now the 13th largest independent chemical business in Europe. It went public in 1967, but Solvay/Boël families keep control with a private holding company, Union Financière Boël. Home base for the Janssens is another chemical company, UCB and Glaverbel (glass). They merged the Société Belge de Banque group with the Société Générale de Banque in 1968, making them important shareholders of it. The original Boël base is the Fabrique de Fer de Charleroi steelworks.

Group
Société Générale de Belgique

	% of assets		10 largest holdings (FrB m) capital	profit
Main Interests				
Banking		**17.4**		
Société Générale de Banque (20.4) (Deposits FrB186,909m profits FrB952m)	14.0		9,332	952
Banque Belge pour l'Etranger (25)				
Banque Belge Ltd				
Holding companies		**13.1**		
Sofina (25)	7.7		5,448	644
Financière du Katanga (7.6)				
Congo pour le Commerce† (CCCI) (21.5)				
Union Financière et Industrielle Liégeoise (62.5)				
Non-ferrous metals and minerals		**29.7**		
Sibéka (52.5)	10.7		*3,024	330
Metallurgie Hoboken-Overpelt (15.3 directly, plus 43.7 indirectly)	6.6		5,250	661*
Union Minière (5.9 plus 11.9 indirectly)	6.1		13,248	1,468
Companhia de Diamantes de Angola (11.5 plus 5.9 indirectly)	4.0		1,857	546
Steel		**12.9**		
Cockerill (12.9)	4.3		15,320	1,107
Arbed (14.8)	7.0		20,735	1,648
Sidmar (2.3 plus 29 indirectly)				
Electricity		**6.3**		
Traction et Electricité (23.2 plus 19.2 indirectly)	6.3		2,435	226
Real estate and construction		**6.7**		
Cimenteries CBR (23.8)	3.3		2,476	189
Mechanical & electrical		**4.2**		
ACEC (6.4)				
Brugeoise et Nivelles				
Other		**9.7**		
		100.0	79,125	7,761

Control
Autonomous. Large shareholders believed to be Belgian Royal Family, the Vatican, Prince Amaury de Merode, Count Lippens, Solvay/Boël/Janssen families.

Value
Net book value FrB6,457m (since increased to FrB8,570m) Net market value FrB20,909m (counting deposits from affiliates) Net profit FrB714m

*Figures in brackets show percentage owned *15 months †now Eurourtremer 1970 figures*

place of a takeover panel. Proposals spelt out in a recent paper given by the head of research at the Commission Bancaire, M. Guy Gelders, would in the Belgian context be little short of revolutionary: equality for all shareholders, both in terms of information about takeover bids and of price offered; once in control, a successful bidder should extend the same offer to all other shareholders; directors should regard themselves as trustees for all shareholders, not just custodians for the controlling ones.

One trouble with Belgium, and (for that matter) France and Italy and Germany too, is that there is no real stock market. The absence of a stock market creates a hothouse in which the holding companies flourish like tropical vines. Companies seeking capital look to the holding companies and banks rather than to shareholders. This is how they lose their independence. The holding companies, for their part, cannot trade their shares without losing control. The market has no volume, and prices do not reflect true values. When the insurance company, L'Escaut, was bought recently, the price paid was £1,340 per share. The shares had last been traded at £149 on the over-the-counter market. Many institutions do not, therefore, bother with investing in equities.

The more dynamic Belgian companies are looking to countries with an active stock market. Compagnie Lambert, whose attitude is more that of an investment bank than a holding company, is substantially increasing its interests in the United States, and other companies are thinking seriously of getting a quote on the London market. Many people are hoping that British insurance companies, recently very active in Belgium, will teach the locals about portfolio management.

The continental holding company is an anachronism. There is a strong argument for saying that the way most of continental Europe owns and controls a good many of its industries and financial institutions is old-fashioned, inefficient, inegalitarian and socially wrong. So far in the postwar years the system has also meant a high level of growth and investment, while British industry, with a more fluid and democratic form of capitalism, could be said to have paid too much attention and too many dividends to vociferous shareholders when it should have been installing new plant and machinery. However, in the next decade the quality of investment is going to be as important as the quantity, and it is doubtful whether a European octopus will be able to move nimbly enough. Odd though it may seem, European businessmen with a taste for independence and a quest for further growth are looking to Britain as a model of how businesses should be owned and controlled.

Group Lambert

The most dynamic group; assets and earnings have grown about 15% a year over the past decade, except for bear-market-1970. Origin of the group goes back to 1840 when Samuel Lambert opened an Antwerp agency for the Paris Rothschilds. Samuel's son married a Rothschild and their grandson made it an independent bank. When Baron Léon Lambert took over in 1949 it was a tiny deposit bank. In 1953 the Compagnie Lambert—the holding company—was formed and in 1959 the bank was merged into it. The late start enabled the group to avoid the old heavies of Belgian industry and plump for financial services. The baron is very much of an international deal maker, driving the group towards greater size, and in all directions.

Holding Company
Compagnie Lambert pour la Finance et l'Industrie

	% of gross assets
Main Interests	
Financial & Holding Companies	16.3
Banque Lambert (100)	
(Deposits FrB29,372m, net profit FrB167m)	
Berliner Handels-Gesellschaft-Frankfurter Bank (2.3)	
Brufina (15.6)	
Cofinundus (1.3)	
Finanziaria Italiana di Investimenti (FIDI) (17.5)	
(a member of controlling syndicate of La Centrale)	
Public Utilities	10.9
Electrogaz (8.9)	
Intercom (1.3)	
Interbrabent (2.9)	
Electrobel (1.8)	
Oil	10.3
Pétrofina (2.7)	
Retailing, food, agriculture	8.8
Interbra (29.3)	
Real estate and building	26.7
Other	27.0
Dewaay, Cortvriendt International (stockbrokers)	
	100

Control		
Lambert family; Rothschilds, small stake	**Value**	
	Net asset value	FrB5,690m
	Net profit	FrB378.4m

Figures in brackets show percentage owned *1970 figures*

Group de Launoit

Origins go back to 1871 when Belgian financiers and German bankers set up the Banque de Bruxelles as an investment bank. After the 1934 banking law, the bank was hived off and the rest put into Brufina. In 1937 Cofinundus, the holding company of the de Launoit family, gained control of Brufina. To support its investments in the older industries—steel, coal, glass—and attempts to diversify, Brufina has been selling off shares in the bank, including some to a "friendly" bank, the Algemene Bank Nederland. In 1970 Baron Lambert increased his stake and is now working closely with Comte Paul, and his brother, Arsene de Launoit. It would make sense for the Banque de Bruxelles to merge with the Banque Lambert to narrow the gap with the SG de Banque.

Holding Companies

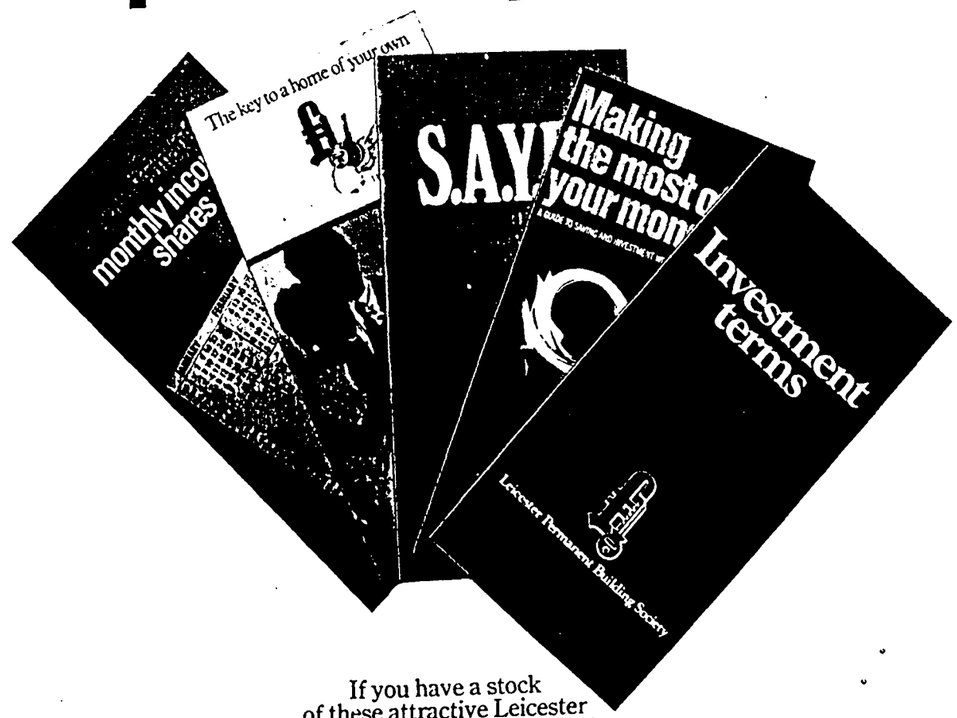
Cie Financière et Industrielle "Cofinundus"	Société de Bruxelles pour la Finance et l'Industrie "Brufina"

Brufina's Main Interests	% of Brufina's portfolio
Financial and holding companies	29
Banque de Bruxelles	
(deposits FrB87,777m, profits FrB687m) (7)	
(Algemene Bank Nederland holds 3.5% and Barclays Bank 3.2%)	
Steel	24
Thy Marcinelle (28)	
Cockerill (2)	
H.F. de la Chiers	
Utilities	
Electrobel (7)	20
EBES	
Other	27
	100

	Cofinundus de Launoit family	Brufina
Control		Cofinundus 15.6%
		Compagnie Lambert 15.6%
		de Launoit family ?
Value		
Net asset value	FrB1,500m	FrB2,500m
Net profit	FrB86m	FrB100m

Figures in brackets show percentage owned *1970 figures*

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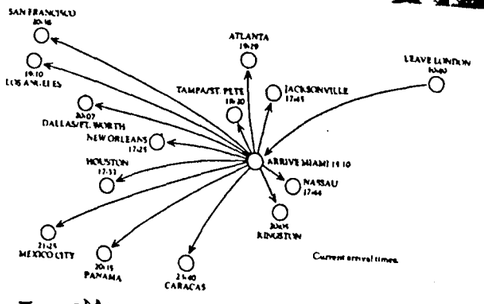
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Tarmac

THE MEANS AND THE END

TARMAC GROUP, WOLVERHAMPTON, ENGLAND.

CANADIAN IMPERIAL BANK OF COMMERCE

CONDENSED STATEMENT OF ASSETS AND LIABILITIES

(as at October 31, 1971)

Canadian dollars

	1971	1970
ASSETS		
Cash resources	$ 2,044,230,017	$ 2,812,702,578
Government and other securities	2,864,299,806	2,514,859,969
Loans, including mortgages	5,939,516,479	5,242,014,667
Customers' liability under acceptances, guarantees and letters of credit, as per contra	353,519,077	303,819,667
Bank premises	132,645,928	110,439,300
Other assets	66,048,654	66,746,693
Total assets	$11,400,259,961	$11,050,582,874
LIABILITIES		
Deposits	$ 10,419,308,115	$ 10,180,598,274
Acceptances, guarantees and letters of credit	353,519,077	303,819,667
Other liabilities	32,832,285	16,344,622
Accumulated appropriations for losses	166,730,810	147,803,180
Capital, rest account and undivided profits	427,869,674	402,017,131
Total liabilities	$11,400,259,961	$11,050,582,874

STATEMENT OF REVENUE, EXPENSES AND UNDIVIDED PROFITS

(year ended October 31, 1971)

REVENUE		
Income from loans	$ 516,504,310	$ 572,999,105
Income from securities	162,206,285	140,296,486
Other operating revenue	72,852,916	74,523,343
Total revenue	751,563,511	787,818,934
EXPENSES		
Interest on deposits	393,588,899	441,142,163
Salaries, pension contributions and other staff benefits	138,566,512	127,288,896
Property expenses, including depreciation	45,599,226	39,285,470
Other operating expenses, including provision for loan losses	51,571,531	43,083,155
Total expenses	629,326,168	650,799,684
Balance of revenue	122,237,343	137,019,250
Appropriation for losses	20,000,000	22,000,000
Balance of profits before income taxes	102,237,343	115,019,250
Provision for income taxes	61,300,000	71,500,000
Balance of profits for the year	40,937,343	43,519,250
Dividends	25,084,800	23,691,200
Amount carried forward	15,852,543	19,828,050
Undivided profits at beginning of year	7,337,131	2,509,081
Transfer from accumulated appropriations for losses	10,000,000	10,000,000
	33,189,674	32,337,131
Transferred to Rest account	25,000,000	25,000,000
Undivided profits at end of year	$ 8,189,674	$ 7,337,131

STATEMENT OF REST ACCOUNT

(year ended October 31, 1971)

Balance at beginning of year	$ 325,000,000	$ 300,000,000
Transfer from undivided profits	25,000,000	25,000,000
Balance at end of year	$ 350,000,000	$ 325,000,000

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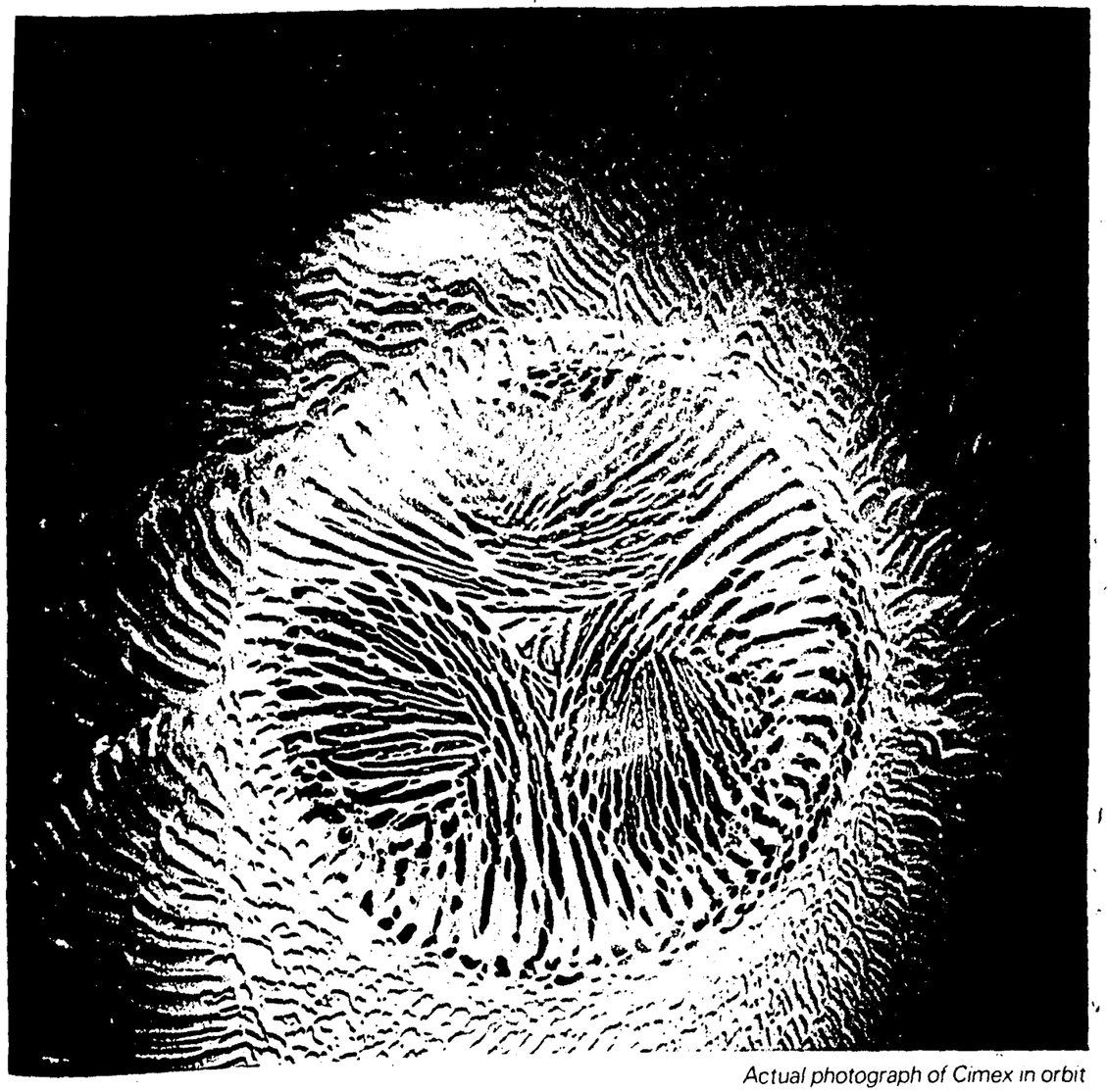
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Actual photograph of Cimex in orbit

The Cimex are coming!

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A sigh of relief for people who live with jet noise.

The world's quietest big jet.

The best way to stop the public outcry over jet noise is to cut down the noise.

Which is exactly what we did.

We built a jetliner that doesn't sound like one. It has RB.211 engines from Rolls-Royce. The quietest big jet engines in the world.

Rolls-Royce designed the RB.211 with fewer moving, noise-making parts. These Rolls-Royce engines lift our L-1011 off the ground with more than twice the thrust of older jets. But with less than half the annoying jet noise, according to acoustical annoyance studies published in U.S. Government reports. So just because a plane is big, it doesn't have to be noisy.

But you haven't heard the half of it.

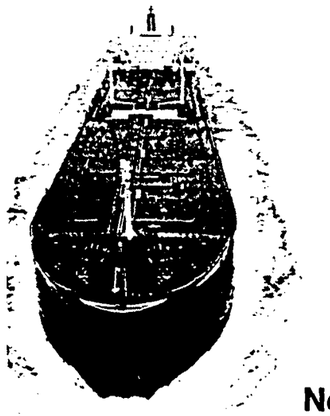
The high-velocity exhaust sounds that couldn't be designed out of the engine are wrapped in an insulating shroud of low-velocity air. Other sounds inside the engine are muffled and absorbed by acoustical honeycomb.

And 80% of the air that's sucked into the L-1011's engines bypasses the hot engine core. So you hear a steady hum. With most jets, almost all of the air is forced through the engine core, so you hear an earsplitting whine.

All of which makes the TriStar the quietest big jet in the world. Air Canada, Air Jamaica, Delta, Eastern and TWA will be flying the TriStar soon.

It'll be a welcome relief.

The Lockheed L-1011 TriStar



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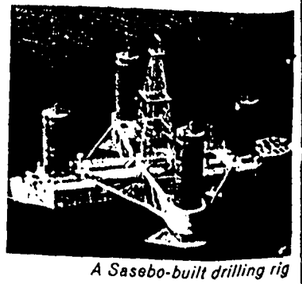
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We're terribly conservative about oil in the North Sea

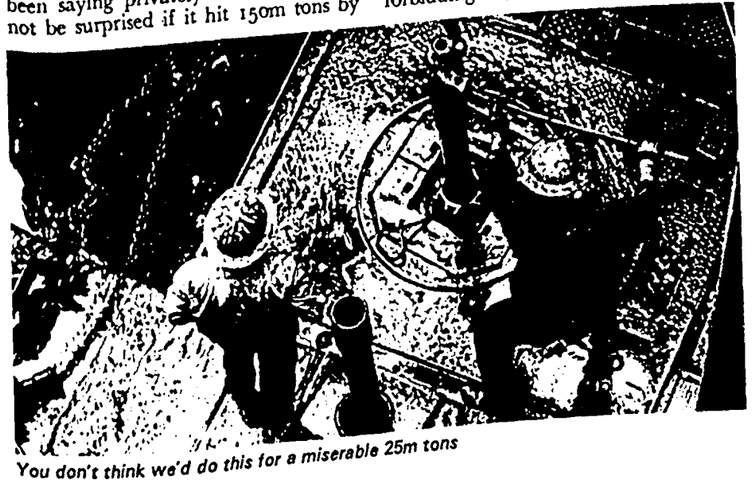
The British Government continues to put an extremely low figure, in public, on the probable size of the oil and gas reserves in the British sector of the North Sea, which ties up neither with what is being said inside Whitehall in private, nor with the eagerness with which the oil companies are rushing to spend sums on exploration that could not be justified if there really were as little oil as the Government is making out.

When he announced the fourth round of licences allocated for North Sea exploration on Wednesday (probably the last licences to be allocated for several years), Sir John Eden, Minister for Industry, estimated the North Sea's potential output at 25m tons a year by 1975 and perhaps treble that by 1980. This compares with current consumption in Britain of approximately 100m tons a year. But as recently as December, Sir John had already put potential output at 50m tons by 1975, and his own officials have been saying privately that they would not be surprised if it hit 150m tons by 1980, and 250m tons five years later. Even these are regarded as conservative estimates. There are some, not necessarily optimists, who would double them.

If these last figures are anywhere near right, it would make Britain one of the largest oil-producing nations in the world, and certainly self-sufficient, which should be a cause for rejoicing in a week when the major oil producing countries now are extracting a higher and higher price for their oil, and inventing a host of subtle ways for extracting more money from the oil companies and the customers. In 1969, America led the world with an output of nearly 520m tons, followed by Russia with 328m and Venezuela with 187m. Iran's 168m topped the output of any other Middle East producer.

This alone explains the enthusiasm with which the oil companies seized on the licences offered on Wednesday to drill in the North Sea, Irish Sea and to the west of the Shetlands and Orkneys in some of the world's most forbidding water. In all, 66 separate companies and groups were granted licences for 246 blocks in offshore British waters. Willingness and ability to explore were factors that played a big part in deciding who got which blocks, and undertakings have had to be given to carry out extensive seismic work and to drill 224 exploratory wells in the initial six years of the licences. Altogether, it is expected that the 66 companies will spend well over £200m. You do not take on that sort of risk for a probable 25m tons a year. So what exactly is the Government's motive in playing down the best economic news it has had in years? It is difficult to see Mr Harold Wilson playing such a card this way.

It is inoreasingly evident that western Europe, and Britain in particular, is going to be much better off for oil. Some of the richest finds so far have been in the Norwegian sector at Ekofisk. For months it has been uncertain whether the oil and gas should be piped ashore to Britain, Norway or Denmark; Ekofisk is equidistant from all three. The choice might have been Norway if a trench in the sea bed, 300 metres deep, did not slice an unspannable gap between the find and the Norwegian coast. Also, Norway's home market is not all that big. Now the Norwegian parliament is almost certain to recommend that the pipeline is run to Britain, and if work on the pipe begins this summer, the oil could be coming on shore in the autumn of next year.



You don't think we'd do this for a miserable 25m tons

In full retreat

While the North Sea allocations were raising oil men's spirits, the Organisation of Petroleum Exporting Countries was depressing them. Meeting in Beirut, OPEC practically gave the western oil companies an ultimatum to agree during the next three months to its demand for 20 per cent participation in the companies' oil concessions. Though much tough negotiating lies ahead, the companies appear to be in retreat. The Arabian American Oil Company (Aramco)—a consortium made up of Standard of New Jersey,

Mobil, Texaco and Standard of California—was the first to announce its agreement in principle to participation in its concession in Saudi Arabia, and the Kuwait Oil Company (BP and Gulf) followed.

So long as the world needs OPEC oil, the producing countries hold the high cards and, possessed of a keen memory of all the years when they barely understood the business and the companies made huge profits, they are hardly shy about playing them. Most friction will be generated in the next few weeks over who owns the oil still in the ground. The countries regard it as theirs and will offer the companies little or no compensation for it. The companies naturally think they should be paid something for the profits they would have made on the oil if they had retained 100 per cent ownership. They can apply some pressure by asking stiff prices to transport and distribute the producing countries' 20 per cent share of the oil, but OPEC's leverage is the greater.

Still, the oil companies are fortunate that negotiations on the OPEC side are being led by Sheikh Ahmed Zaki Yamani, Saudi minister for oil, and not the Libyans, who, it is believed, will soon demand not 20 per cent but majority control of all oil concessions in their country. Libyan diplomats are thought to have been negotiating with Russia and East European countries to find a market behind the iron curtain. If these negotiations are successful, Libya will have nothing to fear from a western boycott.

Currencies

Crawling?

A return to calm in the foreign exchanges this week deceived nobody. It cannot last. There were a number of reasons why last week's heavy selling of dollars abated: the Dutch and Belgian authorities clamped on new restrictions to stem dollar inflows, American interest rates edged up, and central bankers in Basle last weekend made some reassuring noises. The last of these factors should be discounted; it is obviously in the interest of central bankers to try to support the December 18th currency agreement, for which they are largely responsible. As for the first factor, we wrote two weeks ago of the dangers of exchange controls which the agreement was designed to avoid; unfortunately the threat of their spreading has become reality.

The rise in American short-term interest rates, which took three-month treasury bills to 3.85 per cent, the highest since mid-December, is being interpreted by optimistic European central bankers as a new spirit of co-operation from across the Atlantic. It is nothing of the sort. Mr John Connally, the American Secretary of the Treasury, does not eat his words lightly. When he said a few weeks ago that action on American interest rates would be taken as and when it suited domestic policy, and not to please European central bankers, he meant it. The Federal Reserve has simply reacted to the brighter domestic economic picture which offers little justification for keeping money as easy as it was: the money stock had been rising at something like an annual 7½ per cent. It has been convenient that the money rate differentials between America and abroad have been narrowed, but that was not the main object of the American exercise.

Even in the short term, the easing of the pressure on the dollar this week should not be exaggerated. The D-mark, guilder, Belgian franc and Japanese yen at midweek were still about 2 per cent above their central rates, and the commercial franc about 1½ per cent above its. Sterling had dropped to within ½ per cent, but mainly because February's trade figures were so bad. There has been more talk in Tokyo of a further yen revaluation: some businessmen there are said to be doing foreign business on a crawling peg system which presumes a yearly upvaluation of the yen against the dollar of 2 per cent.

This made plans for forming a Group of Twenty, including representatives of the developing world as well as the rich country club, to organise the reform of the world's money system, seem purely academic. It will not be their broader and lengthier discussions that will force the next step, but the breakdown of the December 18th agreement.

Germany

Recession recedes

Herr Karl Schiller, Germany's economic supremo, told the Bundestag on Wednesday that the income and corporation tax surchage, levied at the height of the 1969-70 boom to cream off purchasing power, will now definitely be repaid during June. This will release £700m into the economy, as an instant weapon against the recession which looked a distinct possibility at the close of 1971. It is being pumped in just when some forecasters are saying that the recession may already be going away.

The government's economic experts still reckon that Germany's growth rate in 1972 will be a very modest 2½ per cent and that most of this will be concentrated in a marked upturn towards the end of the year. But, rather to everyone's surprise, the very latest signs suggest that the economy is already back on a rising trend. The way in which Germany has temporarily got away with a rather undervalued exchange rate again, plus the cut in the discount rate three weeks ago, has pleased industry. The Ifo economic research institutes report a marked rise in optimism since December. Figures released by the Bundesbank this week confirm that new orders for industry rose strongly in January, including the investment goods sector which was recently very depressed. Unemployment in February was down slightly, to 370,000 (1.7 per cent of the labour force): and short time working, widespread last winter, has been cut back. Inevitably, there are fears that reflation will breed more inflation. Herr Schiller has had some success in getting the unions to stick to his wages norm of around 7 per cent: the chemical workers, next on the negotiating list, have tabled an 8 per cent claim in one area. But consumer prices in January

Key indicators: world commodity prices

Fashionable furs

When the world's stock markets slid back in 1970 most women found that their furs had to last another season. Now that excuse no longer holds, fur prices are soaring. At the Hudson Bay auctions in London 39,000 Polish blue fox, 12,000 red fox and 51,000 of the usually unfashionable beaver pelts were sold effortlessly at prices 25% higher than three months ago. Many buyers left empty-handed.

	Index 1963=100 Mar 8	Mar 15	Percentage change on one month	one year
All items	130.7	130.3*	+ 2.4	+ 6.2
Food	145.5	145.8*	+ 3.1	+ 7.2
Fibres	99.7	99.3*	nil	+26.7
Metals	188.3	186.5	+ 3.4	− 7.5
Misc.	105.6	103.7*	+ 1.7	− 3.2

*Provisional

Trust Houses Forte

Extract from the Annual Report for the period ended 31st October 1971.
Copies of the Report can be obtained from The Secretary, Trust Houses Forte Limited, 166 High Holborn, London WC1V 6PF.

	1970/71 £	*1969/70 £
Trading Receipts	180,107,000	141,100,000
Gross Trading Profit	21,241,000	16,901,000
Profit before Taxation	11,088,000	9,363,000
Profit after Taxation and minority interests	8,752,000	6,213,000
Earnings per share	10.95p	7.91p
Dividends—Gross	5,995,000	3,715,000
Ord. Dividend per 25p share	7.5p	5p
Capital Employed	158,956,000	133,924,000
Shareholders' Investment	58,241,000	53,632,000

*The comparative figures for the year to 31st October 1970 relate to twelve months ex-Trust Houses Group Limited and nine months ex-Forte Holdings Limited.



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An elegant demonstration of the difference between ignorance and bliss.

The Pros and Cons of factoring, as seen by users and non-users.

Non-users		Users	
PROS	CONS	PROS	CONS
"You have fluid money to spend."	"Factoring is far too expensive. There is nothing to stop any self-respecting person going to the bank." "Factoring is additional expense to the firm. No extra income is gained by using one."	"I do not think the cost is much more and you gain in terms of service." "We expand by over 33% a year and factoring is for us." "If you quadruple your business you can carry it up without going for outside capital." "We are an expanding firm and Credit Factoring gives us a 100% guarantee against bad debts." "Factoring is good for the image. Customers feel you must be of some strength for them to take you on." "We have not had any redundancies - we have just run down our staff through normal wastage." "Credit Factoring would not do anything to upset the relationship between us and our customers." "We employ a credit factor for our export trade, which works exceedingly well. It is an advantage for the customers to pay in their own currency." "It is nice to know that the money will be in by a certain date. With the old system we had no idea when to expect payment." "The advantages are: regular cash flow, no bad debts, you know how much it is going to cost, and most importantly, if we didn't factor we would have to attract quick payment by offering discounts."	*
"I suppose if you had no liquid assets you would have to factor."			
"One of our suppliers uses factoring. It didn't imply to me that they were in financial difficulties. It was just to their convenience."			
"Factoring is a greater thing in export than in home selling because of the complications in exporting."			

* The British Market Research Bureau Ltd, who conducted the survey, found that users of Credit Factoring Ltd were pleased with the service. Any National Westminster bank manager will be delighted to point the moral for you. Or, if you prefer, please write or telephone Christopher Blower of Credit Factoring at: Smith House, P.O. Box 50, Feltham, Middlesex. Telephone 01-890 1390.

Credit Factoring Limited

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Foreign Branches in: Benelux, Canada, Denmark, Finland, France, Italy, Republic of Ireland, Sweden, Switzerland, U.S.A. and West Germany. Local Agents in all other principal world markets.

were still 5½ per cent higher than a year earlier. Few people now believe that the government can get the rate of rise down to its forecast of 4½ per cent this year.

Aussie-isation

Spare a pommie penny

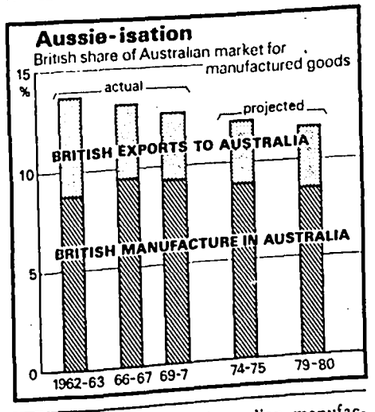
There have been several signs that Australia was growing mildly concerned about the flow of investment from overseas after Britain is in the common market, one of the more significant of which was the publication on Thursday of a survey* that went to some lengths to show that there is more money to be made still by investing in Australia than among the Six. It depends, of course, on which years you pick to prove the point. The Australian British Trade Association argues that the Australian investments of British companies.

were more profitable than EEC investments from 1964 to 1967.

So they were, but the table included in the survey also shows that in 1961-63, and again in 1968, it was the other way round.

Australia needs funds from overseas because the country is unlikely to be able to generate more than 85-90 per cent of its gross capital needs this decade. Investment accounts for a quarter of gnp, given a growth rate of 5½ per cent. But manufacturing productivity is growing at only 4 per cent, which is lower than among the Six and one reason why investing in Europe is likely to be the more attractive, in the short run at least. "Temporarily significant, but marginal in the long run" is how the survey describes it, and accompanies the forecast with warnings that other countries, like Germany and Japan, will be only too ready to move into Australian industry.

Had the association included mining among its list of industries, the arguments would have been proved beyond question, but then overseas investors hardly need encouraging to invest in Australian minerals. A politically stable source of minerals is no mean attraction, and there is a good deal to be said from the British end for relaxing the "voluntary" controls that still exist on British investment in the developed sterling area. The return on Australian investment, even in manufacturing, is now running at nearly 8½ per cent, and it does seem unnecessarily stringent to insist that the foreign exchange cost of any investment must be recouped somehow or other within three years. Something more for the budget ?



*British investment in Australian manufacturing industry. *Australian British Trade Association with the CBI.* £2.50.

Common marketeering

Send three lids

The Six have never managed to harmonise their rules on the sort of sales promotion that takes 2p off, or puts toy soldiers in the corn flakes. But they are now making efforts to do so. If they succeed, and the rules are extended to Britain, it will knock a lot of fun off the supermarket shelves.

France bans the sorts of promotion that give a gift in exchange for three jam lids or six packet tops ; this is demanding proof of purchase and against French law. Most of the EEC countries have tough laws about premium offers ; if these are gifts, they must somehow relate to the produce. A coffee cup could be given away with coffee, but not a plastic daffodil. It would take a lawyer to assess whether a tea tray would be in or outside the rules. Most of the big advertising agencies already know their way round Europe well enough to keep their clients out of trouble there. But they are aware that marketing in Europe is regulated by a complex body of written law that was originally designed to prevent unfair competition between traders, and is now being turned on its head to serve as a form of consumer protection. Injured parties can slap injunctions on offenders and halt them in their tracks ; then the offence has to be proved in the courts. In Britain, by contrast, there are no laws about fair or unfair competition, but there are tight rules about trade descriptions that stick better in court.

Japan

Spare a yen

Tokyo

Foreign begging bowls are out in Tokyo. One after another, prospective borrowers are appearing in the Japanese capital, meeting prime minister Sato, being received in imperial audience, and then being sent back bolstered with large cheques. The latest such visitor was President Echeverria of Mexico, who left with $42m in loans, finance for a major steel mill, and a $10m bond issue. The Australian treasury officials have also been plying back and forth, and now seem to have fixed up a $30m loan ; but a recent posse of several hundred Brazilians went away empty handed. Early in the summer, Sheikh Mujib is expected from Bangladesh.

Only a year ago the idea of Japan freely dispensing international capital would have been unthinkable. But the coffers now are not merely full ; they are embarrassing, with reserves standing at $16.5 billion. The finance ministry has instructed the Bank of Japan to start making large deposits of dollars with Tokyo's foreign exchange bank. The idea is to force Japanese banks to reduce their borrowing from overseas. At present outstanding loans to Japanese from New York banks alone are estimated at $4 billion. American banks are gloomy about losing this business. They will face even more competition if more foreigners are permitted to borrow from Tokyo at long last.

But Japan is reluctant to part with capital unless it can be sure of a rapid return in increased trade. That is the one yardstick ; and a number of communist countries have suddenly realised that they measure up admirably. Last week the ministry of finance gave the go-ahead for the first major loans to eastern Europe. The Aussenhandelsbank in east Berlin will borrow $35m from a Japanese banking consortium, and the east German government is to get another $10m from the Bank of Tokyo on a five-year loan that is tied closely to the purchase of Japanese goods. Last year Japanese exports to east Germany were $35m, largely in iron and steel ; imports of east German goods into Japan were a mere $15m. A loan of this size clearly presages plans for a major expansion of trade with the communist block. Smaller loans to Rumania and Hungary have already been made. Next week a delegation of North Vietnamese will arrive.

BUSINESS *Britain*

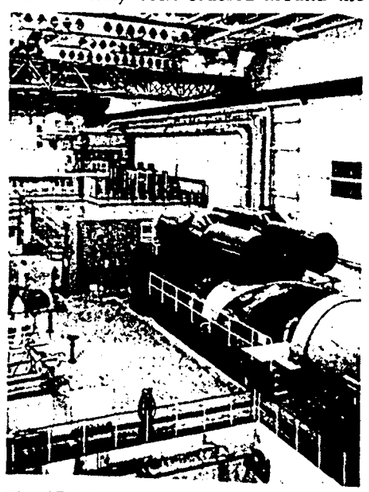
The wrong nuclear choice

The Government could be on the way to another disastrous choice for nuclear power. Twenty years ago, this country established an apparently unbeatable lead in the then new atomic industry by ordering the first commercial-size nuclear power station. This lead was subsequently dissipated by endless design changes over the years, so that no two nuclear stations built in Britain were alike. This has kept costs up and sales down. It also guaranteed that no power station was ever free of teething troubles.

Now yet another new type is contemplated. It looks increasingly as if the next nuclear station ordered in Britain will, on government instruction, consist of a reactor where steam is raised in pressure tubes that are suspended in the reactor's core: a design that resembles nothing so much as a can of heavy water filled with steel spaghetti. The objections to this design are based on safety and cost; but it has the strong backing of the Atomic Energy Authority, which designed and is operating a prototype. The AEA has apparently convinced Mr Peter Vinter's committee at the Department of Trade and Industry that this should be the choice.

There are growing misgivings in America about this kind of reactor, where the source of water that flows over and cools the fuel elements in the reactor also provides steam for the turbines. American boiling water reactors, which operate on this principle and originally swept the market, are now going out of favour for a variety of reasons, including a major worry about safety. When a fuel element leaks, which happens with predictable regularity, some radioactivity gets into the steam; because no turbine system is ever 100 per cent leak-proof, it then gets into the atmosphere. The amount of radioactive contamination is minute, but enough to worry environment-conscious America and Central Electricity Generating Board engineers here in Britain. They foresee the same leaks if the new steam-generating reactor is built.

Another worry is the cost of scaling up the 100 megawatt prototype reactor that the AEA has been operating since 1968, to the 500 MW needed for a commercial station. Theoretically, this ought to be a relatively easy matter of increasing the banks of pressure tubes inside a rather bigger can, but the British nuclear industry's record of scaling up from prototypes is not a happy one. The CEGB would prefer to order the other type of American reactor, where the works are sealed inside a massive, leak-proof, steel pressure vessel. In this it has the backing of much of the nuclear construction industry. About 80 of these stations have already been ordered around the world, and construction headaches are a thing of the past. Industry reckons that a British order for one of them would certainly lead to export business. But the AEA has managed to swing opinion in the DTI against it, on grounds ranging from the openly chauvinistic to heavy emphasis on the undeniable fact that long exposure to high radioactivity brings on a condition in the pressure vessels that makes them brittle as eggs if they are ever allowed to cool. Some of the Government's advisers think this a greater hazard than the occasional small release of radioactivity from other reactors.

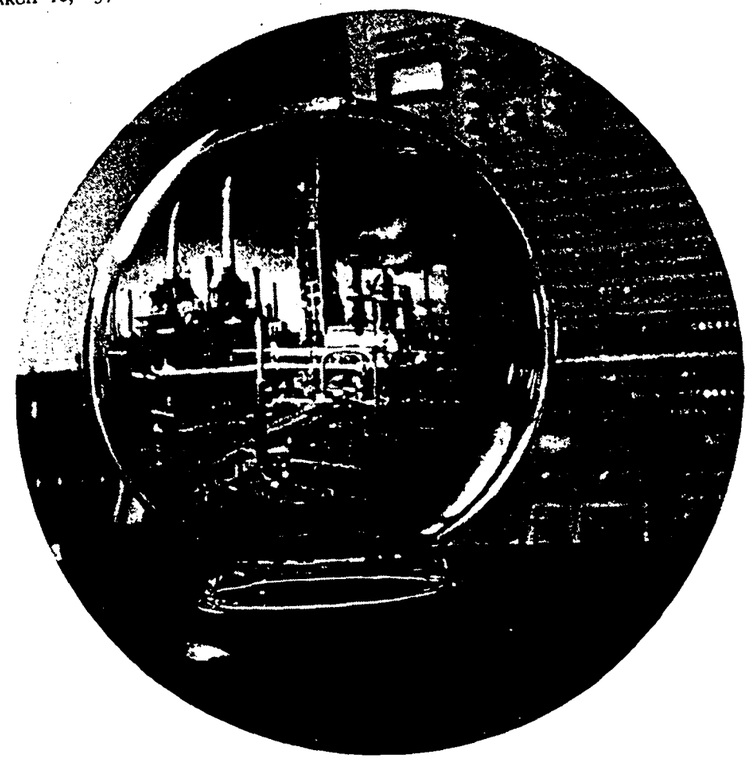


The AEA shouldn't let off steam

Surprisingly, yet another type of reactor under development in Britain has made little headway with the review committee, although it has a gas cooling system and a graphite structure that is in direct line of descent from the early reactors of 20 years ago. This design operates at much higher gas temperatures than any yet built; the system was first developed here with backing from the Organisation for Economic Co-operation and Development, but it has subsequently been taken up in America where Gulf General Atomic has sold several, to the discomfiture of the American nuclear establishment. The Germans are also keen on it. More development work on it would be needed, but the problems do not look as big as some of its detractors maintain.

There are at least two other courses that would seem preferable to a choice of the steam-generating design. One would simply be to order more of the standard, advanced gas-cooled reactors: in the hope that if industry repeated the designs often enough, it would eventually be capable of building one both to time and within estimate. The other would be to forget existing reactors and concentrate the whole British programme on the fast breeders—where, for the first time in two decades, this country has a world lead again. The Government's advisers appear to be very nervous about recommending such a course, but possibly only because they still see

Continued on page 99



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Nippon Fund Sterling Limited

(A company limited by shares and incorporated in the Islands of Bermuda)

SHARE CAPITAL IN POUNDS STERLING (£)

Authorised	*Issued*
£5,000 in 5,000 A Shares of £1 each £500,000 in 5,000,000 Ordinary Shares of 10p each	£500 (5,000 shares of £1 each 10p paid)
£505,000	

ISSUE OF ORDINARY SHARES of 10p EACH FULLY PAID AT £1 EACH

payable in full on application
(inclusive of an acquisition charge of 2½p per share payable to the Manager)

Nippon Fund Sterling Limited ("the Company") is an open-ended investment company incorporated in Bermuda. It operates on similar principles to a unit trust or mutual fund in that, under its constitution, it will issue and redeem its own Ordinary Shares in accordance with its bye-laws.

The Company's objective is to offer investors resident in the Scheduled Territories ("the Sterling Area") a participation in a balanced portfolio of Japanese growth stocks, while minimising the risk of a fall in the investment currency premium.

The greater part of the Company's assets will be invested in Units in The Nippon Fund, a Unit Trust constituted under Bahamian law. The performance of the Fund since the first Units were issued at U.S.$10·00 (including an acquisition charge of U.S.$0·25) on 21st August, 1968 may be summarised as follows:—

The Nippon Fund

Date	Net Asset Value* U.S.$	Total Net Assets U.S.$	Tokyo Stock Exchange Index
21. 8.68	9·75 (100·0)		125·75 (100·0)
31.12.68	10·85 (111·3)	7·07m.	131·31 (104·4)
31.12.69	17·58 (180·3)	23·37m.	179·30 (142·6)
31.12.70	13·50 (138·5)	19·41m.	148·35 (118·0)
31.12.71	21·06 (216·0)	31·01m.	199·45 (158·6)
1. 3.72	24·60 (252·3)	36·02m.	222·94 (177·3)

*No account has been taken of distributions of income, which have totalled U.S. $0·81 per Unit.

The Fund is designated by the Bahamian Exchange Control as an external account and the Units are valued in U.S. Dollars. It is therefore free from the requirement to purchase and surrender investment currency at the premium rate in order to purchase and to switch its investments. Subject to Bermuda Foreign Exchange Control requirements, the Company intends, in the light of ruling market conditions, to purchase Units in the Fund with the proceeds of foreign currency borrowings and otherwise to purchase Units in the Fund with investment currency acquired at the dollar premium.

The purpose of the borrowing is not to produce gearing but to minimise the risk of a fall in the investment currency premium. As a result of the borrowing, only some 13 per cent. of the Company's initial holding of Units will be vulnerable to a fall in the premium, whereas without the borrowing this vulnerability would apply to the entire holding.

The Company is managed by The Bank of Butterfield Executor & Trustee Company Limited, Hamilton, Bermuda and The Nippon Fund is managed by Bridge Management Limited, Nassau, Bahamas. Bridge Management Limited is controlled by Vickers, da Costa & Co. (Bahamas), who act as investment advisers to the Manager of the Company and to the Fund.

The minimum initial application under the terms of this issue is for 200 Ordinary Shares of the Company.

The Subscription Lists for the Ordinary Shares will open at 10.00 a.m. on Wednesday 22nd March, 1972 and will close as soon thereafter on the same day as the Company may decide. Applications will not be acknowledged, and Renounceable Letters of Allotment will not be issued, but Share Certificates will be issued to applicants by 19th April, 1972.

Copies of the full Prospectus, on the terms of which alone applications will be considered, and Forms of Application are available from:

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Continued from page 94

Britain's choice as lying solely between coal-fired or nuclear power stations. They overlook the extent to which a limited building programme of oil-fired power stations, fuelled from the North Sea, could take much of the risk out of any decision to go for broke on the fast breeder, complex as it is.

Clydebank

Jimmy has to deliver

The deal with the Houston-based Marathon Manufacturing for the old John Brown yard at Clydebank is still in the balance. The trouble is not with the size of the Government's handout, for ministers would be glad to get shot of the problem at almost any price. Now that they have given £35m to the three Govan Shipbuilders yards, they can hardly quibble over the salvage price for the fourth which, in Marathon's terms, involves £12m to rebuild Clydebank plus assistance for a second plant down river about 10 miles below the Erskine bridge, where the legs will be put on the drilling rigs that Marathon plans to build at Clydebank. Marathon will also have to set up a servicing base where the oil is, on the east coast, and wants government help there. But this is no obstacle.

The deal turns not on money, but on the Americans getting the sort of labour contract that they are used to in Texas, and that means undertakings that there will be no strikes. Marathon's chairman, Mr Wayne Harbin, wants an undertaking that is

> not legally enforceable, necessarily, but one which we have confidence that the union leaders can deliver. For us to do our thing in your yard, we have to attract buyers and that means being able to deliver on time. We just cannot have stoppages or we will be right back in the present position.

Already, union leaders like Mr Jimmy Reid are saying that an agreement on those terms would be beyond their power.

There are other problems too: because Erskine bridge gets in the way, Marathon needs to float the platforms down from Clydebank to deeper water where a major part of the 420 ft legs will be attached. If some of the men at John Brown want to keep their jobs, they may find that they will be expected to commute to work, something they have never shown any willingness to do in the past. And because drilling platforms call mainly for steel erectors, it is difficult to see Marathon providing jobs for the carpenters and other tradesmen at Clydeside who fitted out the old passenger liners. Redundancies among them seem inevitable, but the unions have been insisting that there should not be any, just as they have been insisting that the future of Govan Shipbuilders depended on finding a means of keeping Clydebank open.

Marathon's formal request for government help was put in the post on Tuesday evening. On Thursday morning, the Breaksea group, also Houston-based, countered with an announcement that it would submit its formal proposal, a month from now, to build liquid gas carriers at Clydebank using—wait for it—Rolls-Royce engines. That should be good for a few more million quid.

Car pollution

Give a lead on lead

Mr Peter Walker, Secretary of State for the Environment, has got himself into a corner over the issue of lead in petrol. Three times he has promised a statement. In the belief that it is imminent, the environment lobby has been campaigning against the car and oil men, who are entrenching themselves in defensive positions. But Mr Walker has a problem: he faces a serious lack of generally accepted evidence on which to act.

To a considerable extent, the decision is out of his hands. The car industry is international and heavily dependent on exports, especially to America. Already the rules for changing to no-lead petrol have been set in hand by American legislation. The Germans and Swedes, too, have cut the permitted lead content of petrol, but for a different reason. The Americans are sniping at lead because it will upset the catalysts they are introducing to clean exhaust gases of other pollutants. Their concern is more with the smog-generating oxides of nitrogen and sulphur. The Europeans are attacking lead pollution itself.

No one doubts that lead absorbed in relatively small quantities causes brain damage, or that the potential danger is increasing. To meet the demand for higher car performance (ie, smaller, hotter engines) more and more lead additives have been used. The additive companies are secretive about how much organic tetra-ethyl and tetra-methyl lead there is in the "anti-knock" compounds they sell, but it

Key indicators: British economy

Overseas trade
Deficit of £32m in February as *imports reached a new high of* £784m, seasonally adjusted.

Manufacturing investment
Fell sharply in the fourth quarter of 1971 taking the year's total 8% below 1970, in real terms.

Industrial production
No upturn yet.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	January	124.4	+0.4	−0.2	−1.9
employment*	December	89.9	+0.1	−1.0	−4.7
productivity*	December	138.7	−0.4	−0.7	+4.7
Export trade*‡	February	147	+1	+4½	+16
Eng'g orders on hand*	November	118	+1	+1	−5½
Retail trade*	January	113.2	−0.3	−1.3	+4.1
Unemployment*	February	173.8	+0.1	+2.1	+40.2
Average earnings*	December	191.6	+1.3	+1.8	+9.4
Retail prices	January	153.5	+0.6	+1.7	+8.2
Export prices	December	148	+1½	+2	+9
Import prices	December	133	nil	−1	+4½

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.8 per cent.
**Seasonally adjusted ‡Provisional*

is estimated reasonably reliably that 10,000 tons of lead were used in this way in British petrol last year. Of that, something like two-thirds came out in the exhaust.

The statements of the car and oil industries have generally been feeble. They claim that cleaning up car exhausts would reduce pollution by only a small amount. There is even some backing for this from the Medical Research Council, as Mr Walker knows: he has used it as a defence for not taking action in the past. There has also been some show of concern for the consumer. The oil industry is worried that the extra cost of refining lead-free petrol will put motoring costs up by 5 per cent.

Time is running short for Mr Walker. There seems little logic in attacking lead alone: lower engine performance means increasing engine capacity. But this would bring a proportional rise in the other pollutants. Mr Walker cannot hope to sit tight and wait for the development of a suitable substitute for the petrol/diesel engine, either. The current range of electric cars and buses using lead-acid batteries are so slow and have such short range that they are scarcely practical. Other battery systems, like the much vaunted zinc-air device, seem to have faded.

Jobs

Anyone for Ulster?

The announcement from Northern Ireland on Wednesday of a three-year campaign of industrial development to boost employment looks a brave effort at window dressing and not much more.

The finance corporation with £50m at its disposal, suggested last December by Sir Alec Cairncross to help companies hit by the bombers, is getting off the ground after Easter. Its chairman is to be Mr Charles Villiers, of Guiness Mahon, once managing director of the ill-fated Industrial Reorganisation Corporation. That sounds like action, but the dole queue lengthens each month. It reached 46,721 in February, which is 9.1 per cent of the work force and 11.3 per cent of all men. Well over £25m worth of damage has now been done to factories, shops and offices. Since July, 86 manufacturing firms have suffered losses in production and eight, employing 600 people, have closed for good. Last year 85 per cent of the 7,200 new jobs created were from expansions in existing industry. The flow of new industrial investment is no more than a trickle.

Hotels

Swiss roll, bed roll

Making Swiss and sausage rolls is a business that demands more uninterrupted floor space than J. Lyons now has on its old Cadby Hall site, so what could seem more sensible than to put a proposition to Hammersmith council to develop the site for a hotel plus supermarket, particularly when Hammersmith is being tipped for a face-lift ? But it is put forward at a time when hotel profits have begun to be clipped ; last year was the first for a long time in which hotel prices rose by less than the cost of living.

Lyons is thinking in terms of 1,000 rooms, but would not expect to open for at least seven years, which is just as well, given the surmising among hoteliers about over-capacity. Even the consultants, Cornell, Greene Bertram and Smith, are sounding a warning note about the level of tariffs, and the penny-pinching of the American new poor whose holiday habits are likely to reflect the effects of dollar devaluation for at least the next two years. Before that has worn off, hotelkeepers will have had to come to terms with value-added tax and with the Greater London Council's threatened bed tax. But, given the limitations of the Cadby Hall site, it is difficult to see what Lyons could have proposed that would not have had some question marks hanging over it, and 1979 is a long time away.



You could describe it in the brochure as a site ripe for development

Vat

Told your computer ?

The form that value-added tax will take next year is going to be announced during next Tuesday's budget, but many of the details needed for bookkeeping purposes may not be settled until the autumn. This will give companies alarmingly little time to prepare for a changeover that is going to involve some of them in everything from the ordering of new stationery to the reprogramming of all their computer software. The main reason why so little has been heard of these difficulties is that, having made such a fuss about switching to decimal currency last year, and then being made to look exceedingly foolish when it passed off almost without a hitch, the computer industry is shy about crying wolf again. Its silence this time is being read by both Government and industry as a sign that there is really nothing to worry about. But Vat is a much bigger problem than decimalisation.

There are about 35,000 companies in this country big enough to use some form of mechanised accounting, all of which will have to be changed. Much of their present equipment does not have the physical capacity to cope with Vat. Computers used by many companies will need a third more computing ability than they have now. A lot of reprogramming will have to be carried out ; the Singer company has estimated that it will take the equivalent of 35 man-years of work to convert all its customers. Honeywell was the first of the computer manufacturers off the mark with a special Vat package deal for customers. The reception of it suggests that, in spite of warnings, orders are not expected to reach a peak until the end of 1972. With deliveries of multi-part stationery taking eight weeks now, before the heat has even begun to build up, there is a promise of some fine old muddles in Vat's first financial year of 1973-74.

UNITED BISCUITS (HOLDINGS) LIMITED

1971 RESULTS

The Board of Directors of the United Biscuits (Holdings) Limited report as follows on the results of the Group for the 52 weeks ended 1st January, 1972.

Dividend

The Directors recommend a final dividend on the ordinary share capital of 10 per cent payable, less income tax, on 6th June, 1972 to shareholders on the register at the close of business on 14th April 1972. This dividend, together with the interim dividend of 6 per cent paid in November 1971, brings the total distribution for 1971 to 16 per cent (1970—13.5 per cent).

Results

The results for the 52 weeks ended 1st January, 1972, subject to final audit, with comparative figures for 1970 (53 weeks) are as follows:

	1971 £000's	1970 £000's
Sale to third parties before discounts	101,400	94,800
Share of sales of associated companies	5,800	400
	107,200	95,200
Trading profit before depreciation	10,951	9,188
Depreciation	3,193	3,150
Trading profit	7,758	6,038
Interest	1,521	1,565
	6,237	4,473
Share of losses less profits of associated companies	133	206
Profit before taxation	6,104	4,267
Taxation	2,417	1,600
Profit available for shareholders	3,687	2,667
Ordinary dividends		
Interim of 6% (1970—5.5%)	749	686
Proposed final of 10% (1970—8%)	1,254	998
Retained profit for the year	1,684	983
Extraordinary items (net)—see note 2	583	(1,177)
Balance retained	1,101	2,160
Earned per share (before extraordinary items)	14.7p	10.7p

Notes

1 The results of the associated companies have been consolidated in the above figures for the first time and the comparative figures for 1970 have been adjusted accordingly.

2 Extraordinary items comprise reorganisation charges, after taxation relief, of £1,040,000 (of which £426,000 relates to associated companies) and a transfer of £43,000 to deferred liabilities for pensions, less taxation provisions no longer required of £500,000.
The corresponding credit for 1970 represented taxation recoverable of £1,463,000 less reorganisation expenses and other adjustments of £286,000 after tax relief.

Capitalisation proposals

The Directors consider this is an appropriate time to bring the issued share capital more into line with the assets employed. Accordingly they recommend a scrip issue to ordinary shareholders in the ratio of one new share for every two shares previously held. This will result in the capitalisation of reserves amounting to £6,269,000.

It is also considered that it would be in the interests of shareholders if the nominal value of the shares was reduced. It is therefore recommended that each share of 50 pence should be split into two shares of 25 pence.

The final result of this share split and the scrip issue referred to above will be that a shareholder will hold three shares of 25 pence each in place of each share of 50 pence previously held. The Annual General Meeting will be held in Edinburgh on 11th May, 1972 and the Report and Accounts will be posted to shareholders on 17th April, 1972. Shareholders will be invited to pass resolutions at the meeting to give effect to these proposals.

The Directors consider it desirable to include with this preliminary statement of results the following comments on the prospects for 1972.

Prospects for 1972

The outlook for the year is encouraging and a further considerable increase in profits is budgeted. The Directors would expect this to lead to an increase in the total amount distributed and it is their present intention to declare an interim dividend in September of this year at the rate of 5 per cent on the increased share capital. The equivalent interim dividend for last year was 4 per cent after adjusting for the proposed scrip issue.

New Issue

This Advertisement appears as a matter of record only

March 13, 1972

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ZENTRALKASSE BAYERISCHER VOLKSBANKEN
EGMBH

BUSINESS *Investment*

Professionals only, please

An investor who bought a share on the London stock exchange last Monday need not pay for it until April 12th, nearly a fortnight after the end of the longest account of the year. By the time he makes out his cheque he will not only have ridden through an enthusiastic bull market which had pushed up the Financial Times ordinary index by 9½ points between Monday's opening and Thursday midday, but will be in the new financial year; this account ends on the last dealing day but one, in fact, in which he can take a profit or loss to even up his capital gains tax bill. And plopped neatly into the middle of the account is the budget.

Not a time for the amateur dabbler. But for the professional watching the exchange by the moment, jobbing in and out of stocks, the activity of the next two and a half weeks should give the opportunity to make as much as a post office deposit account offers in a year. The risks are there and the heavy amount of dealing on the exchange shows that the professionals are remaining very light on their toes; and that means that your friendly broker is quietly making a packet.

As if the immediate future is not explosive enough by itself, the market is being kept on edge by a raft of takeovers and bid rumours. The £350m bid by **Grand Metropolitan Hotels** for **Watney Mann** is the second biggest the market has seen, and it is certain that Watney's fight against it will be long and tough. So here the classic takeover rule applies: sell Grand Metropolitan, which can only increase its offer and pay for it by a larger handout of equity, and hold Watney Mann.

The bid has improved the prices of the whole brewing sector. But there are a host of other rumours whirring around Threadneedle Street, probably mostly well founded, which encompass many of the stock exchange's favourite or most established companies: **Ranks Hovis McDougall, Montague Burton, Scottish and Newcastle, European Ferries** and **British Relay** are among the tipped.

But behind all this immediate market activity there is a growing undercurrent of opinion that is quietly changing from the market's glamour stocks and chasing after the classic hedge equities: the gold mines, companies with large overseas earnings, and those that would benefit from another devaluation, or at least from talk of it. And with an expansionary budget and worsening trade figures that talk is bound to come. Perhaps the best example has been De Beers, which last year improved its profits by 30% to £52m, but which only in the last week has advanced by 22p to 260p.

German bourses

Achtung

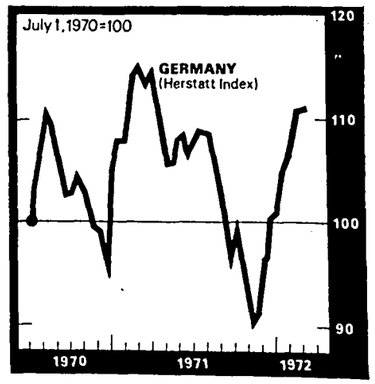
Germany's eight bourses have taken a knock in the past two weeks, after a welter of bad news from the country's largest corporations. Previously, the Herstatt index, which measures the Dusseldorf exchange, had been rebounding nicely: in early March, it reached a point 28% above its four-year low of 87 in November, 1971. Then the warnings came.

Thyssen Huette, Europe's largest steelmaker, led the way by announcing that its crude steel output for the first quarter of 1972 was 20% below 1971's level. Its investment programmes are being cut and most of its plant is working below capacity. Last year was bad enough; profits dropped 70% and the dividend was sliced in half. The shares at Dm 80 now stand 17% down on last year's high. If you think that the German economy is on the upturn (see page 90), this is the time to buy.

Thyssen Huette's story was re-echoed within a week by Germany's other big coal and steel company, **Friedrich Krupp.** Krupp has issued no figures, only a bald announcement that this year's earnings are lagging behind 1971's and that order books look bleak. Similar reports have come from **Kloeckner Humboldt Duetz,** the heavy engineers, and **Degussa,** the chemicals and metals concern. All this spells caution for the foreign investor; and the economics minister, Herr Karl Schiller, is probably rather relieved that it does. Although the D-mark is again close to its exchange ceiling, investors who buy German shares with the hope of catching the next upvaluation of the mark have been staying away.

In one sense, Germany might seem to offer a safe two-way bet. If its economy recovers, so will its shares; if it stays in recession, its balance of payments surplus will force another upvaluation. But there is a major snag in German equities as a recession-time upvaluation counter.

Since most German companies are closely tied to banks and hence have easy lines of credit, they have become more highly geared than their counterparts in Britain or America. When



new profits slacken, dividends are cut drastically and without much compunction, and long-term investment plans are relegated to the bottom drawer. One startling exception is **Siemens**, the electrical group, which has been enjoying a sustained period of growth and is raising £40m in a rights issue next month. At Dm245 the shares are considerably above this year's low of Dm171, but still look an attractive buy once the rights have been absorbed.

The Germans themselves have little faith in equities at the moment. They are investing instead in a flood of new bonds, in the belief that their market interest rates may go even lower. But the equity market is likely to find new life when the £700m tax surcharges are repaid this summer ; much of it ought to filter back to the bourses.

ITT

Record breaker

New York

Amid the buzz of embarrassing wheeling and dealing, the embattled International Telephone and Telegraph Company has not lost its touch for making money. The giant conglomerate reported worldwide revenues of a record $7.35 billion in 1971, or 13% above a re-stated $6.48 billion in 1970. Its net income was up 12% to $406.8m, or $3.45 a share, before an extraordinary $70m charge to reserves for the loss by expropriation of its partly-owned Chilean telephone subsidiary. Earnings in 1970 were $362.5m, or $3.14 a share, adjusted to reflect companies acquired through pooling of interests. ITT's fame springs from its 51 consecutive quarters of improved profitability since the legendary Mr Hal Geneen



Money-making, money-giving, Geneen

became its president 12 years ago. Its present notoriety stems from allegations—strongly denied by all parties concerned—that the American Justice Department's anti-trust division settled three anti-merger suits against the company after being favourably impressed by a $400,000 contribution by its hotel subsidiary to the Republican national convention that is going to renominate President Nixon in San Diego next July. Members of the Senate judiciary committee, investigating the charges in Washington this week, heard denials of involvement from the former attorney-general, Mr John Mitchell.

Under the merger settlement, ITT agreed to dispose of three fairly recent acquisitions, but was able to retain Hartford Fire Insurance. Mr Geneen believes strongly that Hartford Fire's heavy annual premium income is important to ITT's finances, and has stoutly resisted a succession of efforts to de-colonise it from his empire. It is not a declining empire. In his annual statement, Mr Geneen said that the money raised by sales forced by the other divestitures will be reinvested to produce replacement profits. ITT's share price recovered $2.6 on Tuesday, to $61—in a turnabout session on the New York exchange which took the Dow average up 5.34 points to 934.0 after five consecutive days of declines.

Insurance brokers

Reassuring

A batch of insurance brokers' results will soon be coming in. They are expected to be cheerful, and current share prices discount this. But a good start has been made by **Sedgwick, Collins**. Its international business, with the emphasis on big risks like oil companies, produced profits up 14% to £3.2m, even though the dollar's devaluation cost it £200,000. Insurance brokers have gained from the increasing business sent to London since the devaluation of sterling, from the cut in selective employment tax, from the higher premiums which insurers have been charging across the board in Britain and America, and from the fact that increasing competition has prompted the life business, in particular, to give brokers a bigger slice of the growing cake.

Although there may be no real bargains to go for, the sector should ride along safely with the market. One spill-proof ride ought to be Sedgwick, Collins itself, selling on a prospective p/e of 17. The company has low expenses, vital in this business, and does not rely, like some of the lighter weights, on short-term investment of premiums for a chunk of profits. Those that do could be vulnerable to a decline in interest rates. Other heavyweights with the same virtues as Sedgwick, Collins are **Leslie and Godwin** and **Alexander Howden** (but the latter, on a p/e of 32, looks too dear). The aggressive and rapidly growing **Minet Holdings** could be the more speculatively inclined ; it has the bonus from the underwriting upturn in Lloyd's 1968 account still to come. **C. E. Heath** and **Staplegreen**, among others, have already accounted that profitable year ; they may thus have less scope for further advance.

Continued on page 113

Key indicators: world bourses

London fired by tax cuts hopes. New York trying to go up but meeting profit-taking. Belgium nudging its all-time high.

	Stock price indices Mar 15	1971-72 high	1971-72 low	Percentage change on one week	one month	one year	record high
London	510.7	519.2	306.3	+ 1.7	+ 6.3	+60.3	− 2.1
New York	937.3	950.8	798.0	− 0.9	+ 1.6	+ 2.5	− 5.8
Canada	205.3	210.4	162.6	− 1.4	+ 3.2	+11.0	− 2.4
Australia	545.8	557.0	405.0	−	+ 4.1	+ 9.5	−17.7
Japan	222.4	225.8	148.3	− 1.5	+ 3.8	+29.6	− 1.5
H'Kong	344.9	406.3	201.1	− 0.6	+ 0.8	+70.2	−15.1
Belgium	107.1	107.1	90.7	+ 1.2	+ 6.8	+ 6.7	− 0.3
France	72.0	79.2	61.6	− 1.4	+ 4.3	− 5.3	−16.4
Germany	109.8	112.7	87.6	+ 3.1	+ 0.8	− 2.2	−21.7
Holland	126.1	128.0	93.0	+ 0.6	+ 6.1	+ 1.4	− 5.8
Italy	44.6	60.1	44.0	−	− 2.4	−23.2	−61.7
Sweden	323.8	326.3	245.7	+ 0.9	+ 2.7	+19.1	−13.8

Stock prices and yields are on pages 125 and 126

BARCLAYS BANK BRIEFING-117

A quarterly information service on money matters

Mr. ANTHONY TUKE, Chairman of Barclays Bank International, discusses the future course of world trade.

Economic Crossroads



ANTHONY TUKE
Chairman of Barclays Bank International

The international monetary and trading situation is confused, but there is no doubt that we have reached the end of an era and a turning point in international affairs. For a quarter of a century certain cardinal objectives have dominated our economic thinking and actions: the liberalization of world trade through the progressive reduction of tariff barriers; a consequent sustained erosion of preferential trading groups; the maintenance of exchange rate parities with devaluation or revaluation undertaken only as a last resort; the use of the dollar and sterling as reserve currencies setting them apart from the rest.

We may regret the demise of the old regime under which a great deal was achieved, but it is futile to believe that it can be restored in unmodified form. The question we now have to face is what sort of system will be built up for the future and what part an international bank should play within the new framework.

Any new system must, if it is to work, take into account the basic fact that the present world environment is very different from what it was in the late 1940s. In the immediate post-war years the economic power of the United States was unchallenged, but as other countries of the western world, helped by U.S. aid, recovered from the effects of war, the balance of power changed. The change has been accentuated by the creation of regional unions and alliances and by the decline of the dollar.

Third World

I welcome the development and growth of larger economic units such as the Common Market, but it would be disastrous for world trade and prosperity if these rich groups, frightened by the recent upheavals, turned in on themselves and tried to achieve stability by protectionism and isolation. Such a policy would particularly damage the developing countries of the Third World, which have suffered enough in the past from vacillating commodity prices and deteriorating terms of trade.

It is in developing countries that I see an international bank such as Barclays playing a most important part. In the past we contributed towards the growth of their international trade and provided finance, often from external sources, for local development. We shall continue to provide these facilities but the requirements of developing countries are changing. They are demanding, and must be given, an increasing say in world economic management and decisions, as well as seeking greater control of their own economies and natural resources. Local bank deposits are for them a vital raw material and the days are past when funds could be freely transferred from one such country to another.

Rich countries have since the war given a great deal, though not

CONTINUED ON FOURTH PAGE

BARCLAYS MOVE INTO LEASING

To its already wide range of financial services Barclays Bank has now added leasing facilities, by which the bank buys equipment and rents it to the lessee. In introducing this increasingly popular means of obtaining capital equipment Barclays is taking particular advantage of its United Kingdom network of nearly 3,200 branches.

Like the General Practitioners with whom they are often compared, bank managers will rightly call in the specialists whenever a customer's financial needs go beyond those of everyday banking.

A unique exception to this rule is provided by Barclays' new leasing service: branch managers themselves can provide a standard form of leasing agreement. Thus for the business with a straightforward leasing proposition – and so many of them are – all that is involved is a quick and simple transaction.

"We believe this approach to leasing makes the best possible use of Barclays' countrywide branch network," says Mr. R. E. Thornton, Chief Manager of Barclays Export and Finance Company. "And the business concern, whether a Barclays customer or not, gains the benefits of a speedy transaction with the local Barclays branch at very competitive rates."

When the proposal is large or more involved, however, the Leasing Division of Barclays Export and Finance Company, which is a wholly-owned subsidiary of the bank, is brought in. The Leasing Division has been set up under the management of Mr. Derek R. Soper, who previously held senior posts in two major leasing companies. Mr. Soper and his management team are ready to travel anywhere in the United Kingdom to discuss a major proposition.

Mr. Thornton sees leasing as complementary to Barclays' other financial services. "It has distinct advantages which, in the right circumstances, can make it preferable to a bank loan or overdraft, hire purchase or using retained profits as a means of financing capital equipment."

He points to four major advantages:

- **The freeing of working capital for more profitable use than when absorbed by fixed assets.**
- **The maximizing of advantages from taxation and cash flow situations that can stem from incorporating a specially-designed rent structure in the lease.**
- **The savings to be made by purchasing capital equipment at today's prices.**
- **The increased profit margins that can result when leasing forms part of a well-planned forward budget.**

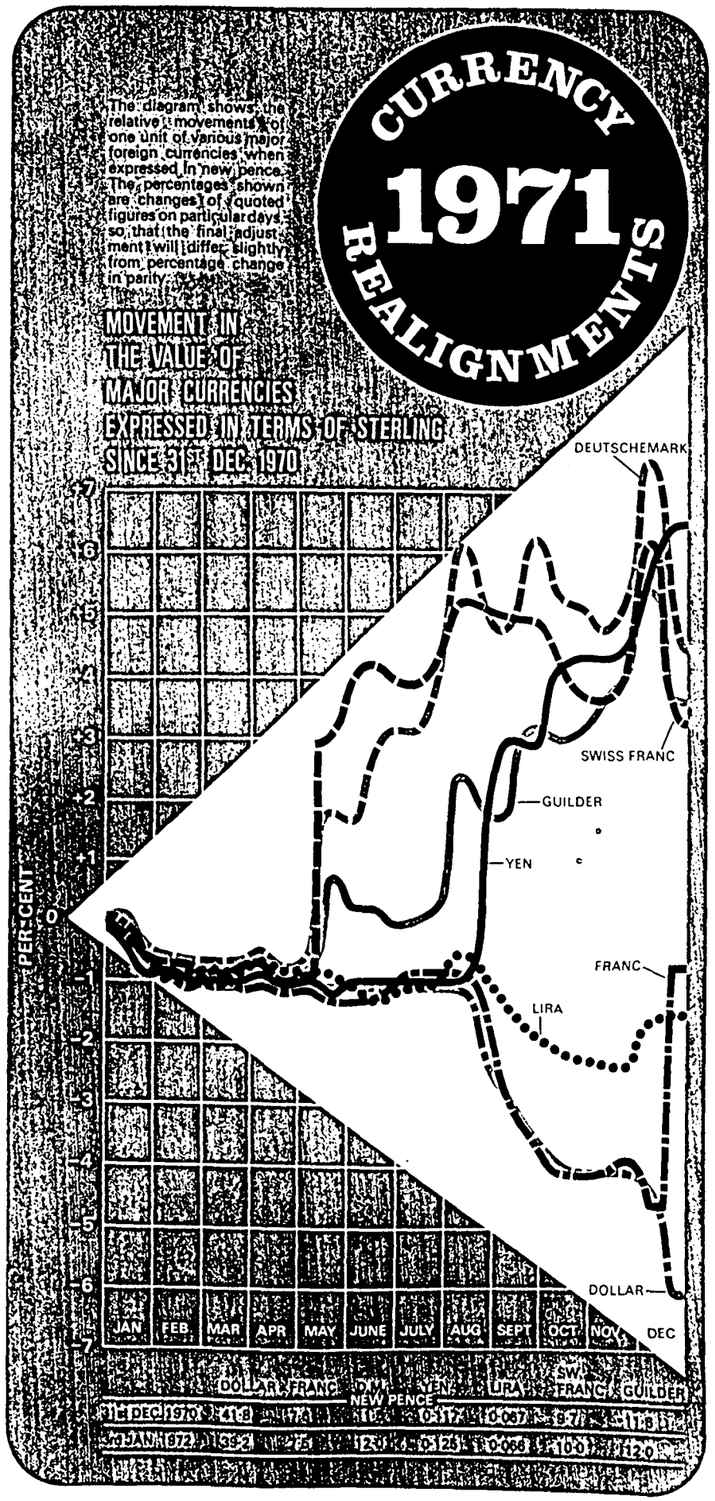


Hotel furnishings: one example of the wide scope of leasing contracts
(Photo by courtesy of Embassy Group of Hotels, London)

That leasing will remain a growth dustry, in spite of the proposed changes Britain's tax system, Mr. Thornton has doubt. "Between 1965 and 1969 the mated amount of investment by leasing panies more than doubled, even allowfor inflation. As costs increase in line h the greater sophistication of capital ipment the scope for leasing contracts only widen.

"There is," he says, "growing evidence t those larger private and public mpanies that have modern methods of vestment appraisal available within their ganizations, are the same companies that utilizing leasing facilities."

He expects Barclays to be dealing in a oad range of items, from the more ditional, like manufacturing plant and ring equipment, to comparative newmers such as closed-circuit television and anced computer equipment. Already jor contracts are being negotiated for the sing of supermarket equipment and the plete refurnishing of a group of hotels. Comments Mr. Thornton: "The truth t profits stem from the use of equipment, t from ownership, is daily gaining wider gnition."



NATIONAL SAVINGS—AMOUNT OUTSTANDING (£'s million)

End of:	Nat. Savings Certs.	Brit. Savings Bonds	Premium Savings Bonds	Nat. Savings Bank Ordinary Acc.	Nat. Savings Bank Investm't Acc.	Trustee Sav. Bank Ordinary Dept.	Trustee Sav. Bank Special Dept.	Nat. Development Bonds	Other	Total
1968 December	2,602	136	692	1,589	190	1,054	1,311	592	379	8,545
1969 March	2,587	147	713	1,587	210	1,081	1,339	578	373	8,615
June	2,563	188	726	1,550	220	1,070	1,349	549	333	8,548
September	2,535	217	741	1,522	231	1,052	1,361	518	336	8,513
December	2,507	307	763	1,499	245	1,043	1,368	432	396	8,451
1970 March	2,483	322	765	1,498	261	1,073	1,392	418	305	8,517
June	2,453	372	774	1,476	275	1,074	1,416	372	290	8,502
September	2,431	406	785	1,459	295	1,075	1,451	338	280	8,520
December	2,475	439	797	1,441	309	1,073	1,469	311	272	8,586
1971 March	2,508	490	810	1,472	323	1,130	1,505	245	284	8,767
June	2,532	526	845	1,456	336	1,145	1,542	224	275	8,881
September	2,553	571	867	1,452	354	1,149	1,593	184	285	9,008
December	2,608	616	886	1,447	376	1,159	1,658	179	297	9,226

HIRE PURCHASE AND INSTALMENT CREDIT IN GREAT BRITAIN Seasonally adjusted (£'s million)

	Retailers			Finance Houses			Total		
	New credit extended	Repayments	Change in debt	New credit extended	Repayments	Change in debt	New credit extended	Repayments	Change in debt
1969 1st Quarter	194	199	+5	172	179	−7	366	378	−12
2nd Quarter	206	198	+8	173	183	−10	379	381	−2
3rd Quarter	206	209	−3	176	180	−4	382	389	−7
4th Quarter	210	208	+2	180	180	0	390	388	+2
1970 1st Quarter	216	210	+6	187	181	+6	403	391	+12
2nd Quarter	219	211	+8	204	186	+18	423	397	+26
3rd Quarter	227	218	+9	211	200	+11	438	418	+20
4th Quarter	232	226	+6	220	197	+23	452	423	+29
1971 1st Quarter	193	210	−17	213	196	+17	406	406	0
2nd Quarter	239	217	+22	212	204	+8	451	421	+30
3rd Quarter	278	243	+35	291	225	+66	569	468	+101

PRODUCTION OF CARS (Monthly thousands)

	U.K.	GERMANY	FRANCE	ITALY	JAPAN
1969 1st Quarter	150	148	186	149	192
2nd Quarter	162	163	199	140	207
3rd Quarter	118	117	136	116	218
4th Quarter	132	162	201	89	256
1970 1st Quarter	147	182	214	147	236
2nd Quarter	157	178	221	137	265
3rd Quarter	92	150	153	131	261
4th Quarter	153	185	232	159	297
1971 1st Quarter	144	194	240	143	295
2nd Quarter	157	196	226	138	297
3rd Quarter	121	150	176	124	293

CLASSIFICATION OF BANKERS'

November 1971

	£'s m.	%
MANUFACTURING		
Food, Drink and Tobacco		
Chemicals		
Metal Manufacture		
Electrical Engineering		
Other Engineering		
Shipbuilding		
Vehicles		
Textiles and Leather		
Other Manufacturing		
Total Manufacturing		
OTHER PRODUCTION		
Agriculture, Forestry and Fishing		
Mining and Quarrying		
Construction		
Total Other Production		
PERSONAL		
House Purchase		
Other Personal		
Total Personal		
SERVICES		
Transport and Communication	268	2
Public Utilities	177	1
Local Government	69	—
Retail Distribution	407	2
Other Distribution	598	4
Professional, scientific and other	685	4
Total Services	2,204	13
FINANCIAL		
Hire Purchase	181	1
Property	498	3
United Kingdom Banks	102	1
Other Financial	775	4
Total Financial	1,555	9
OVERSEAS		
Overseas residents—including banks overseas	6,530	39
TOTAL ADVANCES	16,644	100

February figures due from The Ba[illegible] today.

BARCLAYS BANK BRIEFING–17

EXPORTS AND IMPORTS (Monthly averages seasonally adjusted $'s millions)

EXPORTS (FOB) with percentages of GNP (at factor cost)

		U.K.	U.S.A.	GERMANY	FRANCE	JAPAN
1968	4th Quarter	1,350 (15%)	2,893 (4·0%)	2,255 (19%)	1,142 (10%)	1,167 (9·0%)
1969	1st Quarter	1,340	2,588	2,144	1,197	1,243
	2nd Quarter	1,412	3,344	2,422	1,271	1,315
	3rd Quarter	1,516	3,346	2,453	1,210	1,378
	4th Quarter	1,534 (16%)	3,386 (4·0%)	2,651 (19%)	1,299 (11%)	1,394 (10%)
1970	1st Quarter	1,575	3,492	2,693	1,425	1,536
	2nd Quarter	1,586	3,686	2,834	1,486	1,582
	3rd Quarter	1,526	3,366	2,898	1,491	1,638
	4th Quarter	1,752 (16%)	3,617 (4·4%)	2,965 (18%)	1,554 (12%)	1,680 (10%)
1971	1st Quarter	1,628	3,787	3,032	1,612	1,868
	2nd Quarter	1,841	3,757	3,214	1,679	1,988
	3rd Quarter	1,925	3,922	3,406	1,759	2,076

IMPORTS (CIF except U.S.A.—FOB)

		U.K.	U.S.A.	GERMANY	FRANCE	JAPAN
1968	4th Quarter	1,655	2,828	1,775	1,322	1,142
1969	1st Quarter	1,620	2,552	1,931	1,354	1,151
	2nd Quarter	1,683	3,214	2,043	1,492	1,164
	3rd Quarter	1,672	3,110	2,067	1,466	1,348
	4th Quarter	1,685	3,125	2,256	1,454	1,365
1970	1st Quarter	1,719	3,239	2,441	1,492	1,480
	2nd Quarter	1,837	3,305	2,473	1,571	1,502
	3rd Quarter	1,767	3,328	2,445	1,659	1,675
	4th Quarter	1,923	3,448	2,574	1,659	1,647
1971	1st Quarter	1,906	3,605	2,731	1,635	1,636
	2nd Quarter	1,979	3,946	2,835	1,727	1,606
	3rd Quarter	1,990	3,994	2,876	1,868	1,632

ESTATE PLANNING WITH BARCLAYS

ESTATE PLANNING
Barclays Bank Trust Company



Estate Planning is the arrangement of your affairs to the best advantage of yourself and your family. It takes account of your needs in your lifetime and your family circumstances generally.

It is not, as Barclays Bank Trust Company's new booklet *Estate Planning* points out, concerned solely with estate duty and tax matters. There may be many others. An estate plan would review your present financial circumstances and go on to suggest any changes aimed at making the best use of the resources available.

In drawing up your personal plan the Estate Planning Manager would consider factors such as your age, present income, assets, state of health, domestic considerations and the number and ages of potential beneficiaries. His recommendations for the rearrangement of your assets could include gifts, trusts, annuities, life policies and property which is exempt from duty or subject to duty at a reduced rate. He could propose changes in your investments and in private company or business interests.

How wealthy do you have to be to benefit from this service? There is no minimum, but usually an estate plan would help anyone with total assets of more than £40,000. Charges are moderate.

For a copy of *Estate Planning* call at any Barclays branch or write to the Estate Planning Department, Barclays Bank Trust Company, 80 Gracechurch Street, London EC3V 0PX.

ECONOMIC CROSSROADS

continued from page one

enough, aid to the developing world. A large proportion, particularly from the private sector, has been channelled into industrial and urban expansion. Industrialization is a legitimate aim for any country, and we have helped the process through Barclays Overseas Development Corporation, but there is a great danger that, in the haste to industrialize, more fundamental problems are overlooked. Education and social services lag behind and the magnet of the big city entices farmers from the land.

Barclays' contribution in the way of direct aid can only be small, but we have set aside £100,000 a year to provide "pump priming" grants for socially desirable projects which would not qualify for support on purely commercial grounds. We are also intensifying our search for viable schemes to finance in the rural sector and our agricultural officers are available to provide technical information and advice.

Country people have always resisted change more fiercely than city dwellers, and the introduction of modern farming techniques must take time, but unless rural development is achieved and the gap narrowed between earnings in town and country, the dangerous migration to the towns will continue and a vital natural asset will be increasingly wasted.

Communist bloc

I have already mentioned the polarization of the world into larger units and the danger of isolationism. The most isolated group of all is the Communist bloc and it seems to me that an international bank might be able to do something towards breaking down the barrier between East and West and improving mutual understanding. Perhaps traders in an essential international commodity such as money are in as good a position as anyone to penetrate curtains of iron or bamboo and I do not see why we should not try.



THIS BRIEFING has been prepared by Barclays Bank in the hope that it will provide a useful service for journalists, economists and everyone interested in finance. The tables have been specially compiled from the latest available statistics.
Further information is available from the Bank's Press and Information Department (01-626 1567, Ex. 7145)
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The Atlas °Kolorarc is the unique metal halide lamp that makes all other industrial and commercial mercury lamps look a little blue. 27,000 amazing lumens of light the °Kolorarc pushes out, and every lumen has the natural glow of a soft summer morning.

°Kolorarc contains what Atlas call a 'cocktail', a subtle blending of vapourised metals that balances its lumen output happily along the spectrum, producing a light uncannily close to daylight.

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Only Atlas know how to mix metal-vapours to get the °Kolorarc cocktail. Just as only Harry of Ciro's could shake an authentic Monkey's Gland, just as no one but ol' Senator Fairbanks ever grasped what you do with Noyau and Vermouth to achieve a Fairbanks Cocktail, just as it took Charlie at the Racket Club to conjure the H.P.W. out of what ought to have been a Gin and It, or Sidney of the Cecil to realise you could graft Grenadine to Dubonnet and come up with a Rose, so you'll have to go to Atlas and °Kolorarc if you want to look at a mercury lamp and see daylight.

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Blundell-Permoglaze Holdings Ltd.

Significant Progress Achieved

Salient points from the Statement by the Chairman, Mr. E. B. Calvert, for the year ended 31st October, 1971.

Consolidated net profit after tax (excluding Australian losses) amounts to £304,912 compared with £182,719 a year ago, an increase of 70%.

Both trading companies, namely India and United Kingdom, contributed to this significant progress. Blundell-Permoglaze Ltd. had an excellent year with considerably increased profits while the Indian Company staged a marked recovery on the previous year.

During the year our loss-making subsidiary in Australia has been sold, our factory at Slough closed down and certain unprofitable lines have been discontinued. I am confident that as a result there will be a worthwhile improvement in future profitability.

In the light of the results and the Directors' confidence in the Group's future prospects, a total dividend of 14% is proposed (last year 12%).

Addressing Shareholders at the Annual Meeting, the Chairman said:

In my Statement which accompanied the Accounts Shareholders were informed that at this meeting I would provide them with as much information as possible with regard to the Group's progress during the current financial period and, at the same time, give them my opinion with regard to the final outcome of the year's trading.

First, with regard to the United Kingdom Company, I have available to me sales and provisional profit estimates for the first four months of the year. These disclose a satisfactory position inasmuch as the upward trend of sales and profitability has continued and increased.

Secondly, in respect of the Indian Subsidiary, the provisional figures for the first half of the year have been received and these show a very substantial increase in profitability. Also I have available provisional sales figures for the first two months of the second half of the year and these are encouraging.

On this occasion my forecast of the Group's trading result of the year has to be made against a background of a national crisis which has occurred both in the United Kingdom and in India. In this country thanks to the Works Management and operatives, very little production was lost. The progress of the Industrial Division has been checked temporarily, but the Decorative side of the business has continued to expand. With regard to India the Emergency in that country adversely affected business in December, but a steady recovery took place in January with a return to normality in February. To sum up, based on all the evidence I have presently before me, my firm belief is that both companies will produce very good trading results with profits substantially higher than those recorded during the previous year.

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Then there's expertise. Over the years we have acquired a lot of insight in various specialised financial areas. For example shipping financing. But we also know about Trust Companies. Through our subsidiaries we can offer world-wide Trust Company facilities. Why not approach our United Kingdom Trust Company Manager for further details by calling London at (01) 629 7071.

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The telephone number is (01) 235 1105. And we are in the telephone directory not only in the City, but also in Edinburgh, Glasgow, Belfast and Dublin.

The Bank of Nova Scotia

Incorporated in Canada with Limited Liability

Regional Office 19/23 Knightsbridge, London SW1. **Executive Offices** 44 King St. West, Toronto, Canada. Over 900 offices in: Canada, the Caribbean, the Bahamas, London, (5 branches) Glasgow, Edinburgh, Dublin, Belfast, Rotterdam, Brussels, Frankfurt, Munich, Athens, Piraeus, Beirut, Tokyo, New York, Chicago, Los Angeles, San Francisco, Houston, Mexico City, British Honduras, Guyana, Buenos Aires. **Affiliated and Subsidiary Banking Companies** The Bank of Nova Scotia Jamaica Ltd (43 branches), The West India Company of Merchant Bankers Ltd, Kingston Jamaica, Bermuda National Bank Ltd, United International Bank Ltd, London, UK, Maduro & Curiel's Bank NV, Netherlands, Antilles.

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Reliance House, 123/7 Cannon Street,
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C.B.A BANK

Property Bonds

All ready and nowhere to go

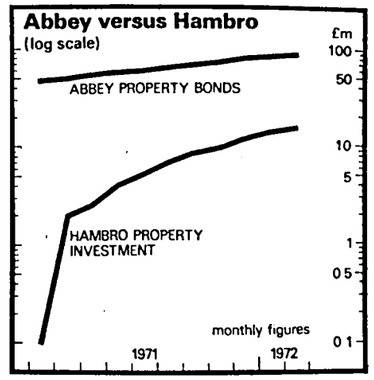
The managers of property bond funds are crying all the way to the estate agents. A year ago when *The Economist* published the first of its six-monthly surveys of property bonds, the 25 funds totalled about £80m, and they were struggling to establish the credentials of this enfant terrible of the savings business. There are still only 26 of them, with the Pearl and Samuel Montagu as the latest famous institutions to join the ranks; but their funds are now nearly £200m. This is still a long way from the £2.1 billion of the unit trusts, but money is coming in to them at a rate of between £10m and £12m a month. Meanwhile, the Scott committee is still working out in what form they should be allowed to exist.

All the other property-loving institutions are also flush with cash. Pension funds, insurance companies, and property companies themselves are all looking for the same kind of top quality property investment as the property bonds. For the time being, the old bugbear that property bonds are illiquid—the nagging question of "what happens when the bond funds try to convert property into cash in a hurry?"—has been turned on its head. The funds cannot get enough money into property. They are flush with bank deposits, while their managers ring round the estate agents for something to buy at a reasonable price.

The managers are boasting of their restraint in not buying property at fancy prices, and in not sending the property market into an even more crazy upswing. But their restraint has only just begun to be extended to cutting back their advertising campaigns. Since property bought dear, and valued dearer, will fall furthest if and when the property market becomes more bearish, a few managers are now pulling in their horns. This goes against some grains: property bonds, because of their tax structure, can get more mileage out of their initial charges than unit trusts. But



Silk's Bishopsgate block: sold for £480,000



the new campaign planned for **City of Westminster** by the new owner, Mr Pat Matthews's First National Finance Corporation, has been dampened. The newspapers may not be reaping such a fat harvest as last year, when Mr Mark Weinberg spent £350,000 promoting **Hambro Life** in direct competition with his ex-baby, **Abbey Life**—which spent £½m to make sure it stayed number one. For some funds newspaper advertising is more a way of keeping their name before the public than of attracting their money directly. **Property Growth**, and most of the tiddlers, are getting a great deal of money from the clients of insurance brokers.

One way of solving the problem of not being able to shunt the funds into property is to make a virtue out of shunting it elsewhere. The so-called "managed fund" puts the investor's money into subsidiary funds: of property, of equities and sometimes of fixed-interest securities. City of Westminster points out sadly that it has had just such a fund—**First Unit Fund**—for the past eight years, and no one has ever called it anything special or noticed it before.

Some managed funds, like First Unit and Abbey's **Selective Fund**, maintain a fixed proportion—a third in all cases—in each sector. But the newer idea pursued by Hambro Life, **Tyndall** and **Save and Prosper** is to vary the proportions according to market circumstances. This creates the pleasant impression of the managers pondering the omens and getting their investors' money into just the right places at the right time.

In practice, the managed funds are unlikely to switch wholesale out of property even if the equity market looks like booming ahead, and their managers do not seriously claim that

they will. These managed funds are really very similar to the old-fashioned life assurance funds, except that the appreciation (or depreciation) comes through directly rather than in the form of a periodic bonus. They should, therefore, produce the same sort of reliable, if a bit pedestrian, returns expected from a with-profits policy—with a bit of a boost from being free of the conservatism inherent in the bonus system. Once the bonus has been given it cannot be removed. Several more managed funds should be putting in an appearance soon. **Target** is pondering one ; so is **Nation Life,** now owned by the Stern family's part of the divided Freshwater group and Sterling Industrial Securities.

Another answer to the property shortage is for funds to take a hand in developing their own property. Specialist funds like Westminster's **Speculator** and Nation Life's closed-end **Performance Fund** do the whole development themselves. The more cautious approach of Abbey and Hambro is to own the land, provide development finance, and agree to buy the property at the end of the day at a fixed multiple of the rent achieved. If the developers get more than an agreed minimum, the difference is split with the fund. Property Growth has always taken a particular interest in development ; 30% of its fund is in a wide variety of partnership agreements, where the fund holds the freehold and the developers hold a lease. Abbey has put a 25% limit on the proportion of the fund in developments ; and is already rapidly approaching it.

There are problems about valuing the developments as they progress. Valuers are quite properly conservative about this more risky end of the business, and value developments at cost. This means that today's bondholders carry all the risk, while those joining later might be just in time for the big rise in fund values. A discussion is in progress between bondmen and valuers to achieve a fairer balance. An alternative and sounder line, pursued by Hambro (among others), is to reach more flexible forms of agreement with developers, so that they share part of the risk with the fund. The developers might, for example, pay the fund an income during the development period, in return for a bigger share of the profits at the end.

Property bonds should not seek spectacular performances. Their attraction is a steady growth in capital values and from reinvested income. At present their histories are too short for any but the City of Westminster's sturdy progress to mean anything much. The sudden leap of the **Robert Silk** fund, which looks so thrilling in our table, is due to a recent sale of a Bishopsgate property which accounted for well over half the fund ; it cost £320,000 and fetched £480,000 at the end of the day. The Silk family, who manage the fund, now have to find another investment ; this will be the real test of what they can do. They have their hearts—along with £180,000 of their own money—in the fund ; but other holders might callously judge this the right moment to take profits.



Abbey precincts in Bedford Square : posh properties at a premium

Small funds like Robert Silk have to make the difficult choice between putting a lot of their eggs into one expensive basket of property or collecting a larger number of smaller investments. The latter may look the safest at first glance, but in the current market large properties are a good deal more marketable than small ones and there is less risk of their losing value. That was why the Silks made their Bishopsgate killing. But it is still possible to pick up bargains at the lower end of the scale. Target, for example, is trying to collect small shops and offices in blocks ; this should make them more attractive to institutional buyers. Other funds may have to follow Target in this hard work of small property hunting, because the prestige blocks are becoming rarer and rarer.

Performance league

Insurance company	Fund	Size of fund £m (approx)	Launch date	Increase since launch* %
Abbey Life	Abbey Prop Bond	86.1	Sept, 1967	+39.0†
City of Westminster	City of West Annuity	2.5	Sept, 1969	+26.0
	City of West Prop	7.8	Apr, 1968	+63.5
	City of West Soc Prop Units	5.0	Aug, 1968	+46.0
	City of West Speculator	1.3	Mar, 1969	+44.0
Growth Property Mgt	Crusader Growth Prop	2.1	Apr, 1969	+18.0†
Guardian	Property Bonds	4.8	June, 1970	+24.9
Hambro Life	Hambro Prop Inv	13.9	Apr, 1971	+ 5.9
Hearts of Oak Benefits Sty	Hearts of Oak Prop	1.2	July, 1970	+ 6.8†
Hill Samuel Life	Hill Samuel Prop	6.1	Nov, 1969	+17.7
Int'l Life	Int'l Life Property	2.3	Feb, 1970	+36.0
Invest Annuity Life	Lion Property	0.3	July, 1970	+ 9.6
Irish Life	Property Modules	9.0	Oct, 1969	+40.6†
Langham Life	Property Bond	0.3	Dec, 1971	nil
M&G	Property Fund	1.3	Mar, 1971	+14.3
Nation Life	Nation Property	2.8	July, 1969	+26.9
Old Broad St Securities	Merchant Investors	4.1	June, 1970	+ 9.6
Property Equity and Life	Rbt Silk Property	0.6	Oct, 1970	+33.3
Property Growth	Abbey Nat Prop Growth	3.6	Feb, 1970	+16.0
	Prop Growth Bonds	15.3	Apr, 1969	+31.9
Reliance Mutual	Reliance Property Bds	1.2	Sept, 1970	+17.0
Save and Prosper	Property Fund	9.8	Mar, 1971	+ 3.7
Target	Target Property Bd	0.4	Sept, 1970	+ 6.0
Tyndall	Property Fund	3.5	Sept, 1970	+10.6
Welfare	Property Fund	4.0	Jan, 1971	+ 9.7

**Offer price at February 29th. †Adjusted for income distribution.*

Marine Midland's new Paris branch is not hard to find.



Marine Midland has just opened a new branch at 17 Place Vendôme, an address well known to both American and European businessmen. Now we can offer your business complete banking service.

Including: Local currency or Eurodollar financing. French franc or dollar-deposit accounts. Introductions to local businessmen and Government officials. Remittances in all free-world currency. Foreign-exchange transactions. Facts on taxes, labor, credit and investments. As well as import-export opportunities. The kind of help only a Full-Service bank can give you.

Marine Midland Bank—New York is the largest bank in the $9-billion Marine Midland banking system with 274 offices in 177 cities and towns throughout New York.

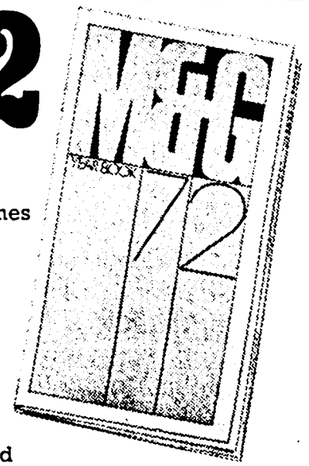
When you're in Paris, drop in and visit André J. Plagnol and Aimé P. Ferzan, vice presidents, at our new address (Tel. 742-5397).

Marine Midland can steer your business on a profitable course.

MARINE MIDLAND BANK
NEW YORK

Main Office: 140 Broadway, New York, N.Y. 10015 International Branches: Paris, 17 Place Vendôme, 1 er. London, 5 Lothbury, E.C. 2. Nassau. Representative Offices: Bogotá · Buenos Aires · Djakarta · Frankfurt · Hong Kong · Madrid · Mexico City · Panama City · Rome · São Paulo · Seoul · Singapore · Sydney · Tokyo. Cable: Marmidbank. Member F.D.I.C.

M&G Year Book 1972



The Year Book examines M & G's unit trusts and assurance schemes in detail. It gives a breakdown of each portfolio, and graphs comparing capital and income performance with both the Financial Times Index and the cost of living.

Although it is designed as an aide-memoire for professionals, the Year Book is also available for the serious private investor. And this year it will be more in demand than ever, since The Times recently declared: "If the unit trust industry awarded a prize for ingenuity and innovation, by now M & G would be the permanent or outright holder of such a trophy".

Please send me a free copy of the M & G Year Book 1972

To: M & G Group, Lee House, London Wall, London EC2Y 5AQ. Tel: 01-606 4332. 70

Mr
Mrs.
Miss

Address

SY 190012

M&G

CHAIRMAN'S STATEMENT

SEDGWICK, COLLINS (Holdings) Limited

International Insurance Brokers

STEADY EXPANSION

Salient points from Mr. P. W. Milligan's report to shareholders.

- The Group Profit before taxation for the year 1971 amounted to £3,187,412. This shows an increase of 12.2 per cent over the Group Profit for 1970 which itself showed an increase of 11.3 per cent over 1969.
- The Group's turnover of £7,314,991 shows an increase of 14.2 per cent over the comparable figure for 1970. The turnover would have been approximately £200,000 more had the American dollar not been devalued.
- Work on the foundations of the new office building next to Aldgate underground station has already begun. It is intended to cover the cost from available resources within the Company.
- The Group grows in strength from year to year and I am reasonably happy that both the immediate and the distant future can be faced with confidence.

Five Year Growth (£000's)

	1966	1967	1968	1969	1970	1971
Gross Income	3,671	4,169	5,081	5,622	6,542	7,438
Pre-tax Profit	1,631	1,880	2,332	2,551	2,841	3,187
Taxation	648	797	1,034	1,211	1,187	1,255
Net Profit	£983	£1,083	£1,298	£1,340	£1,654	£1,932

United Kingdom Offices

London: Regis House, 43-46 King William Street, E.C.4.
Birmingham: Newater House, 11 Newhall Street.
Bristol: 36/38 Baldwin Street.
Glasgow: 139 St. Vincent Street.
Manchester: 2 Deans Court, Crown Square.

Copies of the 1971 Report are available from the Secretary, at Regis House.

APPOINTMENTS

The Queen's University of Belfast

Lectureship in Accounting Science

The Senate of The Queen's University of Belfast invites applications for a Lectureship in Accounting Science in the Department of Business Studies from 1st October 1972, or such other date as may be arranged. Candidates should be graduates in Economics, Business Studies or a related field and/or members of a professional body of Accountants. Salary scale is £1,491 to £3,417 (under review) plus contributory pension rights under F.S.S.U. Initial pacing on the scale will depend on qualifications and experience. Applications should be received by 7th April 1972. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland. (Please quote Ref. 72/E.)

Australian National University

Research School of Social Sciences

POSTS IN ECONOMICS

Applications are invited for appointment in the Department of Economics, Research School of Social Sciences:

SENIOR FELLOW: $A11130-$A13068 per annum;
FELLOW: $A8062-$A11113 per annum;
SENIOR RESEARCH FELLOW: $A9922-$A11860 per annum;
RESEARCH FELLOW: $A6700-$A9220 per annum.

The Department is concerned with long and short run processes of economic growth and structural change, and with econometric and more generally quantitative studies of economic problems and decisions. Within the very wide ambit of these interests, all of which involve both empirical and theoretical elements, it is not intended to designate any particular field in which an appointee need be specially qualified. He will be expected to give his basic attention to research, with the opportunity to take part in the supervision and training of postgraduate students. The present head of the department is Professor T. W. Swan. Professor F. H. G. Gruen will take up duty late this year.

Senior Fellows and Fellows are appointed for an initial period of five years, after which they are normally reappointed to retiring age. A Senior Fellow is entitled to one year's study leave on full pay, plus a contribution towards travel and other expenses, in every six years of service, and a Fellow in every seven years.

Appointment to Senior Research Fellowships and Research Fellowships is normally for three years extendable to a maximum of five years.

Superannuation is on the FSSU pattern with supplementary benefits. Reasonable travel expenses are paid and assistance with housing is provided for an appointee from outside Canberra.

Further particulars may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

APPOINTMENTS

University of Malawi

CHANCELLOR COLLEGE

Applications are invited for the post of LECTURER IN ECONOMICS, tenable from 1st September 1972. Candidates should have a Master's degree or equivalent and/or experience. A good background in economic theory is necessary. Applicants able to teach any of the following courses particularly welcome: Agricultural Development, Planning, Public Finance, Quantitative Techniques. Salary Scale (including expatriate addition) £1,360-£2,250 p.a. plus *either* a University Addition of £360 p.a. (taxable in Malawi) *or* salary supplemented in range £540-£576 p.a. for single staff and in range £636-£684 p.a. for married staff in appropriate cases by the British Government (supplementation normally tax free). Gratuity; superannuation scheme transferable with F.S.S.U.; family passages; various allowances; biennial overseas leave. Detailed applications (6 copies) naming 3 referees by 4th April 1972 to Inter-University Council, 90/91 Tottenham Court Road, London W1P 0DT, from whom particulars are available.

Teesside Polytechnic, Middlesbrough

Department of Business and Professional Studies

Applications are invited for the following posts:
Senior Lecturer in Comparative Government.
Lecturer II in Financial Accounting.
Lecturer II in Cost Accounting.
Lecturer II in Economics.
Research Assistant in Economics.

Applicants should be graduates with teaching, commercial or research experience to lecture on degree, diploma and professional courses.

SALARY SCALES:

Senior Lecturer £2,920-£3,260.
Lecturer II £2,195-£2,875.

Application forms and further particulars from the Polytechnic Secretary, K(334)S, Middlesbrough, Teesside TS1 3BA returnable within two weeks. Telephone 0642 44176.

New Zealand

UNIVERSITY OF CANTERBURY
Christchurch

Sir James Fletcher Chair of Industrial Administration

The Council of the University invites applications for the Sir James Fletcher Chair of Industrial Administration, which was established and is supported by a grant from Tasman Pulp and Paper Company Limited. The Chair carries with it the Headship of the Department of Business Administration. Applicants should have appropriate academic qualifications and experience but persons not at present holding academic appointments should not be deterred from applying, since consideration would be given to candidates who after formal education in, say, science or engineering have later occupied responsible executive positions in industry.

At present the salary for a Professor is within the range $NZ11,698 to $NZ14,947 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on *1 May 1972*.

TENDER

STATE OF ABU DHABI

Exploration and Exploitation of Oil Resources

The Government of Abu Dhabi invites hereby internationally reputed oil companies having marketing facilities and willing to participate in exploration for and development and exploitation of Oil and other hydrocarbons in areas in Abu Dhabi totalling (14,827) sq. km., to apply to the Ministry of Petroleum & Industry. (P.O. Box 9, Abu Dhabi, Arabian Gulf) for information regarding the areas in question, the terms and conditions to which applicants should conform and any other information. Documents and information will be supplied only to oil companies or to a duly authorized representative of such companies.

Bids should be submitted in a sealed envelope marked "Confidential – Bids for Oil Rights in Abu Dhabi" to the Minister of Petroleum & Industry, not later than 5th July 1972.

(Signed) Mana Saeed Al-Otaiba
Minister of Petroleum & Industry
&
Chairman of the Board of Administration
Abu Dhabi National Oil Company
Dated 13th February, 1972

CHAIRMAN'S STATEMENT

VOSPER LIMITED

Points from the 1971 Accounts and the Statement by the Chairman, Sir David Brown.

★ The Group made a profit of £645,183 before tax, against an equivalent annual rate of £548,284 for the previous sixteen month period. I submit that this is very satisfactory in the circumstances.

★ The Woolston Shipyard was fully occupied in completing the second Mark 5 Destroyer for Iran, a Mark 7 Frigate for Libya and progressive construction of three Type 21 Frigates for the Ministry of Defence (Navy). The volume of work, which we are undertaking for the M.O.D.(N), is very much larger than it has been for many years.

★ Preliminary work has been proceeding apace on our major order for Frigates from The Federative Republic of Brazil, and actual construction work has now commenced.

★ We have reached agreement with a Swedish company to operate two V.T.1 Hovercraft between Malmo and Copenhagen and a joint company has been formed for this purpose.

★ The Singapore subsidiary again had a successful year with further growth in turnover.

★ Prospects remain good and, exceptional circumstances apart, I shall hope to report a further improvement on completion of this financial year.

	12 months to 31st October 1971 £	*Sixteen months to 31st October 1970* £
Turnover	**32,672,457**	30,695,078
Group Trading Profit	**989,404**	1,409,396
Group Profit before tax	**645,183**	820,045
Attributable Profit	**622,544**	734,340
Dividends	**229,383**	234,643
Capital Employed	**6,203,956**	5,254,950

A SUBSIDIARY OF THE DAVID BROWN CORPORATION LIMITED

APPOINTMENTS

Makerere University
UGANDA

Applications are invited for (a) SENIOR LECTURESHIP OR (b) LECTURESHIP IN ACCOUNTING, DEPARTMENT OF COMMERCE. Applicants must be graduates with post-graduate training in Business Administration with Accountancy as a major field or be a member of a recognized professional body. Several years University teaching and research experience and/or experience in Commerce and Industry required. Salary Scales: (a) £U1,950-£U2,615 p.a.; (b) £U1,350-£U2,230 p.a.; (£U6= £7 sterling). The British Government may supplement salary in range £612-£900 p.a. (sterling) and provide children's education allowances and holiday visit passages. F.S.S.U. Family passages; biennial overseas leave. Detailed applications (6 copies) naming 3 referees by 4 April, 1972 to Inter-University Council, 90/91 Tottenham Court Road, London W1P 0DT, from whom particulars are available.

Personable girl, probably in her 30's, needed by Oxford Management Centre, to work closely with the Centre Fellows and small groups of senior managers. Responsible for programme administration. Able to organise, type, maintain records and liaise with companies Title Courses Registrar, Salary £1,491-£2,040. Apply Director, Oxford Centre for Management Studies, Kennington, Oxford.

Nuffield College, Oxford
Gwilym Gibbon Research Fellowship

Applications are invited from men and women who wish to undertake a year's research into, or study of, a problem in the field of government and administration. Preference will be given to candidates with experience in one of the public services—central or local. Further particulars from the Warden. Applications should reach him by Tuesday, 25 April 1972.

Morgan Grenfell & Co. Ltd.
HAVE A VACANCY FOR AN ECONOMICS GRADUATE

to work in their economic intelligence area.

This post would suit a recently graduated Economist with an interest in a career in Merchant Banking.

Applications with full particulars including curriculum vitae should be sent to: B. J. Pennington.

MORGAN GRENFELL & CO. LIMITED
23 Great Winchester Street, London, EC2P 2AX.

The University of Manchester Institute of Science and Technology
Department of Management Sciences

The Department is one of the oldest and largest centres of management education in the United Kingdom. It has 49 members of staff, including 5 Professors and is an interdisciplinary Department teaching more than 300 undergraduates reading for an Honours degree in Management Sciences. There is a substantial research school with some 120 postgraduates and a number of industry sponsored research projects.

As part of the planned expansion of the Department applications are invited for the following vacancies:

LECTURER IN MANAGEMENT SCIENCES (MS/34/AD)
Applicants should be suitably qualified graduates in Economics, Statistics, Operational Research, Accounting or Sociology, with some research experience. The appointee will be expected to develop his own research and teaching interests in Management Sciences.

LECTURER IN MANAGEMENT SCIENCES (PRODUCTION) (MS/35/AD)
Applicants should be suitably qualified graduates, with research experience in Management Sciences. The appointee would be expected to develop research and teaching in the control and measurement aspects of Production Management.

Commencing salaries will be in the scale £1,641-£3,705 per annum with Superannuation under F.S.S.U.

Requests for application forms and conditions of appointment, quoting appropriate Reference number, should be made to the Registrar, U.M.I.S.T., Sackville Street Manchester, M60 1QD, to be returned not later than 10th April, 1972.

The University of Manchester Institute of Science and Technology
DEPARTMENT OF CIVIL & STRUCTURAL ENGINEERING

Special Research Assistant To Develop Mathematical Models for Financial Control of Capital Projects

Following the award of an S.R.C. grant a temporary post is offered, working with the project management group in this Department, for a period of 2 years. The successful applicant will develop the specification for the models by discussion with interested firms, write the resulting computer programs, and test their validity on one or more current industrial projects.

Applicants should preferably be graduates with a minimum of 5 years' professional or industrial experience, including work on a relevant commercial topic. Evidence of ability to prepare efficient computer programs will be required.

Salary range envisaged—£2,000 to £2,500 p.a.

Applications and enquiries on the above should be addressed to Mr. P. A. Thompson, Department of Civil and Structural Engineering, University of Manchester Institute of Science and Technology, P.O. Box 88, Sackville Street, Manchester, M60 1QD; telephone 061-236-3311, Extension 379.

Monash University
MELBOURNE, AUSTRALIA

Chair of Economics

Applications are invited for appointment to a Chair of Economics. Preference will be given to applicants who have special interests within the general area of micro-economics, interpreted broadly to encompass both pure and applied analysis, general and partial equilibrium and topics such as managerial economics, agricultural economics and welfare economics.

The Chair will be held in the Department of Economics in which there are several Professors of Economics, whose interests are in Economics of Industry, Macro-economics, International Trade and Monetary Economics, and Labour Economics. There are also specific Chairs in Accounting, Administration, Economic History, Econometrics and Marketing.

Enquiries about the Department may be addressed to the Chairman, Professor D. Cochrane, in the University.

Salary: $A15,264 per annum. Superannuation is based on an endowment assurance scheme, the employee and employer contributing 5% and 10% respectively.

Full information on application procedure, conditions of appointment, etc., is available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572), or the Academic Registrar, Monash University, Clayton, Victoria 3168, Australia.

Closing date: *30 April 1972.*

The Council reserves the right to make no appointment or to appoint by invitation at any stage.

CHAIRMAN'S STATEMENT

THE FOREIGN AND COLONIAL INVESTMENT TRUST COMPANY LIMITED

(Member of the Association of Investment Trust Companies)

The Annual General Meeting will be held on Wednesday, 5th April, 1972 at 12 noon.

The following is a summary of the statement by the Chairman, Mr. C. G. G. Wainman, which has been circulated with the Report and Accounts.

Consolidated net assets rose from £100m. to £124m. and net assets per share from 127½p to 167½p, a rise of 31% compared with 42% and 11% in the F.T. Actuaries All Share Index and the Standard and Poors 500 Share Index respectively.

With the U.K. Stock Market so buoyant the company's wide geographical coverage was not an advantage in 1971. Nevertheless the American and Japanese portfolios performed well against the relative indices. The sharp falls in our Canadian and Australian mining stocks were not anticipated.

In the current year the company has taken advantage of low interest rates in Switzerland and has borrowed the equivalent of £3·5m. for periods of up to five years, the proceeds being invested in Europe and America.

Investment policy remains that of capital growth and it is expected that this growth will continue to produce a steady improvement in income. This year it is proposed to make a small increase in the dividend payment. This requires a transfer from revenue reserve, but in the current year income is improving and the Board expect to maintain this rate of dividend.

TEN YEAR RECORD

Year ended 31st December	Consolidated gross revenue	Earnings and ordinary dividends (adjusted to present capital) Earned	Paid	Net assets value per 25p share (adjusted to present capital)	Capital gains certificate per share	Growth of £100 investment in ordinary shares at market value on 31st December
	£	p	p	p	p	£
1962	1,916,234	2·36	2·000	68		100
1963	2,065,926	2·55	2·175	79½		113
1964	2,346,478	2·81	2·500	78½		102
1965	2,699,573	3·20	2·875	86		116
1966	2,712,660	3·01	2·875	80	Nil	113
1967	2,886,556	2·90	2·875	124	0·52	180
1968	2,906,373	2·62	2·875	177½	10·94	286
1969	3,257,889	2·55	2·875	158½	6·04	213
1970	3,433,627	2·82	2·875	127½	Nil	209
1971	3,254,304	2·86	2·925	167½	Nil	255

DISTRIBUTION OF INVESTMENTS OF PARENT COMPANY

United Kingdom	47·2%	Australia	3·1%
United States of America	33·3%	Africa	2·2%
Canada	2·3%	Europe	2·9%
Far East	7·3%	Fixed Interest	1·7%

F. & C. MANAGEMENT LTD.

The Foreign and Colonial Investment Trust Co. Ltd.
General Investors and Trustees, Ltd.
The Cardinal Investment Trust Ltd.
Alliance Investment Co. Ltd.
City and Gracechurch Investment Trust Ltd.

WINCHESTER HOUSE, 77 LONDON WALL, LONDON EC2N 1DD

APPOINTMENTS

Market Intelligence Manager

Salary from £4,000 p.a.

is required to set up a small Market Intelligence Section in our new and expanding Marketing Department. He will be expected to acquire a full understanding of London Transport's markets and operating environment and to make known the implications of this knowledge to senior management.

Applicants should preferably be aged 28-40. Graduates in either Economics or Mathematics, of proven managerial ability, with relevant experience in some of the following fields; statistical analysis, economic research, market research, sales forecasting. They will probably have worked in a large consumer-orientated organisation, in consultancy or in an economic research organisation.

There are a number of fringe benefits, including travel facilities.

Applications to Chief Establishment Officer (Ref. F/VO.137/2) London Transport, 55 Broadway, SW1H 0BD giving career details.

LONDON TRANSPORT

Economic Statisticians

H.M. Treasury
to computerise public expenditure statistics

This vacancy within the Public Sector Group at the Treasury is for a Statistician who has practical experience of economic statistics and of the use of computers, and who is familiar with the principles of national Income accounting. As one of a team of administrators, economists and statisticians, your major responsibility will be to devise a computerised storage, retrieval, and analysis system, for data on past and projected expenditure. The information is for use in Policy making in the field of public expenditure, in the compilation of National Income statistics and for publication in the annual series of White Papers.

Department of the Environment
U.K. transport statistics

The successful candidate for this new post will examine the work in the field of transport statistics for the Department, which is likely to result from the European Community requirements, investigate possible methods of supplying the figures, and advise on the courses to be adopted. As the work will involve collaboration with counterparts on the Continent, and visits to Brussels, Luxembourg and other centres, a working knowledge of French would be an advantage.

Starting salaries for these Main Grade posts could be above the minimum of the scale £3,653–£4,883 (Inner London), with prospects of promotion to Chief Statistician £5,175–£6,475.

Applicants should normally be aged at least 27 and possess an honours degree in statistics, or in another subject involving formal training in statistics. Several years relevant experience is essential. Appointment may be permanent and pensionable or on a short term basis (with FSSU).

There are also vacancies for Statisticians and Senior Assistant Statisticians in other Government Departments. Senior Assistant Statisticians (salary £2,476–£2,984 Inner London) must be at least 24 with relevant postgraduate experience.

For full details of acceptable qualifications, together with details of all current vacancies in the Government Statistical Service, and for an application form (to be returned by 5th April 1972) write to the Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone Basingstoke 29222 Ext. 500, or London 01-839 1696 (24 hour 'Ansafone' service) quoting reference A/619/16.

APPOINTMENTS

Regional Planning

Applications are invited for an appointment in The Secretariat of the Standing Conference on London and South East Regional Planning.

The Conference is an organisation of the local planning authorities in South East England.

The successful applicant will be primarily concerned with a data collection and information system which is being established. Suitable candidates would be likely to be in their early twenties and have a knowledge of the techniques of statistical analysis and presentation.

Salary up to £1,971 plus London weighting.

Applications by letter with any supporting material by 4 April, to The Secretary, SCLSERP, 28 Old Queen Street, London, SW1.

The International Federation of Cotton and Allied Textile Industries (IFCATI)

has a vacancy for a

STATISTICIAN/ ACCOUNTANT

at its headquarters in Zurich, Switzerland.

The position involves taking charge of the Federation's statistical service, general economic research, simple accounting and administrative duties. Fluent English and working knowledge of French and/or German desired. This is a challenging opportunity for a young

ECONOMIST or STATISTICIAN/ ACCOUNTANT

to join the small staff of this leading international trade association at its modern headquarters in Zurich. Some foreign travel involved. Excellent working conditions; terms of employment by mutual arrangement.

Applications, preferably by single men under thirty, marked "Personnel," with full details, to The Director, IFCATI, P.O. Box 289, 8039 Zurich, Switzerland.

O.E.C.D. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT PARIS

TECHNICAL ASSISTANCE VACANCIES FOR ACADEMIC STAFF AT

THE MIDDLE EAST TECHNICAL UNIVERSITY ANKARA

MANAGERIAL FINANCE/ACCOUNTING
- Accounting Principles
- Cost Accounting
- Business Policy
- Money and Banking
- Managerial Economics

MARKETING
- Marketing Research
- Marketing/Sales Management
- International Marketing
- Advertising

QUANTITATIVE METHODS
- Management Information Systems
- Operations Research
- Production Management
- Systems Analysis
- Decision Theory

BEHAVIOURAL SCIENCES
- Personnel Administration
- Organisation Theory
- Research Methods in Social Sciences

PLANNING
- Project Planning and Administration

Three or four teaching posts covering the subject areas listed above are available in the Department of Management at the Middle East Technical University in Ankara for the academic year 1972/73 under the Technical Assistance Programme of the O.E.C.D. The University occupies a special position in the educational system of Turkey, is technically oriented, and teaching is in English. The modern campus is finely located on the uplands just outside Turkey's capital and provides favourable academic conditions for international staff, with challenging opportunities to initiate research into industrial development problems.

Attractive salaries and allowances according to qualifications and experience will be offered to candidates with higher degrees and substantial experience in teaching and, if possible, in the direct application of subject matter. Preference will be given to nationals of O.E.C.D. Member countries.

Applications with résumé or inquiries to:
MR. MAURICE DOMERGUE, Head, Technical Co-operation Service, O.E.C.D., 2 rue André-Pascal, Paris 16ème.

UNIVERSITY OF DUBLIN Trinity College

JUNIOR LECTURER IN ADMINISTRATION

Applications are invited from suitably qualified candidates. Applicants should indicate their area of interest, eg, finance, information, systems, marketing or personnel.

Salary Scale: £1,544 x £102-£1,952 p.a.

Marriage and children's allowances are paid and there is a non-contributory F.S.S.U.-type pension scheme.

Further particulars may be obtained from

The Assistant Secretary (Staff), West Theatre, Trinity College, Dublin, 2,

who will receive completed applications up to 25th April, 1972.

Staffordshire County Council

COUNTY PLANNING AND DEVELOPMENT DEPARTMENT

SENIOR GROUP LEADER
Reference No. 36.
(S.O.1/P.O.1A—£2283 to £3180 per annum)

SENIOR PLANNING ASSISTANT
Reference No. 59.
(A.P.4./S.O.1—£1932 to £2766 per annum)

Applications are invited for the above posts in the Research and Industry Section of the Department. The Section is responsible for research on a wide range of economic and social topics as well as monitoring of Industrial Development. It has a major role in the preparation of the County Structure Plan in the fields of Population, Employment, Industry and Shopping.

The Senior post will carry special responsibility for Population and Employment studies and forecasts and related needs in terms of Shopping and Social Services. Applicants should have considerable experience in initiating and conducting research projects, analysing and evaluating statistical data, and in the preparation of reports.

Applicants for the post of Senior Planning Assistant should be familiar with sources of data and have experience of statistical analysis. A knowledge of and interest in computer techniques will be an advantage.

The commencing salary for the successful applicant will be at any point on any of the grades commensurate with age, qualifications and experience.

Applications (no forms) giving details of age, education, qualifications, present and previous appointments, experience, present salary, and the names and addresses of two persons to whom reference may be made, should be sent to J. H. Barratt, County Planning and Development Officer, Martin Street, Stafford, by not later than 30th March, 1972.

Relationship to any member or senior officer of the County Council must be disclosed.

APPOINTMENTS

University of East Anglia

School of Social Studies

GRADUATE RESEARCH ASSOCIATE IN ECONOMICS required to assist Professor H. F. Lydall in a study of the effects of trade expansion on employment in developing countries; from an early date to the end of 1973. Salary on scale £827-£1641 according to qualifications. Good degree in Economics, including quantitative methods and interest in empirical research required. Applications, with curriculum vitae and the names and addresses of two persons to whom reference may be made, should be sent by 7 April 1972 to Professor H. F. Lydall, School of Social Studies, University of East Anglia, Norwich, NOR 88C, from whom further details may be obtained.

School of Agriculture
ABERDEEN

The North of Scotland College of Agriculture and University of Aberdeen

Applications are invited for three senior College-paid posts in the Economics Division (Head: Professor G. R. Allen):

A. *Deputy Head of Division*, with broad supervisory and administrative duties which can be adapted to the appointee's particular interests, but which will include research, investigations, and extension (probably with emphasis on farm production) and liaison with government departments; experience in supervising research with a substantial mathematical component could be an advantage;

B. *Senior Economist, Farm Production and Extension*, with responsibilities in supervision of some of the Division's teaching programmes, in research, and in furthering liaison with technical specialists and advisers; experience in mathematical techniques is sought;

C. *Senior Economist, Marketing*, to assist the Head of Division in developing marketing studies (feasibility appraisal, outlook) for teaching, research and advisory purposes.

All three appointees will be associated with University teaching and research supervisions in Agricultural Economics.

Salaries, according to qualifications and experience, on the scales of Grade I or II (posts A and B) or Grade II (post C); at present:

Grade I £3,789 to £4,839
Grade II £3,142 to £3,789

Federated Superannuation System for Universities. Medical Examination required.

Forms of application, together with further particulars, may be obtained from the Secretary, The North of Scotland College of Agriculture, School of Agriculture, 581 King Street, Aberdeen AB9 1UD with whom applications, which should state for which post (A, B or C) application is made, should be lodged *not later than 18th April, 1972.*

University of Essex

Department of Economics

Applications are invited for a post of . . LECTURER IN ECONOMICS (£1641-£3852) in any field of Economics. Preference will be given to candidates specialising in Econometrics.

Applications (six copies, quoting reference SS/19/E) must reach the Registrar, University of Essex, Wivenhoe Park, Colchester, CO4 3SQ, Essex, from whom further particulars are obtainable, by 4 April 1972.

E·I·U

Urban Planning

EIU Planning Services are presently undertaking a number of interdisciplinary planning assignments both for public and private sector clients. A vacancy exists for a recently qualified town planner, preferably with a background in one of the social sciences. An interest in, and knowledge of modern technical and social development in planning is required. The applicant should be prepared to help in building up planning consultancy services for government departments, local authorities and private sector clients at home and overseas.

Applications showing how these requirements are met, together with a detailed curriculum vitae and indication of present salary level should be sent to: EIU Planning Services
THE ECONOMIST INTELLIGENCE UNIT LTD
Spencer House, 27 St James's Place
London SW1A 1NT

UNIVERSITY OF DUBLIN Trinity College

JUNIOR LECTURER IN SOCIOLOGY

Applications are invited from suitably qualified candidates for the above post. Candidates with an interest in the sociology of industrialised societies and social stratification; political sociology or contemporary and historical class-structures are particularly encouraged to apply, although applications from candidates with interests other than the above are equally invited.

Salary Scale: £1,544 x £102-£1,952 p.a.

Marriage and children's allowances are paid and there is a non-contributory F.S.S.U.-type pension scheme.

Further particulars may be obtained from:

The Assistant Secretary (Staff), West Theatre, Trinity College, Dublin, 2,

who will receive completed applications up to 25th April, 1972.

OPERATIONAL RESEARCH

The South Western Gas Board has openings for two Operational Research Assistants at Head Office, Bath.

The salary ranges are (A) £1824-£2145 per annum and (B) £1494-£1764 per annum.

The successful applicants will be involved in a variety of projects covering marketing, stores control, manpower utilization and forward planning of the Board's activities.

Qualifications, university degree or equivalent in operational research, mathematics, statistics or a social science.

For the more senior position a minimum of two years experience in industry is desirable.

Both posts are pensionable and offer three weeks holiday a year, sick pay scheme and five day week.

Applications in writing stating age and experience, and quoting ref: C8769 to: Director of Personnel, South Western Gas Board, 9a Quiet Street, Bath, BA1 2JX. Closing date for applications March 25.

South West Gas

APPOINTMENTS

NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

The Institute has the following vacancies:

1) a Senior Research Officer to work as a member of a team forecasting short-term developments in the UK economy and undertaking research into the structure and behaviour of the economy;

2) a Senior Research Officer or Research Officer to work on the forecasting of developments in international trade and payments for the National Institute Economic Review;

3) a Research Officer to join a project on innovation mainly in the energy sector.

The salary scale for Senior Research Officers is £3330 x 147—£4065; x 147—£4653 and that for Research Officers £1647 x 147—£2676; x 147—£3705. The Institute also pays £162 London Allowance.

Applications by April 4 to the Secretary, NIESR, 2 Dean Trench Street, Smith Square, London SW1P 3HE (Telephone 222 7665) enclosing curriculum vitae and names of two academic referees.

The University of Lancaster

International Centre for Research in Accounting

RESEARCH STUDENTSHIPS

The International Centre for Research in Accounting (ICRA) is an independently financed unit within the University of Lancaster. It has been established to engage in research into accounting principles and their application to the problems currently facing the profession.

Two research projects which are being given priority are:
(a) A comparative study of the similarities and differences between accounting reporting principles and practices in major industrial countries, with particular reference to problems which may arise when Britain becomes a member of the E.E.C.

(b) An investigation into the nature, purposes and objectives of published financial accounts, with particular reference to the needs of users and potential users. This project is aimed at defining the fundamental concepts and principles which should underlie the preparation of company financial reports.

One year and two year Studentships are available to suitably qualified persons interested in pursuing full-time research into either of the above projects. The one year Studentships will normally lead to an M.Sc. degree, while the two year Studentships will lead to the Ph.D. degree. In appropriate circumstances it is possible to convert from the M.Sc. to the Ph.D. programme.

These Studentships form part of a general Ph.D. programme in accountancy within the University of Lancaster, and there will be ample opportunity for contact with other post-graduate students attached to ICRA and to the Department of Accounting and Finance.

The annual stipend of the Studentships will be set in the range £1000-£1800, depending upon a candidate's qualifications and circumstances.

For further details, and application forms, please write to the Director of ICRA, Professor Edward Stamp, Furness College, Ballrigg, Lancaster, quoting reference Number L.653/C.

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University of Sussex

Esmeé Fairbairn Scholarships for Research in Economics

Applications are invited for two or three Esmeé Fairbairn Scholarships for research in economics, obtainable at the University of Sussex. The value of the Scholarship will be in the region of £.50-£1000 depending on the age and experience of the applicant.
Candidates will be expected to submit a statement of the research project that they would propose to undertake. Preference will be given to candidates who wish to work in the field of the economics of industry and trade.
Applicants must be able to satisfy the normal requirements for admission into graduate studies in economics at Sussex, details of which can be found in the University Graduate Prospectus, and will be required to register for a research degree. Applicants should have at least an Upper Second Class Honours Degree in Economics and should have completed a graduate course-work programme in Economics or have other relevant experience since graduating.
Further details and information can be obtained from Dr. J. F. Pickering, School of Social Sciences, University of Sussex, Brighton, BN1 9QN, to whom completed applications should be returned not later than 24th March. Please quote ref 883/3.

BRUNEL UNIVERSITY

MASTERS DEGREE IN ECONOMICS

The Economics Department is offering, from September 1972, one year full-time and two year part-time Masters degree courses. These are designed mainly for those working in government, education, business or industry who wish to develop their theoretical and applied skills. Specialisation on subjects relevant to the students' interests will be encouraged. Studentships may be available.

Particulars from the Secretary, Economics Department, Brunel University, Uxbridge, Middlesex. Tel. Uxbridge 37188.

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BUSINESS NOTICE

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Notice to Shareholders

The Ninety-First Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the third day of May next, at Le Chateau Champlain, Place du Canada, Montreal, at eleven a.m. (daylight saving time, if operative). The transfer books of shares and stock will be closed at the close of business on Tuesday, the 25th day of April, 1972 and will be re-opened on Thursday, the 4th day of May, 1972.

By order of the Board,
T. F. Turner, Secretary.

Montreal, March 13th, 1972.

PUBLICATIONS

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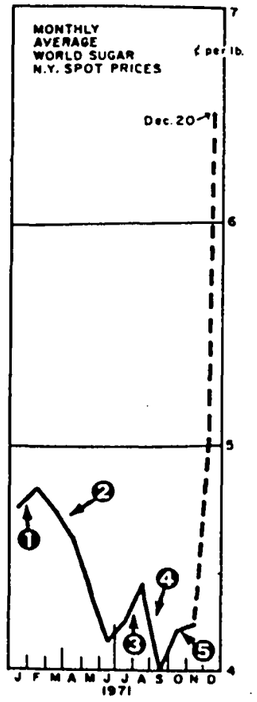
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SUGAR

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1. **January 1971 — Sell on near term advance. Weakness will follow.**
2. **March-April 1971 — Broad downward trend. Buying opportunity around mid-year.**
3. **July 1971 — Expect selling on approach to 4.5¢ spot.**
4. **August-September 1971 — Only moderate further weakness followed by recovery to new highs. Add to purchases on weakness. Long term trend up. Maintain long positions.**
5. **October-November 1971 — Long term trend up. Maintain long position.**

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STOCK PRICES AND YIELDS

Prices, 1971–72 High	Low	British funds		Price, Mar. 8 1972	Price, Mar. 15 1972	Net red. yield, Mar. 15 1972§ £p	Gross red. yield, Mar. 15 1972 £p
98¹⁄₁₆	92¹⁄₈	British Electric 3%	1968–73	98¹⁄₁₆	98¹⁄₈	3·455	4·620 *l*
88¹⁄₂	70⅜	British Electric 3½%	1976–79	87¹⁄₄	86⅞	4·230	5·835 *l*
111¼	92⅝	Treasury 8½%	1980–82	108¹⁄₁₆	107	4·170	7·540 *l*
110⅜	90¼	Treasury 8¼%	1984–86	107¹⁄₂	106¼	4·530	7·895 *l*
96	76	Funding 6½%	1985–87	94¼	93¹⁄₂	4·640	7·495 *l*
66¼	47⅜	British Transport 3%	1978–88	64⅜	63⅝	5·165	6·785 *l*
85⅝	66⅜	Funding 6%	1993	81⅝*	80¹⁄₂	5·105	7·900
111	93⅞	Treasury 9%	1994	109¹⁄₂	108¼	4·920	8·470
57⅜	41⅛	British Gas 3%	1990–95	56¼	55⅝	5·160	7·000 *l*
89⅛	72¼	Treasury 6¾%	1995–98	88	87¼	5·040	8·175 *l*
73⅛	57⅜	Treasury 5¼%	2008–12	69¼*	68⅝*	5·155	8·175 *l*
43¼	36	War Loan 3½%	after 1952	42⅜	42	5·075	8·540 *f*
30⅛	25⅛	Consols 2½%		29⅜*	29¼*	5·135	8·545 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	105¹⁄₂–6¹⁄₂	105–6	8·07
Barclays 8¼%	1986	103–4	101¹⁄₂–2¹⁄₂	7·79
Borg Warner 8%	1979	102¹⁄₂–3¹⁄₂	102–3	7·29
Commercial Union 8½%	1986	103–4	102–3	7·97
Esso 8%	1986	102–3	101–2	7·61
Ford 8%	1981	102–3	101¹⁄₂–2¹⁄₂	7·46
General Motors 8¾%	1986	105¹⁄₂–6¹⁄₂	104–5	7·96
General Telephone & Electric 8¼%	1986	102³⁄₄–3¾	101¹⁄₂–2¹⁄₂	7·79
Shell 8%	1986	101¹⁄₂–2¹⁄₂	100¹⁄₂–1¹⁄₂	7·67
Hill Samuel 8½%	1986	101¹⁄₂–2¹⁄₂	100⅝–1⅝	8·12
Rank 8¾%	1986	103¹⁄₂–4¹⁄₂	103–4	8·06
Transocean Gulf 8%	1986	102–3	101–2	7·61
Firestone (DM) 7¾%	1986	107–8	106¹⁄₂–¾	6·99
Prov. of Nova Scotia (DM) 7¾%	1986	106¼–7	106–¼	7·01
ICI (£/DM) 8%	1986	105¹⁄₂–6¼	106–7	7·20

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15, 1972	Change on week	Yield Mar. 15
		Banks, other financial			
307⅛	239	Algemene Bank	Fl 307⅛	+2	5·5
68	54·3	Amsterdam-Rot	Fl 68	+1⅛	5·0
360	240	Aust & NZ Bank	355p	+10	2·8
73⅛	60⅜	Bank of America	$70⅛	+⅜	3·1
445	300	B of Ireland	410p	+20	3·4
1131¼	700	B of Montreal	1000p	−37½	3·2
116⅜	85	B Nac de Mexico	P 93	+⅜	6·5
385	290	B of NS Wales	385p	+7	2·5
660	337½	B of Scotland	660p	+25	2·8
262½	2310	B Bruxelles	Fr B 2580	−5	4·5
259·6	222	B de Paris Pays Bas	Fr 242	−1⅛	5·3
71⅛*	50⅝	Bankers Trust	$59⅝	+1	4·8
804	327½	Barclays	798p	+12	2·4
15⅝	9⅞	Can Imp Com	£13⅛	−⅛	2·0
110	48¼	Charterhouse Group	109¹⁄₂p	+1½	3·8
61⅜	48⅛	Chase Manhattan	$55¼	+1⅛	3·6
70	51⅛	Chemical Bank NY	$57⅛	+1⅛	5·0
267·3	196	Commerzbank	DM 250	+5·4	3·4
175	144½	Credit Commercial	Fr 159·6	−0·9	4·7
414	358·2	Credit Foncier	Fr 379	−10	5·6
4265	3035	Credit Suisse	Fr S 4265	+150	1·9
355	281	Deutsche Bank	DM 340½	+8	2·7
285·9	215½	Dresdner Bank	DM 278½	+6	3·3
49⅛	33	First Nat City	$49⅛	+⅛	2·7
404	210	Fuji	Y 395	...	1·5
402	212½	Hambros	402p	+5	1·9
164	72	Hill, Samuel	162p	+9	2·3
4¼	1⅛	IOS Mgnt	$1⅛	...	...
159⅛	87⅛	Hongkong & Sh	£145⅛	−⅜	2·5
166	73	Kleinwort Benson	163p	−1	2·3
6710	5300	Kreditbank	Fr B 6550	−50	2·8
395	259	Kundenkredit	DM 382	+5	2·6
2010	1680	Lambert L'ind	Fr B 2010	+70	4·0
388	258	LBI	373p	+12	2·7
764	310	Lloyds	758p	+52	2·1
39⅛	30⅛	Manuf's Hanover T'st	$33¼	+1	4·7
81325	62300	Mediobanca	L 63600	+100	1·7
242	140	Mercantile Credit	231p	+3	3·3
210	102	Mercury Secs	200p	...	1·5
674	287½	Midland	670p	+34	2·6
284	173	Mitsui	Y 220	+3	2·3
247·7	113	Montagu Trust	247p	+5	1·4
81	62⅛	Morgan J P	$78	−3	3·6
515	260	Nat & Grindlays	515p	+95	2·9
3·42	2·07	Nat Australasia	$A3·42	+0·10	3·5
222	91¼	Nat Com Grp	222p	+7	2·1
780	323⅜	Nat West	776p	+30	2·3
145	122½	Norsk Creditbk	%123½	−1	7·3
17	11⅝	Royal Canada	£15⅞	−⅜	2·3
785	412½	Schroders	785p	+65	1·3
377	192½	Slater Walker Secs	367p	+15	2·2
3115	2800	Soc Gen de Banque	Fr B3090	+30	4·7
2860	2430	Soc Gen de Belgique	Fr B2800	+40	2·4
410	200	Standard & Chart	393p	−2	3·0
370	264	Suez	Fr 353	−17	4·9
402	209	Sumitomo	Y 397	−2	1·5
4170	3020	Swiss Bank Corp	Fr S 4100	+75	1·9
4250	3720	Union Bank Switz	Fr S 4250	+40	2·3
550	320	Union Discount	550p	−5	4·4
275	134	United Dom Tst	272p	+19	2·3
		Insurance			
70¼	46⅛	Aetna Life & Cas	$64¼	−1¼	2·5
459	335	Allianz Versich	DM 459	+11	1·3
	320	Comm Union	488p*	−8	3·4
3	271¼	Eagle Star	558p	−6	2·2
197	115	Gen Accident	187p	+8	3·0
65490	44610	Generali	L 49190	+140	0·9
312	167	Gdn Royal Exch	300p	+2	2·7
384	237½	Legal & General	384p	+16	2·4
80⅝	55⅛	Nat Nedrlandn	Fl 76	−1·8	2·6
392	226¼	Pearl	390p	+12	2·6
304	172½	Phoenix	301p	+1	2·8
224	143	Prudential	224p	+19	2·4
442	265	Royal	442p	+12	3·4
578	301	Sun Alliance	556p	−6	2·9
413	140	Taisho Mar & F	Y 316	−18	1·7
630	281	Tokio Marine	Y 530	+9	1·0
5650	3975	Zurich Ins	Fr S 5650	+100	2·9

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15, 1972	Change on week	Yield Mar. 15
		Breweries, etc.			
110	60	Allied Breweries	106¹⁄₂p	+1½	3·2
69	37¹⁄₁₆	Anheuser-Busch	$ 66¼	−2⅜	0·8
169	95	Bass, Charrington	169p	+4	2·9
165	117	Bols NV	Fl 154·8	+0·8	2·3
160	88⅛	Courage	158p	+24	2·3
187¼	125⅜	Distillers	181p	+2	3·5
36⅛	24⅛	Distill Seagrams	$34	−1⅜	2·1
465	385	Dortmund Union	DM 420	−2	2·4
216	130	Guinness	212p	−1	3·4
278	194·7	Heineken	Fl 272	+0·9	1·3
148	57	IDV	144p	...	2·1
265	188	Kirin Brewery	Y 247	−6	3·0
19¼	13⅛	Nat Distillers	$16⅜	−¼	5·5
109½	63¼	Scottish & Newc	108½p	+7	2·6
92½	61⅜	Sth African Br	81p	−1⅛	3·8
260	90⅜	Watney, Mann	246p	+38	2·1
102	51⅜	Whitbread 'A'	102p	+7	3·0
		Building, building materials			
455	228¼	Assoc Portland	451½p	+8½	2·9
223	101⅜	BPB Industries	209p	−4	3·1
48⅜	15¼	Bolse Cascade	$19½	+1¾	1·3
299	108	Bovis Holdings	299p	+13	1·7
253·3	167½	Ciments Lafarge	Fr 214	−9	6·5
2580	1795	Cimenteries Briq	Fr B 2580	+95	4·3
354	103	Costain	338p	−12	3·3
126⅛	83	Eng China Clays	115p	+1	2·3
25450	18530	*Italcementi*	L 19270	−30	2·6
198	70	Laing 'A'	193p	−2	1·2
149	53⅜	London Brick	149p	+5	2·5
212	37⅛	Marley	201p	+8	2·7
360	175	Pilkington Bros	355p	+5	2·8
151	53⅛	Redland	151p	+13	2·0
177	90⅜	Rugby Portland	157p	−4	1·9
199	114	Steetley	158p*	−4	3·3
290	143⅜	Tarmac	289½p	+3½	3·0
360	132⅛	Taylor Woodrow	340p	+19	1·7
267	106	Wimpey	265p	+40	0·8
		Catering, hotels, entertainment			
198	126⅛	ATV 'A'	156p	−1	4·6
55⅛	30⅛	CBS	$53¼	−2	2·6
244	118	Granada 'A'	238p	+4	2·3
275	110⅛	Grand Metropolitan	246p	−8	1·1
55⅛	35¼	*Holiday Inns*	$54¼	−⅜	0·5
682	395	Lyons 'A'	682p	+9	2·0
203	116	Trust Houses-Forte	201p	+10	3·7
		Chemicals			
91	56·7	AKZO	Fl 69·8	−14	5·7
1060	724	ANIC	L 742½	−10½	6·8
40	27	Amer Cyanamid	$38¾	−1¼	3·2
161	113·2	BASF	DM 157·3	+5·8	...
164	113	Bayer	DM 141·8	+4·7	...
2930	2250	CIBA-GEIGY	Fr S 2885	+45	0·8
85⅛	48¼	Dow	$83	−⅛	2·2
174	129¾	Dupont	$169¼	−3¾	3·0
376	220	Fisons	340p	+2	3·1
35⅛	25⅜	W R Grace	$26⅛	−⅜	5·6
198½	120·2	Hoechst	DM 167	+2·8	...
335	230	ICI	270p	+3	5·2
148	77	Laporte	94p	+9	2·1
53¼	37⅛	Monsanto	$52¼	+2½	3·4
904	630	Montecatini-Edison	L 673	−9	...
1295	520	Norsk Hydro	Kr 920	+15	1·2
245	156	Rhone Poulenc	Fr 171·8	−0·2	7·0
2875	2125	Solvay 'A'	Fr B 2600	+10	6·0
162·9	119·7	St Gobain	Fr 156	...	5·4
344	180	Takeda Chemical	Y 200	−5	4·3
50	39	*Union Carbide*	$44⅜	−⅞	4·5
		Coal & steel			
5000	3485	Arbed	Fr B 4000	−70	6·7
32⅜	19⅜	Bethlehem	$31	−1⅛	3·9
14·75	9·26	Broken Hill Pty	$A 11·95	...	...
164½	124	Denain Longwy	Fr 142	+2	9·5
543	291	Finsider	L 296½	+4½	12·7
145	130	Fried Krupp	DM 142	−3	7·0
204	147	Granges A B	Kr 153	−5	7·8

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15, 1972	Change on week	Yield Mar. 15
84	52·3	Hoesch	DM 67	+2½	4·5
85·3	54⅛	Hoogoven	Fl 67·4	−2·7	5·9
172½	134⅛	Mannesmann	DM 169	+6½	7·2
64	50	Nippon Steel	Y 60	...	8·3
102½	65·2	Rheinstahl	DM 88	+2	5·8
96½	60	Thyssen Huette	DM 80·3	+4·7	
205	140	Ugine Kuhlman	Fr 164	−5·1	8·2
35¼	25	US Steel	$33¼	+⅛	4·8
122·8	83·9	Usinor	Fr 90·1	−2	10·0
120	40	Wendel-Sidelor	Fr 42·8	−1·7	11·3
		Electrical, electronics			
201·8	132½	AEG Telefunken	DM 165	+4	3·0
299	170	ASEA	Kr 275	−1	3·6
199	122	BICC	198p	+21	3·5
475	373	CGE	Fr 421	−6	4·8
180	56⅛	Chloride Electric	177p	+3	2·6
83¼	49⅜	Comsat	$66⅜	−6½	0·8
360	165	Decca	358p	+8	2·5
231	124	EMI	231p*	+30	2·7
203	111	Electrolux 'B'	Kr 203	+7	3·9
295	216	LM Ericcson 'B'	Kr 278	+2	2·0
66⅛	46⅜	General Electric	$63⅜	−⅜	2·2
195	90	GEC	177½p	+2	2·1
35⅜	27⅜	Gen Tel & Elec	$31⅜	+⅛	4·8
145	87	Hitachi	Y 116	−1	5·2
158⅜	82⅛	Honeywell	$150¼	+8½	0·9
69¼	39⅜	Hoover	$68⅜	−⅛	1·7
383¼	286	IBM	$373	−9	1·4
175	103	Int Computers	140p	+1	8·0
102	64	Machines Bull	Fr 82·7	−4	...
720	346	Matsushita	Y 693	−27	1·4
712½	426	Philips	665p	−2	3·0
167	100	Plessey	144p	+2	3·5
44⅜	26¼	RCA	$43	−1⅜	2·3
124	64⅜	Rediffusion	124p	+2	3·3
178⅛	67	Reyrolle Parsons	103p	+1	(n)
245·7	179	Siemens	DM 245·7	+14	2·8
4529	2460	Sony	Y 4414	−115	0·3
38⅜	22⅛	Sperry Rand	$37⅛	−1¼	1·9
140	79¾	Texas Instruments	$138	−2	0·6
146·4	91	Thomson-Houston	Fr 109	−6	5·5
530	257	Thorn Electrical	525p	+22	1·1
81	56	Toshiba	Y 71	−4	7·0
55⅛	34½	*Western Union*	$55⅛	+⅛	2·5
48⅛	32⅜	Westinghouse	$47	−⅛	1·9
		Engineering, shipbuilding			
230	123½	Acrow 'A'	230p	+10	2·1
225	163	Atlas Copco	Kr 222	+5	2·3
85	17½	BSA	40p	+1½	...
360	225	Babcock & Wilcox	346p	−2	2·9
187	100	John Brown	157p	−3	7·4
1595	890	Brown Boveri 'A'	Fr S 1365	...	3·7
98⅛	56¼	Cohen 600	88p	−1⅛	5·1
71	36	Davy Ashmore	71p	+4½	1·8
189½	143	Demag	DM 185½	+5	4·3
56	17⅛	B Elliott	56p	+5½	1·1
166½	76	Firth Cleveland	141½p	−5½	5·0
428	271	GKN	386p	+1	3·3
183½	129	Gutehoffnungs	DM 169·9	+9·8	4·3
37	12⅛	Harland & Wolff	25p	−2	...
82	32½	Head Wrightson	78p	−1	3·9
71	27	Alfred Herbert	54p	−1	...
100	66	IHI	Y 87	−4	6·9
25⅛	9¼	Inter Combstn	22p	−1¼	...
152	81	Inter Comp Air	148p	−1	2·3
64	19⅜	Laird Group	64p	+3½	...
206½	155⅛	MAN	DM 178	+4	5·1
91	56	Mather & Platt	82½p	+2½	3·4
420	277	Metal Box	400p	+11	3·1
93	72	Mitsubishi Heavy	Y 84	−3	7·1
140	101⅞	Morgan Crucible	115p	+8	4·6
435	340	SKF 'B'	Kr 390	+7	3·1
77	31¼	Serck	74p	−1	2·7
180	97⅛	Simon Engng	119p	−6	6·3
77	33¼	Stone-Platt	76p	+3	3·6
65	15	Swan Hunter	60p	+1	3·3
3800	3020	Sulzer	Fr S 3500	−10	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. § Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*l*) To latest date (n) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15, 1972	Change on week	Yield Mar. 15
500	304	Tube Investments	487p	+12	3·9
29¼	18⅝	US Industries	$25⅛	..1⅛	2·5
98½	52½	Vickers	92p	+5	...
136	55	Weir Group	136p	+15	4·7
123	51½	Thos W Ward	121p	+5	3·5
		Food, pharmaceuticals			
77	42⅞	Assoc British Foods	77p*	+1½	2·4
82½	36½	Assoc Fisheries	77½p*	−2	4·8
114⅞	82⅝	Avon Products	$114⅞	+1	1·1
358	225	Beecham Group	308p*	+13	2·0
177·2	140	Beghin	Fr 158½	+8·6	6·1
82½	51½	Brooke Bond 'B'	78p	+2½	3·4
101½	49	Cadbury Schweppes	101½p	+6	3·9
259	66½	Cavenham	243p	+1	1·5
66⅝	43½	Colgate-Palmolive	$66⅝	−⅛	2·2
6·32	4·05	Col Sugar Ref	$A5·30	−0·02	...
132	48⅞	Fitch Lovell	127p*	−3	2·3
44½	30½	General Foods	$30¼	−1⅛	4·6
48⅝	31½	General Mills	$48	−⅛	2·0
534	284	Glaxo	496p	−5	1·6
47½	34	Heinz	$47	...	2·1
200000	163000	Hoffman La Roche	Fr S 192500	+2500	0·5
47⅞	38⅝	Kraftco	$43¼	−1	3·9
2005	1425	L'Oreal	Fr 1999	−6	1·2
3231	2545	Motta	L 2660	+25	...
3520	2615	Nestlé	Fr S 3350	+60	2·0
42⅞	35½	Pfizer	$41¼	−⅝	1·4
88⅝	56⅞	Procter Gamble	$85½	−2½	1·8
217	88¼	Ranks-Hovis	217p*	+23	3·7
334	191	Reckitt & Colman	334p	+23	2·6
4850	3810	Sandoz	Fr S 4850	+250	1·3
80	26½	Spillers	80p	+3	3·0
45	29¾	Swift	$35⅛	−1	2·0
203	119	Tate & Lyle	187p	−10	5·3
180½	79⅝	Unigate	180½p*	+1	2·3
394	215	Unilever	385p	−1	2·9
133·9	79·4	Unilever NV	Fl 133·9	+2·9	4·6
338	121⅞	United Biscuits	336p	+37	2·4
		Motors, aerospace			
57	30	BLMC	43½p ¶*	−½	4·6
25½	14	Boeing	$22½	−2½	1·8
55½	38⅛	Caterpillar Tract	$52⅞	+2¼	2·6
34½	25	Chrysler	$32	−1	1·9
106·8	71·2	Citroen	Fr 80	+0·1	...
379	284½	Daimler-Benz	DM 364½	+13	2·3
201	124	Dunlop	190p	+2	4·3
2650	1975	Fiat	L 2094	...	5·7
56	20	Firestone Tire	$25⅝	−⅜	3·1
73⅞	54⅜	Ford	$73⅜	+1⅝	3·5
31	18⅜	General Dynamics	$27	−2	...
89⅜	76¼	General Motors	$82⅛	...	4·1
34⅜	27⅜	Goodyear	$30⅜	−⅜	2·8
365	123	Hawker Siddeley	365p	+15	3·6
379	130	Honda	Y 376	−3	2·4
255	131	Komatsu	Y 169	−5	5·0
14⅜	8¼	Lockheed	$14	−⅛	...
450	156	Lucas	424p	+11	2·4
14⅜	8⅛	Massey Ferguson	$C 13⅝	−⅛	...
45	21¼	McDonnell Douglas	$44⅞	+1⅛	0·9
1398	1084	Michelin 'B'	Fr 1284	−45	1·6
414	140	Nissan Motor	Y 414	+49	1·9
35⅜	19⅜	N Am Rockwell	$34½	−⅞	4·1
283	224	Peugeot	Fr 271	−6	3·9
2660	1545	Pirelli-Spa	L 1602	+12	6·9
214	92½	Smiths Indust	213p	+5	2·9
242	186	Steyr-Daimler-Puch	206	...	4·4
607	220	Toyota Motor	Y 607	+68	1·3
44	24⅜	United Aircraft	$33	−⅝	5·5
212	123½	Volkswagen	DM 142	−9	6·9
247	159	Volvo	Kr 243	−1	1·7
73½	30	Westland	66½p	−1	4·5
109	42	Wilmot-Breeden	97p	+4	3·1
		Office equipment, photographic			
309	131	Canon	Y 180	−5	4·2
110½	72¼	Eastman Kodak	$109½	+⅝	1·2
675	354	Fuji Photo	Y380	−26	2·0
2150	1515	Gevaert Agfa	Fr B 1730	−10	3·5
207	115	Gestetner 'A'	158p	−4	1·7
515	251	Nippon Optical	Y 349	−26	2·1
2768	1360	Olivetti	L 1505	+5	5·6
246½	167½	Ozalid	240p	−4	2·6
121⅜	77¼	Polaroid	$114⅜	−7	0·3
1081	667½	Rank 'A'	998p	−5	1·1
140⅝	85⅛	Xerox	$138¼	−2⅜	0·6
		Paper, publishing			
190	99	Borregaard	Kr 104	−2	8·1
197	133	Bowater Paper	155p	−18	5·8
124	66	Bunzl Pulp	119p	−3	3·8
37¼	27⅜	Crown Zellerbach	$30⅛	+2	4·0
169	110	DRG	165p	+2	4·3
28	20¼	MacMillan Bloedel	$C 26¼	−⅜	...
24	15⅞	McGraw Hill	$17¼	−⅛	3·5
270	108½	News International	270p	...	3·5
200	97½	Pearson Longman	185p	+5	2·7
302	121	Reed Int	288p*	−6	4·3
133	60	Thomson Org	129p	−1	5·4
		Property			
132	61	Capital & Counties	120½p	−2½	2·2
600	274½	Hammersons 'A'	570p	−5	1·1
214½	121	Land Securities	214½p*	+12	2·0
130	64¼	LMS	130p	+5	1·7
260	118½	MEPC	251p*	+2	2·1
205	58	St Martins	205p*	+1	1·4
385	293	SG Immobiliare	L297	−¼	6·7
319	100½	Star (Gt Britain)	307p	−2	1·8
815	416	Stock Conversion	760p	−10	0·9
195½	68¾	Trafalgar House	194½p	+1	2·0

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15 1972	Change on week	Yield Mar. 15
		Transportation			
47⅞	22½	American Airlines	$45⅝	−2	...
270	152	Brit & Comm	257p	−1	3·1
15¼	11⅝	Canadian Pacific	$C15¼	+¼	...
410	262	Furness Withy	344p	−14	4·3
25¼	16	Greyhound	$20⅝	−1¼	4·8
1950	1440	Japan Air Lines	Y 1950	+200	2·1
210	98	KLM	Fl 118	−½	...
90	60	Lufthansa	DM 76½	+1	3·3
174	92	Ocean Steam Ship	159p	−3½	4·4
20	10¼	Pan American	$14	−⅛	...
250	143	P & O Defd	238p	−5	5·0
760	485	Swissair (Bearer)	Fr S 700	+25	4·3
54⅝	13⅜	TWA	$51⅜	−3	...
50¼	21¾	UAL	$49	−1	...
		Stores			
262	130	Boots	262p	+7	2·1
315	144½	Brit Home	310p	+3	2·0
305	155	Burton Group	300p	+15	2·0
360	158	Debenhams	343p	+3	2·9
173	119·8	Galeries Lafayette	Fr 134	−10·7	...
390	290	Galerias Precdos	375	−3½	3·0
297½	191	Grattan Ware	286p	+6	2·5
32⅜	18	Great Atlantic	$19⅝	+⅛	6·7
305	180½	GUS 'A'	303p	+16	2·4
284	107½	House of Fraser	284p	+6	2·9
2550	1360	Innovation	Fr B 1740	+40	5·2
96	68·4	KBB	Fl 91	−0·6	4·0
392	299	Karstadt	DM 389½	+9½	2·5
287	226	Kaufhof	DM 287	+19	3·5
538	371·1	La Redoute	Fr 526	−1	2·3
314½	228½	La Rinascente	L 228½	...	3·5
38½	27⅝	Marcor	$29	+½	2·8
331	194⅝	Marks & Spencer	302p	+16	2·4
471	288	Mitsukoshi	Y 430	−6	2·1
2·05	1·13	Myer Emporium	$A2·04	+0·01	...
125	80	Neckermann	DM 124·8	+6·2	2·4
174	113	Nouvelles Gals	Fr 133½	−8½	2·8
76¾	54⅞	JC Penney	$75	−1⅜	1·3
177½	125½	Printemps	Fr 142·8	−2·9	...
368	176¼	Provid Clothing	368p	+35	2·5
195	88¼	Sears 'A'	195p	+4	1·4
112½	75⅛	Sears Roebuck	$109⅞	−2¼	1·8
739	332½	WH Smith 'A'	739p	+5	1·7
84	45¼	Tesco Stores	84p	+3	3·6
164	77¾	United Drapery	152p	+2½	2·8
55½	35⅝	Woolworth	$43⅛	+⅜	2·8
		Textiles			
49⅝	27½	Burlington	$36	−½	3·9
148	70	Carpets International	147p	+1	4·5
80	45	Coats Patons	73½p	−2	4·8
150	107	Courtaulds	138p	+1	5·0
102	75	Dollfus-Mieg	Fr 82·1	−1·9	6·4
58½	32¼	English Calico	55½p	+5½	4·6
4135	1280	Snia Viscosa	L 1332	−9	...
38⅝	20	Stevens, JP	$27⅝	−3⅛	5·5
88	61	Teijin	Y 74	...	8·1
131	84	Toray Ind	Y 101	+2	8·4
57½	41	Woolcombers	45p	−1	...
		Tobacco			
391	265	Brit Amer Tobacco	326p	−6	3·8
203	103⅜	Gallaher	200p*	−3	5·7
116	64⅜	Imperial Tobacco	113p	+5½	4·7
72	51	RJ Reynolds	$71⅜	+¼	3·3
		Utilities			
53⅞	41½	AT & T	$44⅜	+¼	5·8
855	670	Chubu	Y 855	+12	5·8
840	680	Chugoku	Y 832	−8	6·0
29	24¼	Cons Edison	$25¼	−⅛	7·0
2780	2385	EBES	Fr B 2780	+40	5·4
2230	1830	Intercom	Fr B 2230	+90	5·4
835	700	Kansai Electric	Y 832	−3	6·0
233½	161	RWE	DM 181½	+5	4·3
840	660	Tokyo Electric	Y 840	+4	6·0
105	83	Tokyo Gas	Y 92	...	6·5
		Investment trusts			
253	172	Alliance Trust	250p*	−3	2·4
160	106	Atlas Electric	159p	...	2·4
163	82½	BET Deferred	163p	+7	3·4
93½	66	British Assets	92½p	...	1·6
163	109	Cable Trust	154p	...	2·7
176	118	Foreign & Col	173p*	−3	1·7
165	108	Globe Investment	159p	−3	2·5
146	94½	Industrial & Gen	144p	+2	3·0
63½	44	Mercantile Inv	62p	+1½	3·4
248·3	200⅝	Robeco	Fl 246·9	−0·1	4·8
198	149·8	Rolinco	Fl 185½	+⅝	1·6
108½	68⅛	Witan Investment	108p	...	1·7
		Multi-product, miscellaneous			
423	335	Air Liquide	Fr 358½	−21½	3·8
1280	883	BSN	Fr 1250	−30	2·3
174	68¾	Bookers	166p	−4	3·3
230	138	British Match	172p	−4	5·5
75½	50	British Oxygen	73p	−1	4·1
132	78⅛	British Ropes	121p	−6	3·7
70	28⅛	Cope Allman	66p‖	...	4·2
263	120	Daigety	259p	...	3·8
249	117	De La Rue	214p	−4	5·3
35½	19	Engelhard Minerals	$26⅝	+⅞	1·5
38⅜	19⅝	Gulf & Western	$38	−⅛	1·6
83⅜	46⅜	Halliburton	$83⅜	+4⅜	1·3
468	220½	Hays Wharf	468p	...	1·5
1062½	735	Hudson's Bay	985p	−15	2·2
67	46⅝	IT & T	$60⅛	...	1·9
540	198½	Inchcape	515p	−15	2·3
416	128	C Itoh	Y 368	−9	1·6
25⅝	7⅝	Ling-Temco-Vought	$12⅛	−⅝	...
33⅜	19	Litton Industries	$19⅛	−1⅝	...
144⅛	95⅞	Minnesota Mining	$144⅛	+1	1·3

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 15 1972	Change on week	Yield Mar. 15
214	121	Mitsubishi Shoji	Y 212	...	3·3
275	132	Mitsui	Y 275	+2	2·5
283	117½	S Pearson & Son	279p	+4	2·0
43⅛	28⅞	TRW	$34⅛	−1	3·1
29⅝	22	Tenneco	$25⅝	...	5·2
36⅜	23⅞	Textron	$35⅛	−⅛	2·6
160	67½	Thomas Tilling	158p	+8	2·3
240	127	Turner & Newall	235p*	+3	4·6
		Oil			
677	467½	Aquitaine	Fr 580	−4	3·1
632	403	BP	565p	−1	3·7
477	297½	Burmah Oil	428p	+13	3·8
251·9	153·8	Cie Petroles	Fr 221	+1·3	4·5
103·9	80½	Gelsenberg AG	DM 90·8	+1·8	4·4
33⅞	24⅛	Gulf Oil	$26⅞	−⅝	5·6
59⅞	47⅛	Mobil Oil	$54	−1⅝	4·8
4410	3060	Petrofina	Fr B 4410	+125	2·5
34⅜	26⅞	Phillips Petroleum	$29	−⅜	4·5
153½	109	Royal Dutch	Fl 116·6	−1·4	6·2
426	295	Shell Transport	320p*	...	4·6
62⅞	50⅝	Standard Oil (Calif.)	$59⅛	+⅛	4·7
70⅜	52½	Standard Oil (Indiana)	$67⅜	−⅞	5·3
81⅝	67½	Standard Oil (NJ)	$73⅞	−2⅛	5·2
90⅝	70¼	Standard Oil (Ohio)	$83¼	−1⅛	5·0
39	29⅞	Texaco	$32¼	−⅛	...
		Gold mines—finance			
360	202	Anglo-American	295p	+3	2·7
295	160	Charter Cons	295p	+27	2·4
285	159	Cons Gold Fields	234p	+6	3·1
1012½	755	General Mining	900p	+20	4·6
1750	850	J'burg Cons	1250p*	+50	3·5
720	460	OFSIT	700p*	+15	5·9
675	410	Rand Selection	560p*	−10	3·9
223	120	Union Corp	215p	−1	3·2
		Mines, metals			
25⅛	6⅛	Alcan	$C20⅝	−⅛	...
70	37⅝	Alcoa	$51⅛	+2¼	3·5
3800	1660	Alusuisse	Fr S 2150	+20	2·8
37⅛	26	Amer Met Clim	$31⅝	−1⅛	4·5
23⅛	11⅛	Anaconda	$19⅛	−⅛	...
273	87	CAST	178p*	+13	2·4
267	165	De Beers Defd	260p	+20	2·9
141½	53	Delta Metal	137½p	+1½	3·6
155⅛	57⅛	Falconbridge	$C94	−⅝	...
46⅜	26⅜	Inter Nickel	$34¼	−1⅛	2·9
375	212	Johnson Matthey	375p	+57	3·3
56	20	Kennecott	$27⅜	−⅛	6·3
113	48	Lonrho	76p	+1	8·5
3·90	2·35	MIM Holdings	$A 3·40	−0·10	2·8
450	270	Metallgesellschaft	DM 327	+4	...
187	126	Pechiney	Fr 146·1	−4·4	8·2
92	52·6	Penarroya	Fr 63·1	−1·9	7·8
212	69	Potgietersrust Plat	95p	+3	5·4
33	14⅛	Reynolds Metals	$20⅜	+⅝	2·9
270	173	RTZ	226p	−1	2·7
288	115	Roan Cons	214p	−6	24·0
780	425	Selection Trust	610p*	+5	2·6
1945	1190	Union Miniere	Fr B 1575	+25	6·0
5·24	2·10	Western Mining	$A3·12	−0·11	0·4
260	148¾	Zamanglo	210p	−2	20·6
		Plantations, etc			
340	220	Consolidated Tea	235p	−5	9·7
296	159¾	Guthrie	280p	−4	5·7
46⅛	26⅝	Highlands & Low	40p	−⅛	7·5
57½	37	Jokai	52p	+1	4·8
230	130	Longbourne	142p	−6	19·7
33⅛	17⅛	Plantation Hldgs	33½p	...	6·0

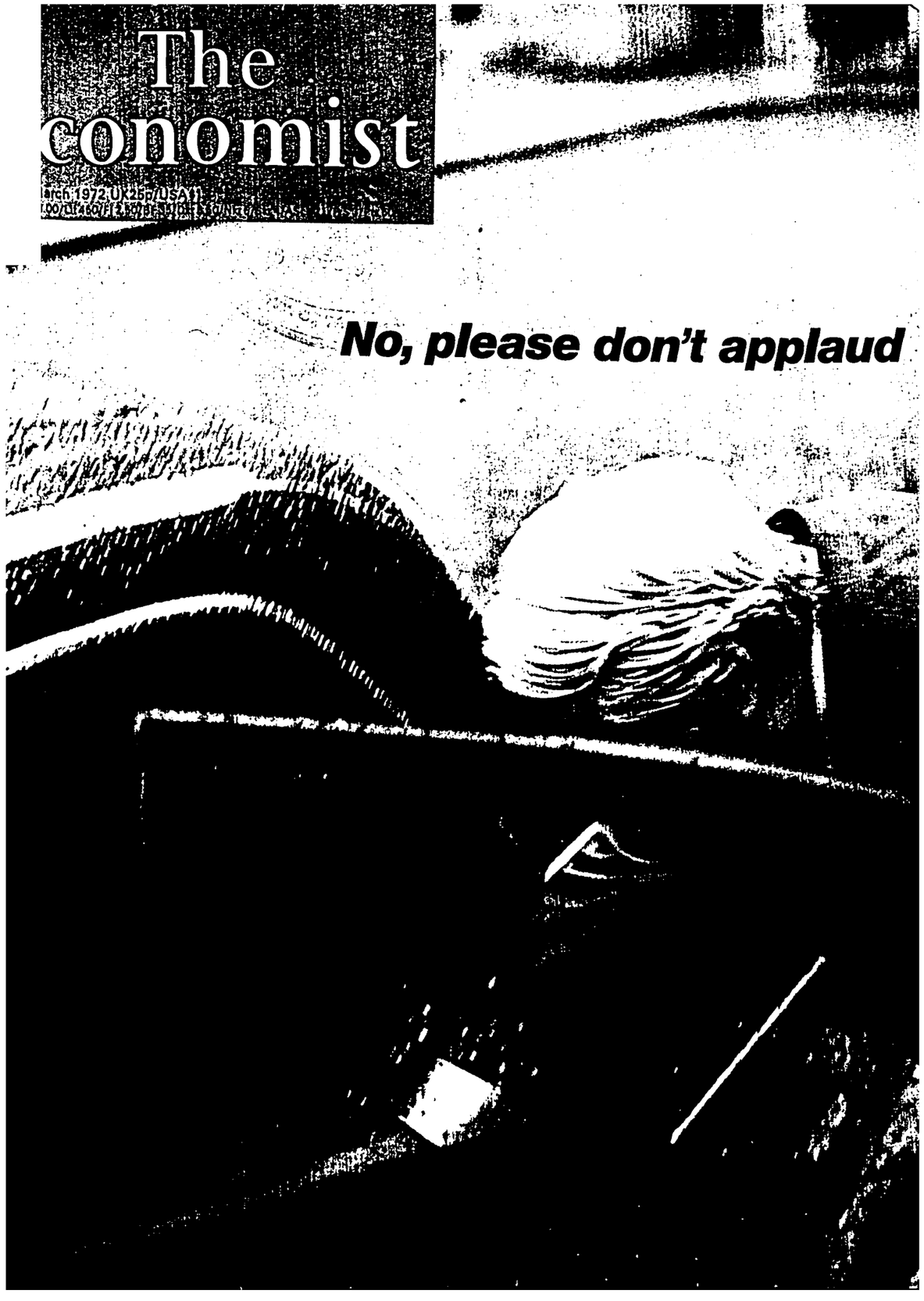
Money Market Indicators

A further rise in US Treasury bill rates, the 3-months bills going to 3.845 per cent, the highest since mid-December.

Bank Rate 5% (from 6%, 2/9/71) **Base Rate 4½%**

Deposit rates		**Eurosterling deposits** (in Paris)	
7 days' notice:		2 days' notice	4⅝
Clearing banks	2½	3 months'	5⅛
Local authorities	4⅞	**New York**	
3 months' fixed:		Treasury bills	3·85
Local authorities	4⅝–4⅞	Certs. of deposit	4·40
Finance houses	4⅞	**Sterling:** Spot rate $2·6213	
Interbank rate		Forward discount (*3 months'*)	0·08c pm
7 days'	4⅝		
Treasury bills		**Forward cover** (*3 months'*):	
3 months'	4·35	Annual int. cost	0·12%
Eurodollar deposits			
7 days' notice	4½	**Investment currency:**	
3 months'	5¼	Investment $	30% prem

Covered arbitrage margins (*3 months'*)	In favour of Last week %	This week %
Treasury bills	London ⅜	London
Eurodollar/UK local authority loans	N. York ⅛	N. York
Eurodollar/Eurosterling	London ⅝	Neutral
Uncovered arbitrage margins (*7 days'*)		
Eurodollar/UK local authority loans	London 1⅝	London
Eurodollar/Interbank	London 1⅛	London



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March 11, 1972



No applause, please

Mr Heath has got to go through the ritual penance for trying to stop wage inflation, but he should stick to his guns in warning the country of the consequences of giving in. If he has ideas on Ireland he should make them known, page 17.

Budget for bulls ?

Mr Barber gave many hints to investors last year about what might be in this year's budget, and it may be worth while to rearrange your share portfolio in the week ahead in order to place bets on them, page 79. Britain's foremost economic forecasting institute has advised the Chancellor to give £2,500m of tax reliefs ; this would be equivalent to halving income tax on all earned income, and the Chancellor is unlikely to agree, page 83.

By the time the Government has finished baling out coal and other unprofitable nationalised industries, it will have given them subsidies equivalent to 1 per cent of the country's gnp, page 77.



Rule of three

A special survey of the Maghreb—Morocco, Algeria and Tunisia—follows page 54.



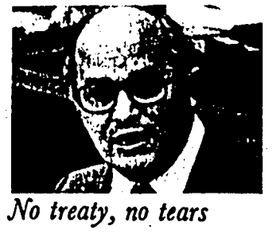
Mr 48 per cent

Senator Muskie won in New Hampshire but fell short of the running start he needs, while Senator McGovern did unexpectedly well. The Democrats are just at the beginning of a long fight, page 49.



The struggle in Chile

A shadowy armed struggle now accompanies the political contest between Dr Allende and his opponents, reports our special correspondent, page 25.



No treaty, no tears

If Herr Barzel stops the treaty with Russia being ratified the loss will not be great ; Moscow would not have loosened things up anyway, page 18. How the Bonn coalition has been hit by defections, page 39.

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Letters

The miners' strike

SIR—In recent months we have witnessed the disruptive effects of strikes by air-traffic controllers, television technicians and now radar technicians in Canada, by coal-miners in Britain and by longshoremen in the United States. In each, the degree to which the work stoppage has been caused by severe inflation in the respective countries is probably significant, and yet the various settlements have only exacerbated those inflationary trends. By now, a vicious circle has developed that is clear for all to see, indeed, no clearer anywhere than in Britain.

It was two centuries ago that Adam Smith firmly established individual self-interest as the guiding maxim in man's economic affairs and yet, in the intervening 200 years, the pursuit of that self-interest has often been restrained in many areas of economic activity as a result of democratic governmental decision. It would appear that the time has now come to introduce such restraint into the area of labour relations, as the effects of frequent strikes in key sectors of the economy become more serious.

In Britain, the miners have merely succeeded in doubling the number of unemployed, making life highly uncomfortable for the average Briton and seriously endangering any hope of national economic recovery in the coming year. It is easy to sympathise with their cause, but one wonders why everyone from old-age pensioners to the seriously ill should go without light and heat, and all the services dependent thereon, simply to satisfy these workers' economic self-interest. Surely man, in all his wisdom, can devise a method of labour negotiation more civilised than the strike, which is, after all, nothing more than a sophisticated form of blackmail. One can foresee such a reform, infinitely more radical than the Tories' Industrial Relations Act, being merely hastened by the miners' action.—Yours faithfully, PETER J. CONNELL

Waterloo, Ontario

SIR—Mr G. A. D. Emerson (Letters, March 4th) does not commend the tactics of Freedom Under Law in "considering the prosecution of Mr Daly on a conspiracy charge," and would prefer individuals to take legal action on their own account. We completely agree with him on the latter point.

We have always made it clear that we intend to prosecute only as a last resort, if neither the DPP nor the police nor private individuals are stirred to press for justice in the courts.

We place the education of the authorities and the general public concerning the present dangers to our freedom as one of our first priorities, that of persuading them to take action next—and are prepared to shoulder the responsibility ourselves only if no one else does. We should be delighted if "individual persons and businesses" took action to defend themselves and thus worked us out of our self-imposed job.

The idea that the law of conspiracy is too delicate to be used, however, strikes us as somewhat fanciful. The law exists for our use. There is surely no room for ornamental laws? This particular law is, indeed, a "very valuable" security for our freedom, and it would be a rash and foolish government which was tempted to abolish it.—Yours faithfully,

JOHN CHAPMAN
Deputy director,
London, WC2 Freedom Under Law

SIR—Surely the answer to Mr I. F. Campbell's question (Letters, February 26th), how should public opinion show its disapproval of the miners' strike without resort to violence, is that it need only, in fact, disapprove.

Disapproval can be made manifest without violence, but the strength of the miners was that public opinion did not disapprove, and this was also the weakness and the shame of the Government, that it did not, to quote your own words, "actively mobilise the forces of common sense."—Yours faithfully, JEAN LECLERCQ

London, SE23

SIR—Arising out of the Wilberforce report is the recurring question: "Do we adjust humanity to suit the economic facts of life, or do we adjust the economic facts to take account of humanity?"

Most people probably felt that the miners had a case. Most people probably deplored some of the side effects of the strike (on old people, of violent picketing). Most people probably felt vaguely uneasy about the strike's economic effects—holding the country to ransom. Nobody was clear whether a rigid economic solution or a primarily social solution was called for. Lord Wilberforce was called in to make up our minds.

You say (February 26th): "The Wilberforce report—in all its resoluteness for drift—spoke truly last week for the majority of the people of England." You are right. We are not yet sure to what degree we want a profitable or a humane economic policy. At least after Wilberforce the policy is likely to be more flexible. At its best, that means the Government will be able to respond to the needs of the situation more readily; at its worst it means roaring inflation. In the meantime we drift whilst we make up our minds.—Yours faithfully,

London, SW7 A. A. WINDHAM

SIR—As a regular reader of *The Economist*, which writes so much sense on so many things, I find your tirade against wage increases (February 26th) most depressing.

With Mr Heath's Government we were promised a new course for Britain. I and others, I believe, thought this course would be high wages, low taxation, phasing out the welfare state, denationalisation and encouragement for the individual. It is doubtful if the miners' strike would have occurred in a private coal industry. It is certain that private coal companies would never run continuously unprofitable pits.

A high-wage earner will—as most middle-class people do now—insure himself against ill-health, unemployment and his children's education. This is the sort of Britain for the future, with responsible citizens looking after themselves—not falling back on an inefficient "Auntie Welfare State."—Yours faithfully,

NICHOLAS DAVIE-THORNHILL

Matlock, Derbyshire

Canada

SIR—I very much hope *The Economist* is receiving a great many congratulatory letters following publication of your survey (February 12th). For a great many Canadians who will not, alas, read it, it should be made, in some way, required reading. I could myself supply quite a list of speakers and writers on Canadian affairs who have not a one-hundredth part the knowledge and insight (with such warmth of expression) of Mr Roland Bird.

Perhaps the only word of dissent might come from the 6,000 Indians who occupy the area of development if the James Bay project goes through. The area is described as "virtually empty except for five important rivers, some timber of doubtful value, and rich wildlife."—Yours faithfully, IAN P. CAMERON

Toronto

SIR—In your survey of Canada's economic and political trends (February 12th) it is indicated that the current account in 1971 is likely to be about "between $700m-$750m." You are aware, I am sure, that Canada's current account had been deteriorating rapidly since the first quarter of 1971, on a seasonally adjusted basis. In the fourth quarter of 1971 the current account was in deficit on either a seasonally adjusted or on an unadjusted basis. For 1971 as a whole the surplus was $245m.

I bring to your attention this rather small point in an otherwise excellent survey that is unusually readable for this type of analysis. I myself enjoyed it very much.—Yours faithfully, G. K. KARDOUCHE

Associate economist,
Montreal The Royal Bank of Canada

SIR—In Roland Bird's survey on Canada (February 12th) he wrote about the maritime provinces: "By any administrative logic, the three provinces should be bundled into one." And he added: "But nobody will be crazy enough to try." It was disappointing for many of your readers in this country to realise that a paper with the reputation which *The Economist*

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For further management appointments see page 7

enjoys should have printed such harsh words without taking note of developments taking place in the maritime provinces.

In March, 1968, the premiers of the three maritime provinces commissioned Dr J. J. Deutsch, principal of Queen's University, and Mr F. R. Drummie, then economic adviser to the province of New Brunswick, to carry out a special study on "maritime union, including the possibilities for economic and other forms of regional co-ordination and co-operation." In October, 1970, the "Report on Maritime Union" was published, together with the various studies underpinning its conclusions and recommendations. As early as January, 1971, the three premiers decided to establish the "*Council of Maritime Premiers*" for the purpose of promoting co-operative action and to provide a framework for joint action by the three provinces.

I might also call your attention to the fact that since 1970 the Liberal party holds 27 of the 32 seats in the legislative assembly of Prince Edward Island. Is this what is meant by a "gnat's whisker majority?"

Je vous prie de croire, Monsieur, qu'il nous ferait plaisir de vous accueillir aux Maritimes en vue de vous fournir tous renseignements utiles.—Yours faithfully,

EDGAR GALLANT
Secretary to the
Council of Maritime Premiers
Halifax, Nova Scotia

Universities and the left

SIR—You published (January 15th) an interesting report on how the radical left, although in a minority, are winning control of student parliaments in German universities, thus implementing Rudi Dutschke's call for a "long march through the institutions."

In Uruguay, under the cloak of democracy, and ostensibly to allow students to participate fairly in the selection of professors and lecturers, the drawing up of study programmes, etc, the radical left has penetrated the one university and many secondary schools over the past 30 years to the point that today these institutions are almost completely under their control.

Once control has been attained, all semblance of democracy and fair play on the part of the radical left disappears, and it is almost impossible today in Uruguay for any professor, lecturer or teacher without strong left-wing sympathies to be appointed. Consequently, the university staff, and to a smaller extent the school teachers, are almost wholly indoctrinated left-wingers, and ordinary university students have great difficulty in getting through their exams, which are mostly oral, unless they subscribe, at least tacitly, to left-wing doctrines.

The intellectuals and professionals of Uruguay, especially lawyers (including several judges) and medical doctors, are nearly all supporters of, and activists in, the ranks of the Tupamaros. With the formation of the Broad Front (assorted radical left-wingers, communists and terrorists) for the national elections of November 28, 1971, they thought the hour had come for them to take over the whole country. But they failed—they got only 18 per cent of the total vote. Why? Because of free elections and the obligatory secret vote.

The purpose of this letter is to recommend to German and British university and school authorities that the organisation of any and all student participation in their institutions must include three basic democratic requirements: (a) obligatory secret voting, including proxies, for all elections to committees, to ensure that the wishes of the majority are reflected in the results; (b) termination of the committee meetings before a reasonable evening hour, to avoid the favourite communist tactic of prolonging them until the wee small hours and then taking pro-communist decisions after sensible people have gone home to bed; and (c) ratification of all important committee decisions by secret vote including proxies, which represent in total a substantial majority of registered students. Compliance with these conditions must be ensured by the university or other competent authorities, not by the students themselves.—Yours faithfully,

G. S. H. BAIN
Montevideo

Glasgow schools

SIR—Our local council (Labour) proposes to shut down and make comprehensive five of the top schools in Glasgow. They are the High School of Glasgow, of which I am a pupil, the Girls' High, Allen Glen's, Hillhead High and St Mungo's Academy.

This is an act of vandalism, destroying the historical and high standards of education in these schools. The High School of Glasgow has an 800-year-old tradition to its credit, and many famous people have been educated there. The council plans to shut the High School down and make the others comprehensive at the end of the 1973-74 school year. At the beginning of next session it intends to prevent any further intake to the primary or secondary departments, and also to transfer pupils from the present 1st and 2nd forms of the secondary department to other comprehensive schools.

No local politicians should have the authority to shut down, and make comprehensive, the top schools in any city. It should be up to the parents where and what kind of school they should send their children to.—Yours faithfully,

Newlands, Glasgow BRIAN D. BLASS

Air travel

SIR—I was pleased to see (February 26th), "Keep those flying peasants in their place," that you are again taking up cudgels on behalf of the poor independent air traveller.

One point that seems to be made consistently in the battle between charter and scheduled airlines is that, whatever happens, business traffic is inelastic as businessmen have to fly, therefore why reduce scheduled air fares? If the scheduled air carriers can be shown that businessmen will fly more if air fares are reduced, then I am sure that sanity will again prevail and Iata can get on with its job of providing the grease in the airline business. Because scheduled air carriers give the impression of being determined to keep up their fares for businessmen, they find themselves indulging in ridiculous contortions to justify a reduction in fares for groups—either young, old or chrysanthemum—for a period just long enough to make sure they keep out the so-called inelastic business flyer.

Surely now is the time for business groups, collectively and individually, throughout the world to put pressure on their own airlines to come forward with facts showing how a reduction in fares would stimulate business travelling to the greater benefit of world trade and the greater financial health of scheduled airlines.—Yours faithfully,

H. B. G. MONTGOMERY
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Spain and Portugal

SIR—I think you should extend to your successive surveys of Spain and Portugal (February 19th and 26th) the apocryphal saying by Confucius amusingly depicted on your cover of February 26th: "When Powerful Men are in power, Wise Economists praise them."—Yours faithfully,

London, SW14 ANTÓNIO DE FIGUEIREDO

Marketing in Europe

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OFFICIAL CALENDAR FOR 1972 OF THE AND EXHIBITIONS

Exhibitions organised by Public Fair Societies

International General Trade Samples Fairs

BARI	*XXXVI Levante Fair*	8–19 September
BOLOGNA	*XXXVI Bologna Fair*	26 May–4 June
BOLZANO	*XXV Bolzano Fair*	16–25 September
MESSINA	*XXXIII Messina Fair*	5–20 August
MILANO	*L Milan Fair*	11–25 April
PADOVA	*L Padua Fair*	25 May–5 June
PALERMO	*XXVII Mediterranean Fair*	27 May–11 June
TRIESTE	*XXIV Trieste Fair*	17–29 June

International Specialised Fairs and Exhibitions

ANCONA	*XXXII Ancona Fair—International Trade Mart of Fishery, Nautical Sports and related activities*	24 June–2 July
BARI	*II EXPORT LEVANTE—International Trade Fair of Sports and Hobbies*	30 April–8 May
BARI	*IV MOBIL-LEVANTE. International Furniture and Home Furnishing Fair*	31 May–5 June
BOLOGNA	*XXVI International Exhibition of "Footwear Fashion"*	11–15 March
BOLOGNA	*IX International Fair of Books for Children and Youth—VI International Exhibition of Commercial Design*	8–11 April
BOLOGNA	*V International Show of Perfumery and Cosmetics*	28 April–2 May
BOLOGNA	*XV International Foodstuffs Exhibition—SIA*	24 May–4 June
BOLOGNA	*VIII SAIE International Show of Industrialisation in Building Techniques*	7–15 October
CREMONA	*XXVII International Fair of Milk-Cows*	8–17 September
FIRENZE	*XXXVI International Handicrafts Trade Mart*	22 April–7 May
FOGGIA	*XXIII International Agricultural and Zootechnics Fair*	30 April–7 May
GENOVA	*XI International Boat Show*	29 January–7 February
GENOVA	*XII International Caravan and Camping Show*	25 March–3 April
GENOVA	*IX TECNHOTEL. International Hotel and Tourist Equipment Exhibition*	28 October–5 November
NAPOLI	*VI EXPOSUDHOTEL. Exhibition of Equipment for Hotels, Tourism and Public Leisure in Southern Italy and Overseas*	29 January–6 February
NAPOLI	*VI MOBILSUD. International Furniture Exhibition for Southern Italy and Overseas*	14–19 March
NAPOLI	*V SIR International Gift Show*	31 May–5 June
NAPOLI	*XV Housing, Building, Home Furnishing, Clothing and Food Supply Fair*	21 June–2 July
PADOVA	*IV International Exhibition of public services "Sep '72"*	3–7 May
PADOVA	*"POLLUTION '72." International Exhibition of anti-pollution technology and equipment*	3–7 May
PADOVA	*X TRAMAG. International Exhibition of mechanical handling and storage, plant maintenance*	4–8 October
PADOVA	*XI MAV International Exhibition of selected quality Poultry and Rabbits for Consumption. Cattle Market and Competition*	7–10 December
PARMA	*XXVII International Exhibition of Canning and Allied Packaging, Machinery and Equipment for canned food industry*	23 September–1 October
PIACENZA	*SIBA. Italian Buttons and Allied Products Show*	21–25 April
RIMINI (Forlì)	*XXII International Hotel and Tourism Techniques Show and Convention*	1–10 December
RIMINI	*II International Hotel Catering Show*	14–21 February
TRIESTE	*XXI International specialised Exhibition of Timber*	17–29 June
VERONA	*IX International Show of earth-moving equipment for the building industry. SAMO.TER.*	6–13 February
VERONA	*LXXIV International Agricultural and Animal Farming Fair XXV Agricultural Machinery Show*	12–19 March
VERONA	*IV EUROCARNE. International Exhibition of Animal Husbandry*	4–8 October

National General Trade Samples Fairs

PORDENONE	*XXVI National Fair of Friuli—Venezia Giulia Region*	27 August–10 September
ROMA	*XX Rome Fair*	27 May–11 June

National Specialised Fairs and Exhibitions

BOLOGNA	*MODAMAGLIA Italian Knitwear Fair*	18–21 February, 1–4 September
BOLOGNA	*New Training Technologies Show*	8–12 April
BOLZANO	*II Agricultural Fair of the Alps Region*	20–23 October
CATANIA	*IX Coin and Stamp Exhibition Katana '72, IX Commercial Conference*	4–6 February
CIVITANOVA MARCHE (Macerata)	*XXIII Footwear Exhibition*	31 May–4 June
CREMONA	*XXVII National Fair of Agricultural Provisions Supplying*	8–17 September
FOGGIA	*VII National Sheep Breeding Mart*	25–26 March
FOGGIA	*XV Show of Southern Italy's Farm Machinery*	30 April–7 May
FOGGIA	*National Cattle Fair*	25–27 November
GENOVA	*III Novelty-Gift Exhibition. III World Vacation and Travel Show*	25 March–3 April
GENOVA	*III National Wines and Spirits Exhibition and BIBE*	28 October–5 November
GENOVA	*IV Exhibition of dentistry equipment—Expro-Tecno-Dental and Expo-Medi-Dental*	29 October–1 November
NAPOLI	*IV SIVEL. National Wines & Spirits Show*	29 January–6 February
NAPOLI	*II SICAT. Italian Stationery and Technical Articles Show*	25 November–3 December
NAPOLI	*III NAUTIC SUD. National Exhibition for Navigation Development in Southern Italy and overseas*	26 October–5 November
NAPOLI	*IV & V SUI. PEL. Leather and gloves Italian Fair*	8–11 April, 16–19 September
PADOVA	*XVIII National Footwear, Leather Goods and related Machinery, Raw Materials and Accessories Show*	23–25 April
ROMA	*VII National Show of Communities*	20–30 September
SIENA	*VI Typical and Fine Wines Week*	11–18 June

Exhibitions promoted by other Societies or Committees

International General

CAGLIARI	*XXIV Samples Fair of Sardinia*	14–26 March

International Specialised Fairs and Exhibitions

BUSTO ARSIZIO (Varese)	*XV International Textile, Machines, Equipments and Accessories Show*	30 September–9 October
BUSTO ARSIZIO (Varese)	*XVI SINCAS. International Sport and Camping Articles Exhibition*	27–31 October
BUSTO ARSIZIO (Varese)	*XII International Fair of Camping Trailers*	27–31 October
ERBA (Como)	*III International Rabbit Breeding Show. MIC/727*	8–11 September

INTERNATIONAL AND NATIONAL FAIRS IN ITALY Approved by the Minister for Industry, Trade and Handicrafts

FIRENZE	*XII Footwear, Leather Goods & Leather Samples Show*	2–6 September
FORLI	*XI International Trade Mart of Bird Rearing Activities*	20–25 September
GUALDO TADINO (Perugia)	*XIV International Ceramics Show*	25 July–31 August
MILANO	*X International Toy Show*	28 January–3 February
MILANO	*VIII International Exhibition of Souvenirs, Jewellery, Cards and Gifts*	29 January–5 February
MILANO	*XIII Heating, ventilating, refrigeration and plumbing Show*	1–7 March

National Specialised Fairs and Exhibitions

AREZZO	*X National Pig Fair*	13–14 October
ASCOLI PICENO	*XXIII National Rabbit and Fur Animal Fair*	13–14 May
BUSTO ARSIZIO (Varese)	*III National Umbrella Show*	17–25 June
BUSTO ARSIZIO (Varese)	*VIII TESAR Furnishing Fabrics and Upholstered Furniture Exhibition*	11–21 May
CALENZANO (Firenze)	*IX Open-Air Exhibition of Caravanning Equipment*	23 September–1 October
CAPRI (Napoli)	*"MAREMODA CAPRI" Handicrafts and Beach-wear Accessories Fashion Display*	28 September–1 October
CITTA DI CASTELLO (Perugia)	*V National Soft Furnishing Show*	27 August–27 September
CONEGLIANO (Treviso)	*National Exhibition of GRAPPA (Brandy)*	24 September–1 October
CORTONA (Arezzo)	*X Exhibition and Trade Mart of Antique Furniture*	27 August–24 September
FIRENZE	*KNIT/MAIT National Knitwear Show*	31 January–4 February
GONZAGA (Mantora)	*Millenarian Fair of Gonzaga*	6–12 September
GROTTAFERRATA (Roma)	*National Fair of Agricultural Machinery and of Prototypes for the Working of Sloping Grounds*	23–27 March
GUBBIO (Perugia)	*VII Biennial Metal Show and Gubbio. Prize "Mastro Giorgio"*	6 May–17 June
LONIGO (Vicenza)	*National Exhibition of Selected Seeds*	24–27 March
LORETO (Ancona)	*XII National Exhibition of Church Musical Instruments and Editions, and of Music Editions for Youth*	30 March–9 April
MARSALA	*Italy—Wines 1972*	13–22 August
MILANO	*VIII COMIS-PEL Fur Dealers' Market*	16–20 March
MILANO	*TECNOSPORT '72 Exhibition and Convention of Constructions, Installations and Equipment for Sport and Recreation*	27 September–1 October
MILANO	*XII Exhibition of Italian Furniture*	23–30 September
MILANO	*VIII BI-MU Italian Biennial Machine Tool Exhibition*	8–15 October
MILANO	*II MIPAN National Exhibition of Bakery, and Confectionery Machinery*	15–22 October
MILANO	*IV Show of Odontotechnic Equipment. EXPO-TECNO-DENTAL. II National Show of odontological equipment. EXPO-MEDI-DENTAL*	4–8 November
NORCIA (Perugia)	*Trade Mart for the Norcia Black Truffles and Mountain Produce*	20–24 January
PESCIA (Pistora)	*XI Biennial Flower Show*	2–10 September
PRAMAGGIORE (Venezia)	*I National Wine Samples Exhibition*	22 April–1 May
REGGIO EMILIA	*XXXIII National Ornithological Show "Città del Tricolore"*	24–26 November
RICCIONE (Forlì)	*X National Review of Hobbies*	9–16 April
RICCIONE (Forlì)	*XXI National Numismatic Meeting*	2–4 September
ROMA	*VII Week of Equipment for Community Life*	15–20 May
ROMA	*Press and Information Exhibition*	15–31 October
SACILE (Udine)	*National Bird Exhibition and Market*	20 August
SANTHIA (Vercelli)	*National Photographic Competition*	22 October–19 November
TODI (Perugia)	*IV Trade Mart of Antique Dealers*	26 March–1 May
TORINO	*VI AL-COM '72 National Food Trade Mart*	20–30 May
VALDOBBIADENE (Treviso)	*Show of Sparkling Wine*	2–12 September
VICENZA	*National Jewellery, Gold and Silverware Show*	23–30 January, 3–10 September

Fashion Shows

FIRENZE	*Fashion Accessories Exhibition (AC, MAIT)*	23–26 February
FIRENZE	*High Fashion Man's Ready-to-Wear*	19–22 February
FIRENZE	*High Fashion Ready-to-Wear, Boutique and Knitwear Parades*	10–14 April, 16–20 October
ROMA	*Official presentation Spring–Summer 1972. Italian High Fashion Collections. Fashion Accessories Exhibition*	14–20 January
ROMA	*Official presentation Autumn–Winter 1972–73. Italian High Fashion Collections. Fashion Accessories Exhibition*	14–20 July
MILANO	*MIAS International Sports Goods Market*	4–7 March, 30 September–2 October
MILANO	*XXXI and XXXII MITAM International Market for Clothing Textiles and Furnishing Fabrics*	4–7 March, 30 August–2 October
MILANO	*MITAM STAR Carpet and Upholstery Fabrics*	19–23 May
MILANO	*II European Radio and Television Show*	27 May–2 June
MILANO	*XX & XXI MIPEL International Leather Goods Trade Market*	15–19 January, 10–14 June
MILANO	*XVII & XXVIII COMIS-TRICOT International Knitwear and Hosiery Trade Market*	18–21 January, 20–23 June
MILANO	*IV MICAM—XXXVI International Exhibition of Footwear, Leather and Accessories and of related Machinery*	8–11 September
MILANO	*IX & X MACEF International Trade Mart of Household Goods, Glass and Chinaware, Hardware, Ironmongery and Tools*	19–22 February, 9–12 September
MILANO	*IX European Exhibition of Electrical Household Appliances*	9–12 September
MILANO	*IX International Exhibition of Electronic Components, Measuring Instruments and Accessories*	27 May–2 June
MILANO	*VI SIM International Show of Music*	7–11 September
MILANO	*IX SMAU International Exhibition of Office Equipment and Machinery*	23–28 September

Continued Overleaf

OFFICIAL CALENDAR FOR 1972 OF THE INTERNATIONAL AND NATIONAL FAIRS AND EXHIBITIONS IN ITALY

Approved by the Minister for Industry, Trade and Handicrafts

Continued from previous page

MILANO *XII MAC '72 International Chemical Equipment Exhibition* 25–31 October

MILANO *VII EXPO-CT '72 International Exhibition of Trade and Tourist Facilities and Equipment* 15–22 October

MILANO *Antiquinamento '72 Exhibition of Technical Equipment and Machinery for Water, Air and Soil Decontamination and Waste Disposal* 15–19 November

MILANO *III INTERBIMALL International Biennial Exhibition of Timber- and Wood-Working Machinery* 20–28 May

MILANO *III SASMIL International Exhibition of Semi-finished Products and Accessories for the Manufacture of Furniture, Upholstery and Wooden Articles* 20–28 May

MILANO *MIDO '72 International Fair of Spectacles and Optical Goods* 26–30 May

MILANO *PLAST '72 Plastics International Fair* 8–15 October

MILANO *IV Chemical International Meeting* 25–31 October

MILANO *XII MAC '72 International Chemical Equipment Exhibition* 25–31 October

MILANO *SECURIT '72—VI Exhibition of security products, working conditions and II Anti-fire devices and first-aid Exhibition* 5–8 October

MILANO *XII Automation and Instrumentation Exhibition and Convention* 22–28 November

MONZA (Milano) *XXVII International Interior Decoration Exhibition* 9–24 September

REGGIO CALABRIA *XXI International Citrus Fruit and Oil Essence Fair* 19–28 March

REGGIO EMILIA *International Review of Pig Rearing and Pig Production* 28 April–1 May

RICCIONE (Forlì) *XXVI International Postage Stamp Fair* 26–29 August

ROMA *XIX International Review of Nuclear Electronics, Tele-Radio and Cine-Products* 22 March–3 April

ROMA *XIII "Christmas Today" Trade Market* 2–17 December

S. AMBROGIO DI VALPOLICELLA (Verona) *X International Exhibition of Marble and related Machinery* 9–17 September

TORINO *XXXIV—XXXV SAMIA International Fashion Trade Fair* 4–7 February, 7–11 September

TORINO *VI "VACANZE '72" International Holiday and Tourism Show* 24 February–5 March

TORINO *VII & VIII "MODA SELEZIONE" Selected Fashion Trade Fair* 4–7 February, 7–11 September

TORINO *IX International Domestic Arts Exhibition CASA '72* 23 March–4 April

TORINO *EURODOMUS 4* 18–28 May

TORINO *V Space and Aeronautics International Show* 1–11 June

TORINO *XXII International Technical Exhibition and IX Mountain Equipment Exhibition* 23 September–2 October

TORINO *LIV International Motor Show* 1–12 November

VARESE *XIX International Poultry and Rabbits Exhibition* 1–5 June

VENEZIA *XIV Aeronautics International Show* 1–5 June

VICENZA *International Ceramics Exhibition* 20–27 February

National General Trade Samples Fairs

GALATINA (Lecce) *XXIII Trade Mart of Industry, Commerce and Handicrafts* 25–30 June

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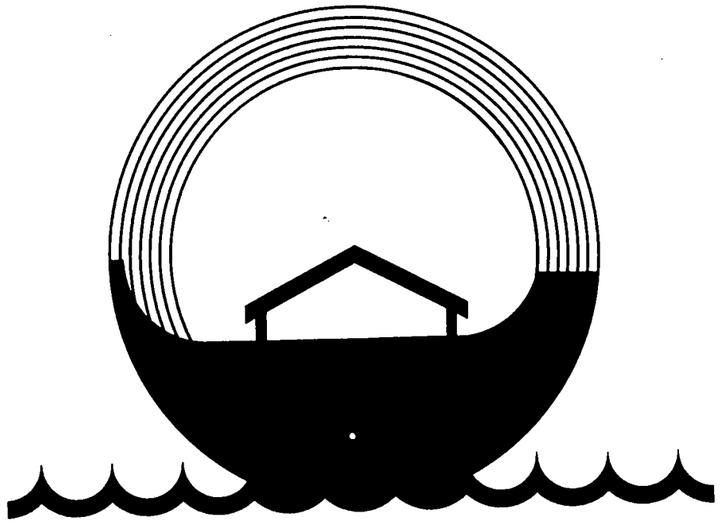
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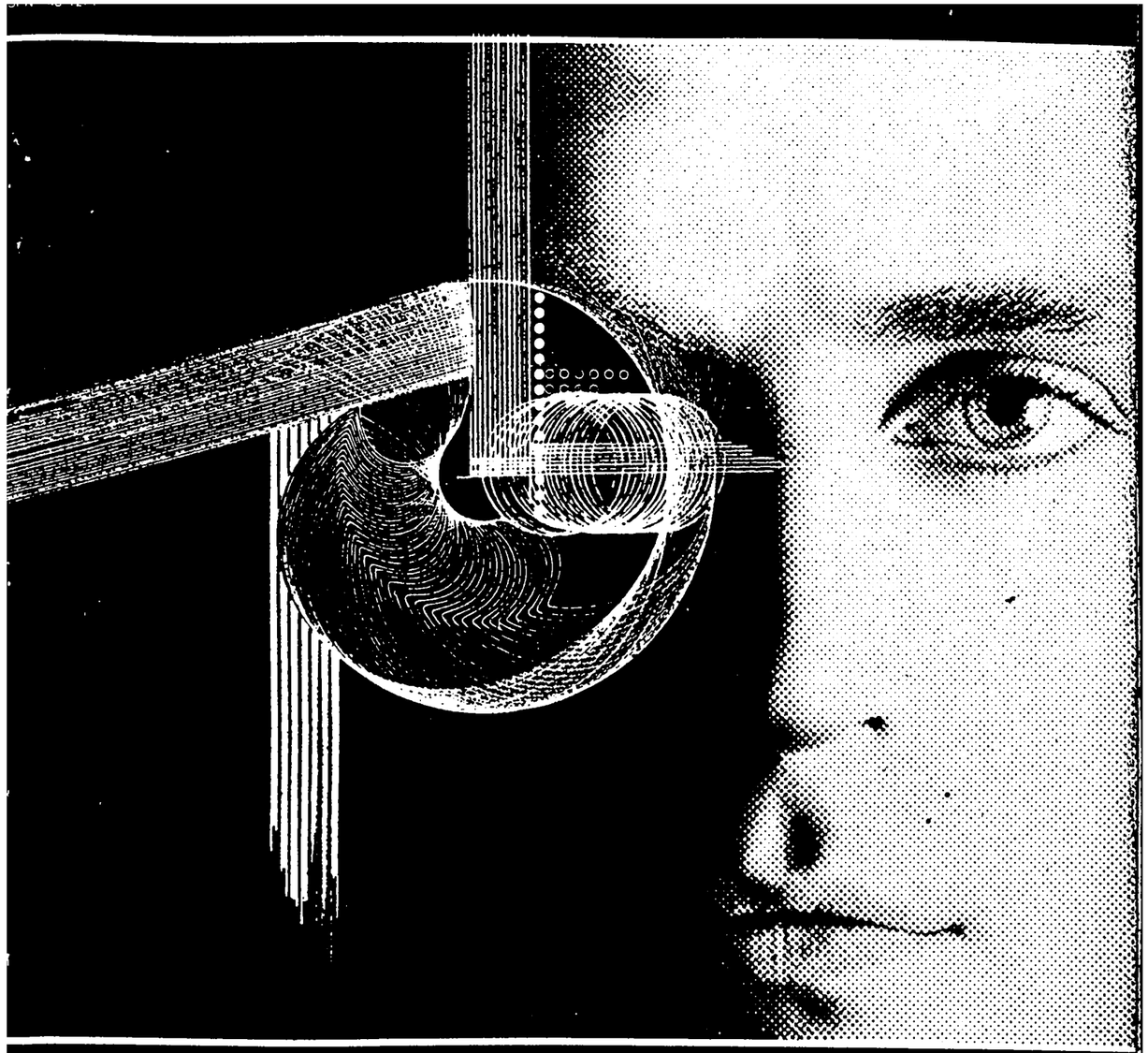
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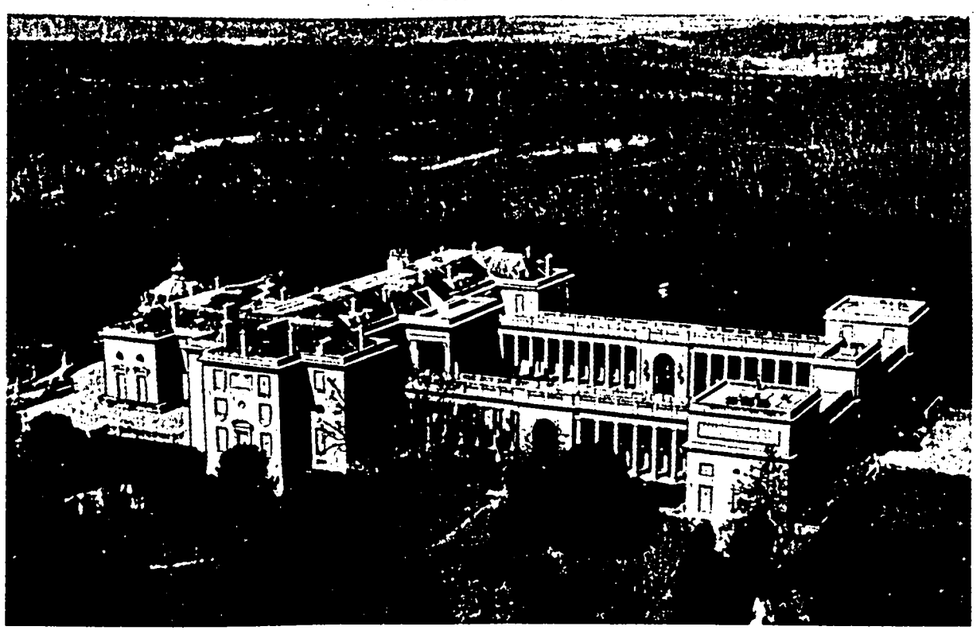
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March 11, 1972



No applause, please

Mr Heath should be himself. He is not going to be able to turn into Mr Willie Whitelaw overnight, as everyone is telling him he should. Sweet reasonableness is not his forte. He was never built to be popular. But there is a national ritual to be observed whenever a prime minister's policy has come unstuck, and Mr Heath is having to go through it now. First, the man must show a proper humility: that is, he must sign the surrender terms himself inside No. 10 Downing Street. Then he must throw himself on the mercy of the people: this means making a particularly embarrassing appearance on television. Then he must show signs of repentance: this is done by abjuring the normal pleasures of politicians, such as attracting crowds or playing up to cameramen or even conducting orchestras.

But the penitence is not complete without a course of listening. It is not that the man is left to read what the papers think of him (for there have been prime ministers who are known not to think much of the press, let alone read much of it). He has to be lectured at in his own drawing room by the collective wisdom of the leading lights of the Trades Union Congress and the Confederation of British Industry. He is already acquainted with many of these worthies, and is even acquainted with what they have in mind to tell him. But since he has been detected in a reckless personal policy, such as trying to reform the unions or refusing a wage rise, he has to be seen to be reassuringly in consultation again.

All this Mr Heath must undergo. He must ask what the terms are, and not let himself be too provoked by them. He must inquire gently if the approval of such as Mr Jack Jones and Sir Arnold Weinstock has been given to the proposals. He must himself urge the merits of restraint and co-operation. He must meekly acknowledge that he has made mistakes himself. He may even have to play to the gallery in the way at which Mr Wilson used to be a pastmaster, and the way which has hitherto earned Mr Heath's most bitter contempt. On Wednesday it was announced that the three foods in which prices are normally artificially kept up by predatory official marketing board manoeuvres (sugar, milk, potatoes) will, for this spring and summer only, have their prices artificially put down by official marketing board manoeuvres. As subsidies from tax revenue are being increased in consequence—and as the poor are no longer mainly potato and sugar eaters—nobody will really gain, but the nonsense is being perpetrated so that some newspapers can say that the Prime Minister is cutting prices at a stroke. After this period in penance, parley and vaudeville Mr Heath must then get back to the business of governing the country. If fate has been kind, if the economy is discovered to be growing at anything near 4 per cent, if the Labour party looks even worse than it does now, then the great man, rehabilitated, may be able to go out and about again one day without being pointed at rudely by small children.

The penny is starting to drop

But Mr Heath must not be deflected from putting the truth about wages and prices and profits before the country. This is where the Government's performance has been bad. But there is a faint stirring here and there. British newspapers told their readers this week that the Wilberforce award to the miners, which the country had willed, meant increases in the price of coal and electricity (which, of course, the voters will take the first opportunity they can of telling Mr Heath they had not willed). They also reported that men wanting jobs as miners had been turned away because there were no vacancies for such dangerous and dirty work. Something may be starting to get through, and ministers should not hang back coyly for fear of being thought to be bad losers. There are the railwaymen coming down the line: they will push ahead much harder if they think they see a demoralised cabinet in front of them.

The budget on March 21st should be the moment for the Government to pull itself together again, a budget that should err on the side of growth, deliberately and even riskily so (although there are risks and risks, see

page 83), for failure there will not leave much of the Heath doctrine behind, not even the record of a beneficial entry into Europe. So, once again, on the modest figure of Mr Barber rest the immediate hopes of restoring Tory self-confidence and delineating the essential programme that has to be carried. If Mr Heath is considering changes below the cabinet (and a number would be helpful and mildly invigorating in the party), they should not be delayed much beyond Easter. Since the Prime Minister, with Europe and Ireland on his hands, will probably not want to make any scapegoats at present, and since the Tory second eleven is one of the weakest since the war, a bigger operation can wait until the autumn, or at least until the European legislation is not in jeopardy in the Commons. If men existed who could catch the country's ear, they should be put in the cabinet now ; but they are not to be discovered.

Then there is Ireland. The Government's kite on a political initiative, although riddled with flak, is putting up something of an endurance record. Ministers can say that no sooner had they got it launched than they had to turn round to deal with miners and Mintoffs, but the uncertainty has gone on too long and must be ended one way or the other at once. Unhappily for Northern Ireland, and for the Government's reputation, the longer the suspense on these occasions, the greater the expectation, and the greater the sense of disenchantment if the mountain proves to have given birth to something visibly mouselike. That, of course, may be no bad thing if the cabinet's resolve is to stand by Mr Faulkner and the Stormont government. But the danger is that, with the best will in the world, the Government could now end up with something that would be just enough to tip more Protestants on to Mr Bill Craig's side, while falling far short of reconciling the Catholics to anything.

The appearance of indecision

The Government does not need to be warned that the Widgery report on the shootings in Derry is likely to cause difficulty and embarrassment even if the political initiative gets going at all, and since the IRA is still as active as ever (and still, apparently, as acceptable as ever to much of the Catholic population, despite the harrowing accounts of the latest explosions), it is going to be a long haul anyway. There is no easy answer to Ulster: everyone understands Mr Heath's and Mr Maudling's dilemma. But the impression of the cabinet's indecision is not so much that of responsible men carefully making up their minds as of preoccupied ones trying to make sense of what seemed to be someone's good idea a month ago. Ireland's crisis is not going to be contained, let alone helped towards resolution, in that way.



Not the end of the world

If Herr Barzel's men do kill that Russian-German treaty, it won't be all that much of a disaster

The marriage that has been arranged may not take place after all. It now seems entirely possible (see page 39) that the west German parliament will refuse to ratify the treaty Herr Brandt signed with the Russians in 1970. If it does, and if Herr Brandt cannot persuade the German electorate to give him another Bundestag that will say yes to the treaty, which he very likely cannot, the Russians say they will refuse to sign the agreement about the future of Berlin that was worked out last August. But a Russian signature on the Berlin agreement is the West's price for the all-European conference that the Russians have wanted for years and the west rather half-heartedly agreed to last year. No ratification, no Berlin deal ; no Berlin deal, no great get-together. That was the house that Willy built, that was ; or so it could turn out, if one Social Democrat defector and two Free Democrats carry their doubts about Herr Brandt's eastern policy to the point of voting against the Russian treaty, and nobody from Herr Barzel's opposition crosses the floor the other way.

Herr Ehmke, the minister who runs the chancellor's office in Bonn, said on Tuesday that the collapse of his government's eastern policy would "be looked upon with concern throughout the whole world." Certainly it would destroy the assumptions the foreign ministries have been working on for the past year. So should Sir Alec Douglas-Home and M. Schumann and Mr Rogers be flying to Bonn to persuade Herr Barzel to let the treaty through after all, and keep the Ostpolitik alive ?

It does look as if one dangerous consequence of the Ostpolitik has now been avoided. It was avoided, to be precise, on December 29th, at the end of Herr Brandt's visit to Key Biscayne, when Mr Nixon told him that there would be no withdrawal of American troops from Europe without a balancing cut on the communist side. The worst possible outcome of Herr Brandt's policy would have been for the next few years to be spent on a weary succession of mammoth all-European conferences, at which nothing very much might have happened, but which would have created enough of an illusion of change to persuade the Americans to take most of their troops home, and the west Europeans to cut their defence budgets, while the Russians in fact maintained their political control over eastern Europe and kept their army east of the Elbe more or less intact. That would not have been detente, or reconciliation, or an opening up of Europe, or any of the other things Herr Brandt wants his Ostpolitik to achieve. It would have been, unmistakably, the pushing of western Europe a few notches down the balance-of-power scale compared with the Soviet Union ; and, since independence is always relative, it would have reduced western Europe's freedom of action against the Russians.

There is little doubt that this is what the Soviet government hoped Herr Brandt's policy would lead to ; and until Mr Nixon's statement of December 29th they might have thought things were going that way. It is Mr Nixon's refusal to order a unilateral American withdrawal from Europe, and his apparent confidence that he can keep on beating Senator Mansfield and the other pullers-out, that have saved Herr Brandt and western Europe from the worst outcome of his approach to the Russians ; and if Mr Nixon is re-elected in November the danger will probably have been removed for another four years.

But if the worst has been avoided, it must also be said that the high hopes of the supporters of Herr Brandt's policy are coming to look increasingly unrealistic. Herr Egon Bahr was the man who originally thought out the Ostpolitik, and what Herr Bahr hoped it would do is plain enough. He believed that it would slowly loosen the ties that bind the smaller countries of eastern Europe to Russia: that these countries would gradually be free to do more trade with the west, and allow more of their people to travel to the west, and let more non-communist books and newspapers leaven the diet of communist orthodoxy their population has to live on. In fact, it is now pretty clear that the Soviet Union has no intention of letting this happen, and has already taken the necessary steps to prevent it happening.

It could be a stand-off

Under the present five-year plans, which govern the economies of the east European countries up to 1975, these countries are being required to do a larger proportion of their trade within the communist world than they were in the previous five years ; the only exception to this dismal trend being Rumania. The number of people allowed to travel to the west last year from Hungary and Poland—the two most liberal of Russia's allies—may actually have been slightly smaller than it was in 1970. The recent opening up of the border between east Germany and Poland (no passports are needed since January 1st, and there is hardly any customs check) is an admirable thing in itself, but it is an indication of the way things are likely to develop in the next few years. The Soviet Union is prepared to let the countries of eastern Europe conduct their relations with each other in a slightly more relaxed way, but it does not want them to remove the physical and intellectual barriers that separate them from western Europe. It is summed up in the word the east German government uses about its relations with west Germany—*Abgrenzung*, which means demarcation, or ruling off. Plainly neither Mr Brezhnev nor Herr Honecker means to let the Ostpolitik produce the results Herr Bahr was hoping for ; and even if the men who run the other east European countries did, it is highly unlikely that they would be allowed to get away with it.

So the likeliest outcome of the whole thing could be neither the most the optimists hoped for, nor the worst the pessimists feared, but a stand-off. Herr Brandt would have tacitly accepted Russia's position in eastern Europe, and the continued separate existence of Herr Honecker's part of Germany ; and in return he would have got little more than the Russians' formal approval of Berlin's communications with the west, which they would almost certainly not attempt to challenge anyway. It could amount to as little as that. Indeed, the idea that the Ostpolitik might have led to a real opening up of eastern Europe was probably based on a fundamental misjudgment about that part of the world. It is certainly true that most of the people who live in eastern Europe would like more contacts with the west, and less control from Russia. It is also true that public opinion in those countries has slightly more effect on the government's policies than in the Soviet Union. But when it comes to the test the communist parties of Hungary and Poland and the rest are no readier to risk their monopoly of power than the Soviet party is. It is not just that such men as Mr Gierek and Mr Kadar have to operate within the limits that Mr Brezhnev imposes on them ; they also have good reasons of their own for avoiding any change that might imperil their own position.

The conference isn't indispensable

But if that is all the Russian-German treaty might have led to, its rejection by the German parliament would not be an overwhelming tragedy. There is just not that much to be lost. It might give the west Europeans a certain satisfaction to get the Russians at a conference where they could be asked yet again in public, as they have so often been asked in private, why they will not allow a freer movement of people and ideas between the two parts of Europe. It might be possible to set up a sub-committee of the conference to see whether there is any possibility left of cutting the armies in both halves of Europe, although the Russians are still refusing to receive the man Nato has appointed to negotiate with them on the subject. But that is about the extent of it. The grand conference of all the Europeans, plus America and Canada, that is advertised as the climax of the negotiations of the past two years has always seemed a clumsy and inappropriate instrument. If the Russians are ready for a real change in the affairs of Europe, most of the actual negotiating will have to be done at smaller, technical meetings ; if they are not, they are not going to be pushed into it by being asked embarrassing questions at the big conference. It has never worked that way at the United Nations.

Perhaps it will not turn out like this. Even if the Bundestag does reject the Moscow treaty, the Russians may decide not to lower the boom on the Berlin agreement after all ; they might, just conceivably, even agree to look again at the part of the treaty the Christian Democrats find most objectionable, the phrase which implies that the frontier between east and west Germany is "untouchable." Whether they go and sulk in their tent will itself be a test of how seriously they want a new relationship with their European neighbours. Herr Brandt was right to make the Ostpolitik experiment ; when a 20-year-old policy has achieved nothing, it is always worth trying something different. It is not his fault that the expectations he attached to it have shrunk as Russia's response has become clearer. But the more they have shrunk, the less of a disaster it has come to seem if the policy has to be abandoned as a gallant failure.



Limits to misconception

How seriously should we all take the forecast from the Club of Rome of impending world doom?

Four years ago an idealistic Italian industrialist interested in ecology tried to recruit up to 100 world savants into a well-financed project, whose main object turned out to be to sponsor the sorts of computer model through which one school of academics at the Massachusetts Institute of Technology has long been forecasting the doom of the world. Rather fewer internationally known scholars joined this Club of Rome than publicity about it has sometimes claimed. But some have done, and the result is that a lot of otherwise sensible people are suspecting this week that there must be something in the first MIT project commissioned by the club.* As usual with such reports, it advocates that mankind should stop the growth of capital investment as well as of world population, because a computer has said that the highest possible standard of living that this planet can afford is one that stagnates at half today's North American level, and that it should be shared equally among a stabilised world population living for an average of 70 years.

The report represents the highwater mark of an old-fashioned nonsense, because the MIT team has pumped into its computer so many dear, dead assumptions. It falls with both eyes open into the central trap before all futurologists, and is thus in danger of discrediting the germ of truth that should make more considered researches of this sort worth while.

The central trap is that, ever since economic growth really began with the industrial revolution 200 years ago, any scientist has always had to forecast world disaster if he plots existing exponential economic growth against the elasticities of supply and substitution for particular things as assumed within known technology. Since it is exponential growth in technology that is spurring exponential growth in income, of course your computer tells you that you are heading for breakdown if you tell it to assume continuance of the effect without continuance of the cause. As an example that has been quoted here before, in 1872 any scientist could have proved that 1972's quantum of urban transport and travel within London was impossible (and therefore a city the size of London was impossible), because where were Londoners going to stable all the horses and how could they avoid being asphyxiated by the manure?

On the other hand, the germ of common sense behind researches like the Club of Rome's is the suspicion that today's pace of exponential growth in gross world product must run into inelasticities of supply in some particular things some time. For the past 25 years many people have been trying to forecast what they would be, but getting them wrong.

About 20-25 years ago the imminent inelasticities were supposed to come in food and raw materials, so that eminent scientists were asserting that world famine was certain before 1970 (we were going to create a lot of dustbowls) and the Paley report in America said that raw materials would rise steadily in price compared with prices of finished goods. Instead, the industrial countries have piled up butter mountains, and the terms of trade turned sharply against raw materials in the year of the Paley report itself, because the elasticity of supply and substitutability for many foods and raw materials has actually been increasing rather fast. Later in the 1950s many people thought that the worst inelasticity would come in our power to get rid of growing pollution from our air and water; but even crude legislation like Britain's Clean Air Act of 1956 has worked surprisingly well, so that the smoke content of London's air has been reduced by three-quarters in 15 years and fish have appeared under some central London bridges for the first time in 100 years. Certainly, we should watch for any turnround; but bottlenecks appear where elasticities of supply are declining near to nought, and it is not logical to forecast that the first ones will appear where extra effort has recently brought forth greater results than originally expected (ie, where elasticities of supply are rising).

The trendy ignore the trends

By the late 1950s many people (including this newspaper) had switched into thinking that the really lasting inelasticity might be in the provision of education to underdeveloped countries (because the supply of adequate teachers willing to go, or able to be trained, there is so limited); but computer-assisted learning programmes now already promise a real future breakthrough there. By the mid-1960s, the main inelasticity appeared to be in the supply of decent urban living systems (this was not only because high-rise housing is proving a nasty way of living, but because a lot of urban public services, ranging from police protection to garbage collection, appeared to be breaking down); there is still reason to be worried about this, although the signs are better than they were. Probably the main worry at the moment lies in the breakdown of various social patterns, and in a possibly emerging inelasticity of supply of the unknown satisfactions that could keep them reasonably cohesive.

There would be great advantage if the Club of Rome sponsored computer research into suggesting what are the things now coming into inelastic supply. Instead, the MIT team has done the opposite. Its computer model assumes artificial inelasticities in the supply of the three things—food, raw materials, pollution control—that were wrongly thought to be inelastic 20-25 years ago. This is always the easy and popular thing to do, because there

* "The Limits to Growth," a report for the Club of Rome's Project on the Predicament of Mankind, Potomac Associates, 205 pages. $2.75.

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are naturally lots of distinguished people around who wrongly made these forecasts then and long to agree that they were not wrong after all. In addition, food scientists, pollution experts, etc, naturally think that food science, pollution control, etc, are the most important things in the world, and they can then be paraded as expert opinion to say how right the Club of Rome is to proclaim that much more attention should be concentrated on the fields in which they are experts and to which they have devoted their lives.

This report thus actually does more than fall into the usual trap of assuming present state-of-the-art elasticities of supply. It postulates eventual absolute inelasticities of supply in its three chosen causes of breakdown—food, raw materials, pollution control—by constantly proclaiming that "this is a finite world" (ie, a world in which supply of everything eventually becomes totally inelastic), and then draws charts in which the curve of exponentially rising demand crosses these straight lines showing absolute inelasticity during the next century. The absolute inelasticities are pulled forward to an earlier period than is commonsensical by the usual semantic muddle of assuming that the meaning of a word in today's technology will be the same in tomorrow's technology.

Arable is infinitely indefinable

Thus it predicts that the exponentially rising curve of demand for food (without defining what the word "food" might mean tomorrow) will cross an absolute limit set by "arable" land in our children's lifetimes (without recognising that the word "arable" is an existing-state-of-technology-word that is necessarily changing its meaning all the time). If we ever did find demand rising towards the club's supposed straight line—and at present, to repeat, the gap is widening rather than narrowing—then it is highly probable that the forces of market innovation would shift the line upward again by such relatively foreseeable new technologies as inventing new plants in pods, turning agriculture from its present incredibly inefficient reliance on unharnessed solar power, substituting present fish-hunting by sea farming, etc.

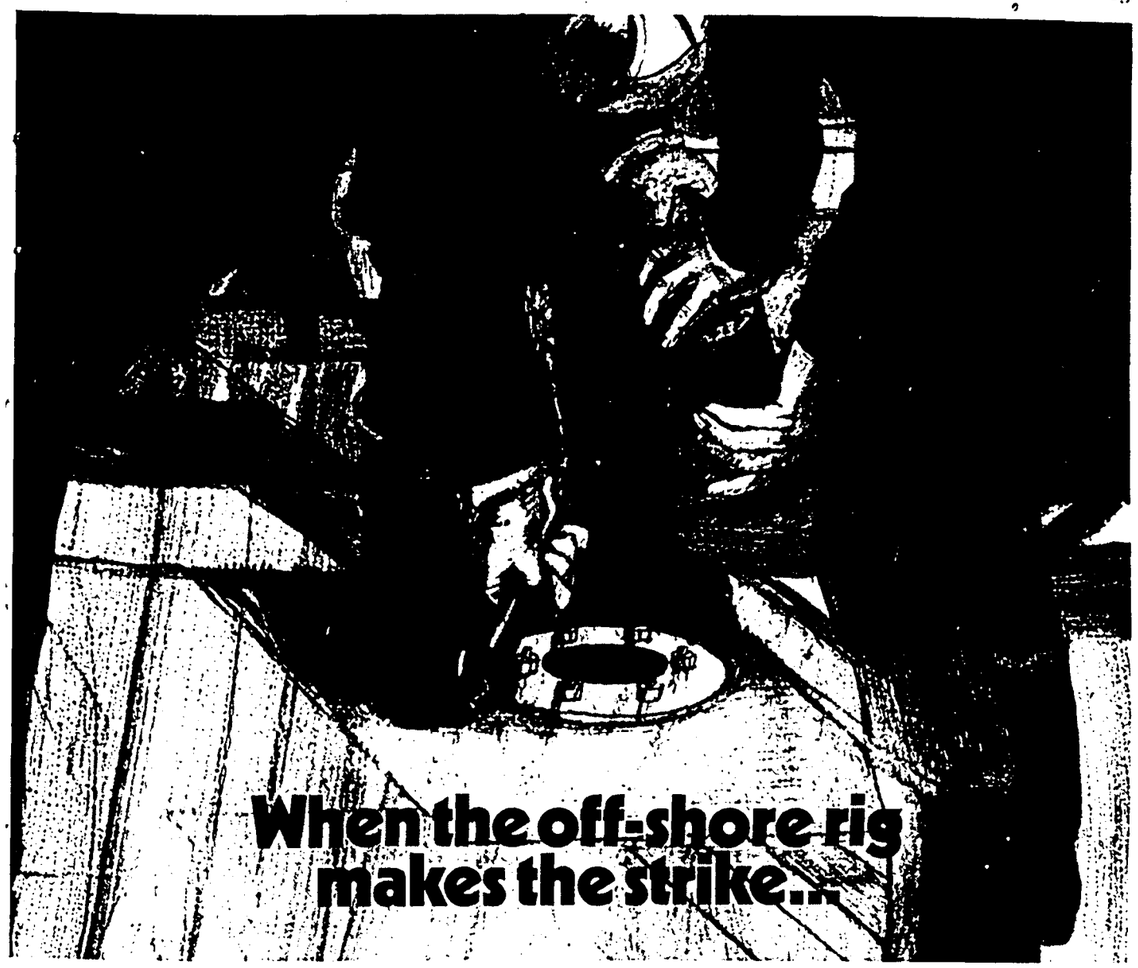
The limit for raw material production is luckily not set in this report by citing the old canard of "known world reserves," at a time when every oil drill pushed down into the North Sea finds oil reserves that nobody even 15 years ago had suspected, but the straight line that the doomsters need to be cut by their exponentially rising demand curve can still be readily manufactured by saying "assume that real world reserves are twice present known levels or five times them," and then pretending that this is optimistic. But in reality it is much more likely that we will for a time exponentially increase raw material reserves (depending on how you define both materials and reserves) in line with exponentially rising demand, because the coming breakthroughs to fusion and harnessed solar power as sources of energy should enable us to extract minerals from rocks and start to put matter together molecule by molecule. The assumption in the report that pollution will stop economic growth, even if supposed food and material shortages do not, is merely asserted, not scientifically assessed with any eye on possible new technologies (or even on recent legislative results).

Is there any value in this sort of exercise when it can apparently lead such very clever people into such misconceptions? While it would be absurd artificially to slow down economic growth (which depends on growing technology) because you think that technology will not grow fast enough, population could well go on swelling inconveniently even if technology slows down. It is therefore useful to inspire new thinking now on population control, although the problem is probably not going to be the easy one which this report assumes—of spreading known technological aids like the pill to help voluntary birth control. The real problem is that in the next few decades we are probably going to learn how to cure a lot of degenerative diseases and thus how to keep too many old people alive; incidentally, this report, while calling for population control, also thinks that the non-resource-using activity of medical research is one activity that we should increase—either most oddly, or because it knows that there is a scientific community of medical researchers that will applaud it for saying this. We should face the fact that total world population probably will outrun one of the real supply inelasticities—which are unlikely to be food, raw materials, or pollution control—and that some future generation may have to choose either to resort to compulsory rationing of births (especially as women in the future may be able to order the sort of babies they want by clonal reproduction in their own bodies), or to euthanasia, or to genetic engineering (if we were to turn ourselves into a race of six-inch men instead of six-feet men, most of the Club of Rome's problems would be solved). It does seem rather desirable to think out which we would prefer rather well in advance.

It would also be welcome if computer studies could be turned to trying to check what things are coming into inelastic supply. For goods and other satisfactions sold in the market the price system shows this, but for other goods and satisfactions (ranging from simple public services like sewage, through to more complicated satisfactions like social living patterns appealing to the younger generation) it does not.

The budget

The Chancellor of the Exchequer, Mr Barber, opens his budget box on Tuesday, March 21st, and there will be the usual full coverage of his proposals and their effect on industry, the market and the economy as a whole in *The Economist*. In next week's issue there will be pre-budget analysis of what the Chancellor is likely, and ought, to do. This week: a special assessment of what could be in store for investors (page 79) and comment on the latest advice to reach the Treasury (page 83).



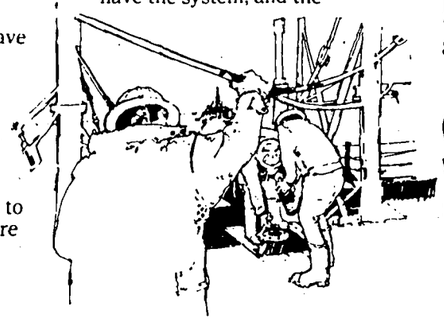
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CHILE WITH ALLENDE

Birth of a civil war

BY OUR SPECIAL CORRESPONDENT *Santiago*

In the Chilean summer, it is hard to imagine civil war. The yachts bob out in the Pacific at Algarrobo, beautiful girls sip pisco sours in the Grand Hotel at Zapallar, and apart from a few conscientious "summer widowers" Santiago is strangely empty over February as the population streams west to Viña del Mar and the other resorts. "Silo," the name of an obscure Argentine apostle of hippiedom scrawled on the pavements, seems more relevant than all those political slogans that have eaten up the whitewash since President Salvador Allende took office in November, 1970. But summer is nearly over, and behind the holiday smiles most people are conscious of the long rough winter ahead.

Over the past year, there has been a complete transformation in Chilean politics. Last summer Dr Allende was performing a skilful balancing act; the opposition was fatalistic and divided; and although the economy was running down it was still possible to believe that the Popular Unity planners would abandon their ideological obsession with state control in order to persuade people to invest. Today, Dr Allende is very much on the defensive. The defeat that his coalition suffered in the by-elections in O'Higgins, Colchagua and Linares in January showed not only how strongly the tide of public opinion is running against him, but also that the opposition Christian Democrat and National parties have managed to submerge their personal differences and cement a firm alliance.

Last month, the Popular Unity leaders got together in a house at El Arrayan just north of Santiago to mull over their defeat. An extraordinary internal communist party document leaked to the conservative newspaper El Mercurio while the meeting was taking place provided evidence of the squabbles within the government coalition as well as the bruising effects of the by-election. The communists blamed the "ultra-leftists" within the alliance for their defeat: "The enemy has tried to identify the idiocies of the ultra-left with the actions of the government. . . . The ultra-left tries to make out that there is a contradiction between trying to win over the middle class and trying to win over the proletariat. This idea has been expressed by Comrade Carlos Altamirano" (the secretary-general of the Socialist party). The communist tactic, in contrast, is to aim for the support of the middle class and of moderate opinion, to "neutralise and then win over the social base of the Christian Democrats" in order to isolate the most conservative elements.

The bid to win the centre is the key to Dr Allende's current political manoeuvres. He is trying to get the eight political groups that form his coalition to agree on a single list of candidates for the next election. He is also trying to build up the rump of the Radical party headed by Sr Carlos Morales and the Leftist Radical party (PIR) (more conservative despite its name) into a third force within the Popular Unity alliance. Sr Morales told this correspondent that he believed that Dr Allende was personally committed to the "decentralisataion of power" within the coalition.

But the Radical party has lost much of its grassroots support, and many of its leaders are suspected of shady dealings. The PIR, on the other hand, is firmly opposed to marxist ideology, and has been one of the stumbling blocks for Dr Allende's attempts to move towards a single government party. Anyway, the support of the middle class does not depend upon which jobs a clutch of Radical or PIR leaders are given within the cabinet, but on the state of the economy and the constant expansion of state control.



Allende gestures towards the centre

Economics is power

In the space of 16 months, Dr Allende's government has created enormous, possibly insoluble, economic problems. The men who run the economy—and above all Sr Pedro Vuskovic, the minister of economy who is closely aligned with the Communist party—are narrowly obsessed with widening what they like to call the "social area," a euphemism for state control. Since they have been in office, they have failed to create a single new industry of national importance, to import new technology, or even to rationalise or reorganise the private industries they have been swallowing up. On the contrary, skilled technicians and managers have been replaced by politicians and standards of service and production have dropped alarmingly.

Driving up to Santiago from Rancagua, this correspondent passed a crowded passenger train travelling at night with only five or six light-bulbs burning in the carriages. Most people were sitting in darkness. The decline of the state railways under the management of Sr Nahum Castro, a Socialist

party militant, is an extreme example of the effects of Popular Unity supervision. According to some sources, 300 trained engineers have been replaced by political elements, including members of the Movement of the Revolutionary Left (Mir) who advocate armed struggle in Chile. Despite a 72 per cent increase in the government subsidy last year, the work of construction and repair has slowed to a standstill because of shortages of materials and imported equipment. Some 40 per cent of the rolling stock is rumoured to be out of service awaiting repair.

But it is the impact of state management of the copper mines that has the most serious implications for the economy as a whole. Although total copper production in Chile rose last year, this was due to the opening up of the Exotica and Andina mines. Production in the three big mines taken over from American companies—Chuquicamata, Salvador and El Teniente—dropped by more than 8 per cent between January and September. The decline in production and the persistent labour troubles in the biggest copper mines cannot be shrugged off (as Mr Graham Greene and other observers have tried to shrug them off) as the result of the whims of a "labour aristocracy." Sr Carlos Correa Iglesias, a former supervisor at the Chuquicamata mine, has provided an insider's view of the copper crisis in a series of articles published in El Mercurio around Christmas. He showed that, under the direction of two communists, Sr Julio Zambrano (appointed president of the administrative commission with sweeping powers) and Sr Antonio Berthelon, the sub-director of industrial relations, the Chuquicamata mine has been turned into a happy hunting-ground for the extreme left.

Systematically, government agents have worked to expel managers and technicians regarded as politically "unreliable." The result has been the loss of scores of trained men with many years' experience. The shortage of skilled manpower became so acute that Codelco, the state copper corporation, prepared a contract for employing Jugoslav copper technicians at inflated salaries to be paid in dollars. At the same time, under state supervision company resources have been abused for political ends. It has been charged, for example, that the number of company guest houses at the Chuquicamata mine has been raised from three to eight in order to accommodate the communist Ramona Parra and socialist Elmo Catalan paramilitary



The miners won't be voting for Popular Unity

brigades, which make use of company cars and store arms on the premises.

Mismanagement of the mines has added to the problem of low world prices. While the world market price of copper dropped from 80 cents at the end of 1969 to 47 cents at the end of 1971, production costs climbed to 32 cents—a very slim margin for a country dependent on copper as the prime earner of foreign exchange.

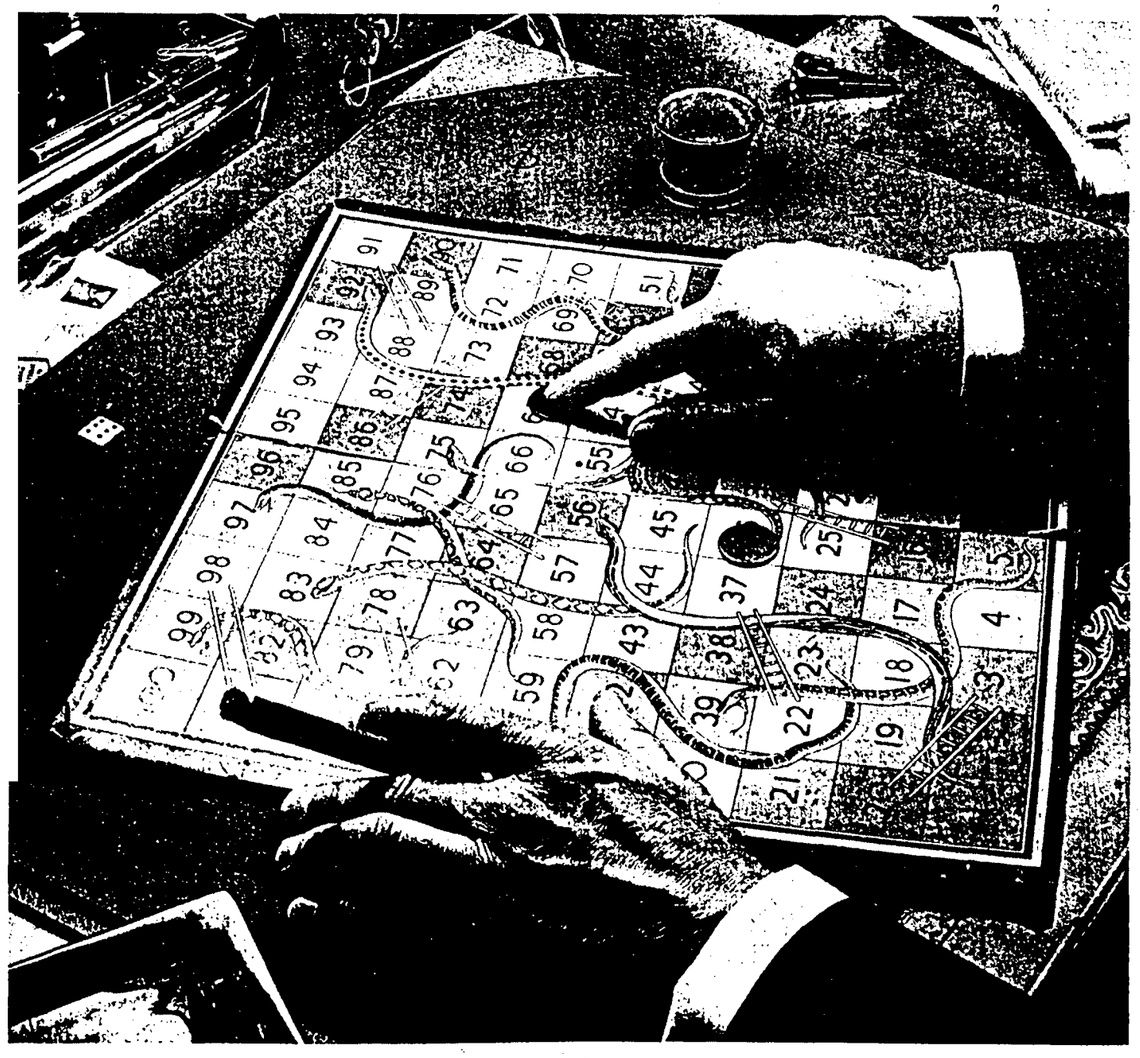
But the copper crisis is only part of the reason for Chile's economic malaise. The government has been working with formulae borrowed from the Russia of the 1920s and from Cuba. Sr Vuskovic's economic strategy is in a sense entirely political. It is concerned with power, with destroying the economic base of the middle-class opposition. That is why increasingly many Chileans are asking themselves whether political liberty is conceivable without economic liberty. On the one hand, the opposition can score heavily against Popular Unity in a by-election and has a good chance of winning a two-thirds majority in congress in the legislative election that is coming up next year. On the other hand, despite the constant opposition of a hostile congress that is now trying (through the Hamilton bill) to limit the power of the state to buy up private companies, the government has steadily tightened its grip over the economy by executive action and the purchase of shares.

The list of 91 companies scheduled for expropriation that was issued last month is a death-warrant for private enterprise. It remains to be seen whether the government has the power or the cash to execute it, since the take-over of the 91 depends mainly on the sale of private shareholdings, and many of the companies seem determined to resist.

Anyone who talks with the opposition and with individual businessmen in Santiago today will be immediately impressed by the new spirit of resistance. The case of the Papelera (Compania de Manufactura de Papeles y Cartones) late last year—when private shareholders held out against an attractive state offer to buy them out—set an important precedent.

But the overall outlook for the economy is bleak. Industrial investment is down to nothing, and not many people are convinced when Sr Vuskovic ascribes this to "monopolistic conspiracies." It is not just that private investors have stopped spending. The vast increase in state spending over the past year was used, not for new capital investment, but to buy up existing companies and to finance dramatic rises in salaries and social benefits. This creates a huge problem for the future. Industrial production rose by something like 10 per cent last year because managers were able to meet increased consumer demand by running down stocks and drawing on unused productive capacity. The drying up of new investment could mean static or declining production this year—with alarming inflationary effects.

Up to the end of 1971, the government played out the parable of the emperor's clothes : because Sr Vuskovic could not detect any sign of inflation, it could not exist. In fact, when you raise wages by 50 per cent and increase the monetary supply by 118 per cent in the course of a year, something is bound to happen to prices even if you



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Exports totalled £414 million which was substantially higher than ever achieved previously by any British company of any kind

The following are salient points fom the circulated statement of Lord Stokes (Chairman and Managing Director).

★ **I am glad to report better results than last year.** The improvement was a combination of the effects of our own internal rationalisation and reorganisation, more sustained production and the general upturn in the domestic car market following the Chancellor's measures in the summer.

★ Profit before tax in the financial year ended 30 September 1971 was £32.398 million compared with £3.932 million in the previous year. All five groups and divisions of the Corporation traded at a profit. The Directors recommend a final dividend of 1.375p per share making a total of 2.0p for the year compared with 0.9375p last year.

★ **Sales by value increased from £1,021 million in 1970 to £1,177 million** with domestic sales increasing from £522 million to £614 million and overseas sales from £499 million to £563 million. **Exports from the UK totalled £414 million (1970—£351 million)** which was substantially higher than ever achieved previously by any British company of any kind.

★ Sales by units totalled 1,057,000, including 852,000 cars, 193,000 trucks, buses, vans and other commercial vehicles and 12,000 agricultural tractors, compared with a total of 984,000 in the previous year.

★ Although profit was very much higher than in the previous year it fell a long way short of the requirements of a corporation of our size. We must achieve substantially higher profit to support the major product and modernisation programmes which are essential if we are to remain viable as a major world motor manufacturer. Since the first days of the merger our plans have been developed with this in mind. It is gratifying to see the results beginning to work through to the financial figures but inevitably it will be some time before the full effects are felt.

★ The organisational principles agreed at the time of the merger have proved a sound basis for managing the Corporation and we are systematically continuing the process of rationalising and improving our products, sales outlets and manufacturing and assembly facilities at home and overseas.

★ Last year I said that the Board had approved a comprehensive industrial relations policy. During the past year the Corporation has actively pursued its implementation. One of the essential elements of our policy is the replacement of wage systems which have outlived their usefulness. We still have a long way to go but it is very encouraging to report that in those plants where new systems have been introduced time lost through industrial disputes has dropped significantly.

★ **In April, 1971 the Morris Marina was successfully launched.** This was the first major model introduction of a vehicle which has been conceived, designed and developed since the formation of British Leyland. **It is already a major competitor in the popular and growing family class of cars and, in addition, has special appeal to fleet owners.**

★ We welcome the decision that Britain should enter the European Economic Community as it opens up to us a very large vehicle market. My colleagues and I believe that **we are better placed than ever before to face the challenge of the Common Market and of increasing competition from other overseas countries.**

★ The year under review has seen a steady return towards more acceptable profitability and the new financial year offers continually improving prospects. Whilst we still have difficult labour situations in certain locations, we are encouraged by the general response we are getting from our people at all levels and subject to the national situation, we look forward to a period of increasing production, higher sales and rising profits.

Copies of the Annual Accounts and Chairman's Statement can be obtained from the Secretary, British Leyland Motor Corporation Limited, Berkeley Square House, Berkeley Square, London, W1X 6DL.

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apply a control system of steel-like rigidity. Figures produced by the Christian Democrats suggest that the real rise in prices last year may have reached 35 per cent.

At any rate, a series of dramatic price hikes early this year suggests that inflation has finally caught up with Popular Unity—the average price of cars, for example, is up by 56 per cent, petrol is up by 33 per cent, and on top of the price rises there is a new bill calling for a wage bonus of 120 escudos a month to enable workers to stay ahead of the cost of living. When you add to the prospect of this sort of inflation the shortage of foodstuffs (especially meat) and of imported goods, the burden of the foreign debt that Dr Allende's envoys are having trouble in renegotiating in Paris despite his softer line on copper compensation, and the huge budgetary deficit, it is easy to understand why the government is not looking forward to the next election.

Stirrings in the barracks

Will that election be held at all? The answer, as always, depends largely on the armed forces. Dr Allende has continued his assiduous courtship of the men in uniform, to the point of presenting one of his generals with a huge silver cigarette-case on the first anniversary of his appointment to office. That kind of attention to detail has paid dividends. On the other hand, it has encouraged a consciousness of power among the officer corps. When the president transferred Sr José Tohá to the ministry of defence to skirt an opposition censure motion in congress a couple of months ago, for example, he walked from the Moneda palace to inform his chiefs of staff.

The spectacle of a president going to wait upon his generals was something new in Chile. There have so far been few cases of political interference with the armed forces although the Chilean CID, Investigaciones, has been placed in charge of political appointees—an electrical engineer and a psychiatrist. The only two senior officers who have been sacked since Dr Allende came to office were Colonel Labbe, formerly the commandant of the military academy, and Walter Heitmann, the air force chief of staff. Colonel Labbe was an outspoken conservative who was vehemently opposed to Dr Castro's visit to Chile and came under suspicion when his cadets suddenly fell victim to a "flu epidemic" on the eve of Dr Castro's visit to the academy. He was promoted to a desk job afterwards, and then sacked. All the same, his dismissal—like that of Sr Heitmann—came from the commander-in-chief, General Prats, and not directly from Dr Allende.


Not everyone loves Che

It is still generally agreed that Chile's armed forces would have to be seriously provoked before they would step outside their apolitical tradition and act against a government that has doled out more generous salaries and treated them with greater deference than either of its two predecessors. On the other hand, there are plenty of examples of a growing restlessness in the barracks. There was the admiral in Valparaiso, for example, who threatened the *intendente* of that city with the warning that his men would move into the streets unless the police cracked down on left-wing rioters within an hour. There was the military audience in Temuco that failed to applaud the president. There was the secret poll that showed 82 per cent of the officer corps would like to see General Viaux (the hero of the far right who staged an abortive uprising) released from jail.

Two issues that the army feels particularly strongly about are Cuban influence and the activities of left-wing paramilitary groups. The Cuban role in Santiago can be easily exaggerated, but it is still true that Cuba's embassy, with 48 listed diplomats, is nearly five times as big as the British embassy in Santiago, and that three-quarters of its members are believed to be members of Cuban intelligence. The counsellor at the Santiago embassy is said to have been the desk-officer responsible for co-ordinating Che Guevara's Bolivian operation from Havana, and it is worth observing that another top Cuban diplomat said to have intelligence associations, Sr Fernandes de Oña, recently married Dr Allende's daughter Tati. There have been reports that the Cubans were flying in arms for the Mir guerrillas to the Pudahuel airport in unmarked planes last year.

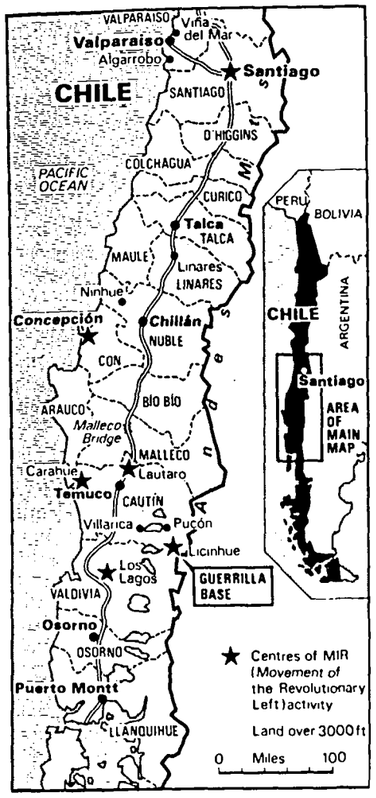
The Cubans have probably been more interested in general in using Santiago as a base for subversion in neighbouring countries—Bolivian exiles such as Major Ruben Sanchez, for example, have been moving back and forth between Santiago and Havana. But this correspondent talked with leaders of the Mir in the "Che Guevara" slum suburb of Santiago who said that Cuban instructors had been visiting their settlement regularly to conduct political education courses. The Cubans have also helped to train the presidential guard (and have been widely blamed for its tonton macoute image—sunglasses, fast cars and sabre-rattling). It is still probably true that Dr Castro's visit to Chile last year was a setback rather than a gain for Cuban influence. One of the strongest terms of opprobrium one can use in Chile is "tropical," and Dr Castro made the mistake of displaying himself as the Caribbean demagogue, talking too long and outstaying his welcome.

Until recently, Dr Castro's Chilean admirers were making their greatest gains in the south of the country. Now they have competition.

It has started in the south

A civil war has already begun in the south of Chile. The news will take time to filter through to most people in Santiago, since Cautín is probably farther away from the capital psychologically than Belfast is from London. The beginning of the conflict in Cautín can be dated precisely: around midnight on Thursday, February 17th. That was when about 60 small landholders climbed into their cars and drove out to the Santa Ana farm outside Lautaro. The farm (about 25 basic hectares) belonged to the Gonzalez family. It had been seized by a shock-group of Mirista guerrillas leading 70 or 80 Mapuche Indians.

The men who went out on February 17th to take back the farm by direct means belonged to something new in Chile: a disciplined vigilante movement, well armed, well led and with a coherent strategy. They call them-



selves the Guardia Blanca, or "white guard," but that is really only a label applied to them by other people. In the province of Cautín alone, they have a pool of about 60 cars (a lot of transport in that district of dirt roads and broken-down trucks) and there are about 600 small farmers ready to join in operations, as well as a small group of professionals many of them unemployed labourers who know how to use a gun.

The battle of Santa Ana was an easy victory. The 20 Mapuches holding the farm defended themselves on a hill, but were quickly driven away, leaving five dead horses behind. When the Indians later lodged a complaint with the carabiñeros, they found the authorities only too ready to accept Sr Gonzalez's story that he was just taking some friends out for a barbecue. Since they had been forced to stand by while the Ministas took over farms illegally, why should they interfere when the farmers reclaimed their property?

The Santa Ana skirmish was followed up by the recapture of another farm, Vista Hermosa, the following night. There will be more *retomas*. The Guardia Blanca in Cautín are ready to defend themselves against any new attempts to take over farms illegally. They have a system of bush telegraph and they have guns. "Last year," one of the Guardia leaders told this correspondent over lunch in a sleazy restaurant near Temuco, "we had only 22-calibre guns. Now every one of us is going to be armed with a machine-gun from Argentina." They have good relations with the local garrisons and the local police, who recognise them for what they are: a resistance movement of desperate men who have seen their lives and livelihoods threatened by violent land seizures.

The discipline comes from the German Chilean farmers of the south, some of whom have become right-wing extremists. But the rank and file are small farmers who have found no protection in the law or the police apparatus. It is a classical phenomenon: the resistance to arbitrary takeovers in Chile has begun with the little men, the small and medium farmers, and not with the big men, the *latifundistas*. This is the great problem for Dr Allende, that the reform programme has cut into the interests of the people who cannot fly off to Buenos Aires or Paris, and that they are defending themselves. It is also a problem for the far left.

In Cautín, the Guardia Blanca has frightened the Mir and its rural branch, the Revolutionary Peasants' Movement (MCR). This correspondent visited the Lautoro farm that used to be the Ministas' headquarters in Cautín. It was possible to drive straight in because there were no guards on the gate—the Guardia Blanca had been shooting them up. The farmhouse was covered with slogans and paintings of a Che Guevara figure waving a machine-gun. At first, there was no one in sight, apart from the crowd of Mapuche children of five or six who started chanting left-wing slogans as soon as they saw the car. *Momio, escucha, el campo esta de lucha* ("Reactionary fascist, hear this: the countryside is at war"). The men who ran the farm clearly had little to learn about the politicisation of the young. One by one, Ministas began to appear—not students from Concepción, but indoctrinated Mapuches who had been left to run the farm.

The Mirista leaders were said to be up in the Andes with Comandante Pepe, the military leader, at his base near Licinhue. Pepe is still running an area of some 18,000 hectares up along the cordillera as his private fief, and turning back army patrols as if he were a foreign power. One man reported having seen a convoy loaded with 50,000 rounds of ammunition passing through Pucón on its way to the guerrillas in the hills.

The peasants at Lautaro, however, were not confident guerrillas, but frightened, suspicious men, who were not impressed by this correspondent's unconvincing story that he had come to buy a pig for a barbecue. They locked the gate and at first refused to let the car out. "You are Guardia Blanca. You have come to spy on us." They were terrified despite the fact that their farm has been expropriated by Cora, the official land reform agency, so that they have legal title to the land. But they will fight for what they hold, like the Ministas who are still camping illegally on 70 farms in Cautín alone.

One Guardia leader claimed to see the future for Chile as a whole as an *enfrentamiento de frente* (direct confrontation). Operating as private groups, the small farmers have already re-occupied 80 farms that were seized illegally in Cautín—40 of them by "direct action." Now they have an organisation with a national perspective and links with the rural syndicates and the right-wing movement *Patria y Libertad*. There is another vigilante group in Osorno, and the Guardia is forming cells in Linares. On the other side, there are still said to be 1,200 Ministas in Cautín alone and 800 in the single district of Lautaro. Outside the slummy Terraz hotel in Temuco, one can watch busloads of Concepción students arriving to lend their muscle to the summer wave of land seizures. But this year they have been held in check. The rate of land

Pakistan Bangladesh Afghanistan

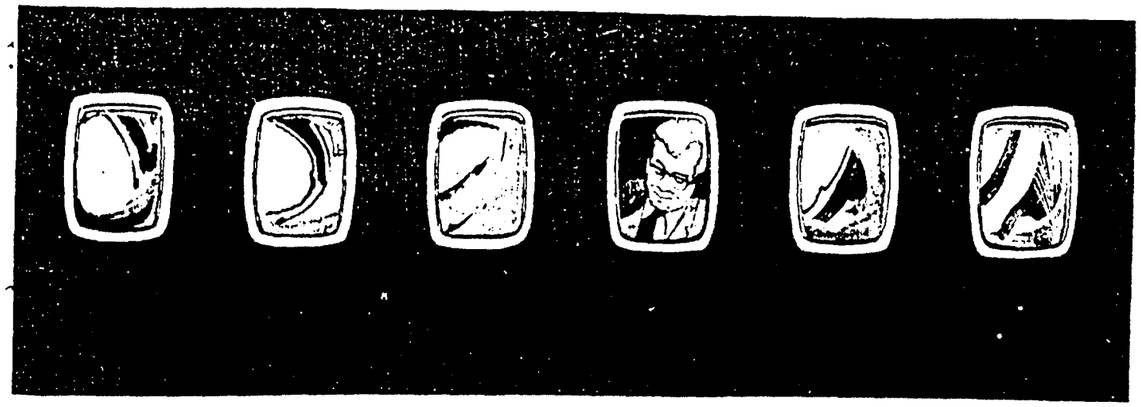
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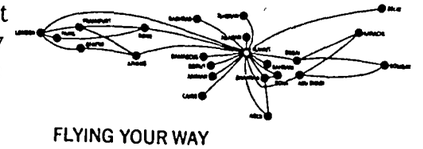
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"A NOTABLE YEAR IN OUR HISTORY"

A summary of the Statements by Sir Cyril Kleinwort, Chairman of Kleinwort, Benson, Lonsdale Limited, and Mr. Gerald Thompson, Chairman of Kleinwort, Benson Limited, from the 1971 Report and Accounts.



Sir Cyril Kleinwort
Chairman, Kleinwort, Benson, Lonsdale Limited

THE RESULTS
1971 WAS A NOTABLE YEAR in our history. The reported Group profit is £3,774,000 after taxation, compared to £2,563,000 for 1970, an increase of 47 per cent. The main contribution to this very satisfactory result comes from the banking activities of the Group, reinforced by investment opportunities in a rising market. The most striking feature in the consolidated balance sheet is the increase in capital and disclosed reserves by 48 per cent, from £24,782,000 to £36,706,000. In addition to the sale of our leasehold interest in St. Albans House, we took the opportunity of the transfer of KBIT shares to disclose capital reserves of that Company which had previously been deducted from the book cost of investments, and also to adjust the book cost of the investments acquired before 5 April 1965 to the market value on that date.

DIVIDEND
The total dividend of 15 per cent (3¾p per share) compares with the equivalent of 12 per cent (3p) last year.

Kleinwort, Benson Limited



Mr. Gerald Thompson
Chairman, Kleinwort, Benson Limited

PROFITS FOR THE YEAR
An increase of 68 per cent in the profits for the year of the banking group, after tax, at £2,951,000, reflects improvements in most sections of the Group's activity.

GROWTH OF INTERNATIONAL BUSINESS
Our banking business, particularly in the international field traditional to us, has shown increased profitability. The Eurofinance Department has been particularly busy, having raised during the year, as leading managers of public issues in the Eurobond market, $180 million of straight debt on behalf of international borrowers.
Kleinwort, Benson Incorporated made satisfactory profits in its second full year of operation and featured as an underwriter in a large number of United States domestic issues. Kleinwort, Benson (Europe) S.A., our Brussels subsidiary, has achieved its highest profits and Kleinwort, Benson (Geneva) S.A. has expanded considerably. Business in Japan, both with banks and with companies, has developed substantially.
In June last year we and the Bank of America established in London the Bank of America Limited. Bank of America have also agreed to join us in our Australian associate, Merchant Bills Corporation, as have the Dai-Ichi Kangyo Bank, the largest bank in Japan.

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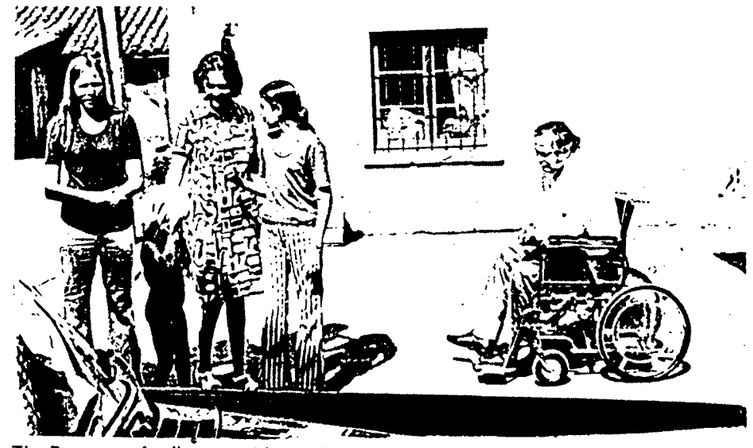
CORPORATE FINANCE
On the domestic front our Corporate Finance and Banking Divisions have been continually active, while our subsidiaries in the Channel Islands have again shown most satisfactory results. Our Export Finance Department is managing syndicate finance for major projects by British contractors amounting to over £150 million, and the commodity trading subsidiary, Fendrake Limited, has had a successful year.

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seizures in Cautín rose as high as four a week last year. There have not been that many so far this year, largely because of the vigilantes.

It remains to be seen how the Miristas will respond to the new challenge from the right. It is likely that a series of increasingly violent private battles are about to be waged in the south. Whether or not they will involve the authorities will depend on whether the Guardia decide to resist the official land reform agency and on whether Dr Allende chooses to ignore them.



The Benavente family : casualties of Cora

If you sow wind

Que siembra viento, cosecha tempestas, runs a Chilean proverb. "If you sow wind, you reap storms."

Outsiders who talk comfortably about agrarian "reform" have little conception of what is actually taking place in the Chilean countryside. Chile is not a rich country in agricultural terms ; about 3.6 per cent of the total land surface of that country squashed like a tapeworm between the Andes and the Pacific produces half of its produce. Less than 5 per cent of the country's total agricultural capacity is in farms bigger than the 80 basic hectares that has been established as the legal maximum. In its six years in office, the Frei government expropriated some 1,400 farms covering more than 3½m hectares—most of them located in the rich provinces of the central valley. The Christian Democrats organised most of the farms they expropriated as *asentamientos*, rural co-operatives under the distant supervision of Cora.

The Popular Unity government has accelerated the pace of expropriations. As the Arrayan statement boasted, by the turn of the year the government had expropriated 1,378 new farms, covering 2.7m hectares. At the same time, agricultural production dropped back, and cattle stocks fell alarmingly. The result was that last year Chile was obliged to spend $280m on food imports, which is equivalent to 20 per cent of the country's total currency revenues. Government apologists are fond of saying that foodstuffs are in short supply because everyone is eating better. Anyone who takes the trouble to travel around the south will realise that the root of the problem is the way that the agrarian reform is being administered.

The Popular Unity government has replaced the Christian Democrat co-operatives with state-run *centros* that seem to please no one except the bureaucrats who run them. One peasant in Linares whose employer's farm had just been taken over complained that the workers on the neighbouring state-run farms had not been paid for two months. "How will we eat, Señor ? They say this and that about the *momios*, but at least the *momios* paid us and you could always go to one for help if you were in trouble." Among small and medium farmers, there is a general mood of depression and uncertainty. Although the legal maximum for an individual holding is 80 basic hectares (the physical acreage varies according to the quality of the land) you are safe from state takeover in theory only if you hold fewer than 40 basic hectares, and the Socialist party wants to halve that figure.

There are more than 50 pretexts upon which Cora can take over a farm apart from the simple question of size. The plight of Sr Juan Benavente and his family on a vineyard near Ninhue in Linares is a case of the abuse of authority by Cora that is extreme only in its degree of human tragedy. Sr Benavente has been a cripple since his early twenties, but still used to have himself hoisted on to his horse in the morning, with an apparatus like that used by medieval knights, to supervise the vineyards where he produced his excellent Collipeuma wine. He has a family of six children, and ran about 130 basic hectares. He was expropriated on the ground that, when his father and his aunt set up a family company back in 1952, they failed to publish an advertisement.

Although legally entitled to a reserve, he was offered only a derisory plot of 20 hectares on top of a hill, without water, electricity or vineyards. For the past year, he has stayed on to bottle his wine and to haggle with Cora over the valuation of his land and his equipment while the farm is supervised by the state. The Cora valuation of the farm is about $40,000—a preposterous figure, though he hopes to get more out of Cora. Like many Chileans, Sr Benavente clings to a faith in reason and compromise. He also has remarkable courage. He talks of trying to set up a small dairy farm somewhere else in the area. The farm itself is running to seed. Over the past year, the peasants have been growing wheat for private sale and neglecting the almond orchard and vineyards that took 10 years to establish. Vultures wheel and turn over neighbouring (expropriated) hills where the vines have turned a sickly yellowish-grey.

It is one story among many. The important general point is a legal one. In many parts of Chile, Cora has made itself absolute master of the countryside. Although the president is legally required to appoint agrarian tribunals to provide expropriated farmers with the right of appeal from Cora decisions, there are 16 provinces without these tribunals. Dr Allende's legal advisers discovered that the law does not lay down a period of time during which the president is required to appoint tribunals. At the same time, Cora can take over any farm on the ground that it is "badly exploited." Cora officials carry out the valuation of property and plant. And the situation is all the more serious because Cora has been so heavily infiltrated by extremist elements—as even the Chilean communists complained in the secret document quoted earlier.

Where does all this lead? So long as the government fails to curb the excesses of Cora officials (who went far beyond the law on a recent occasion when they took over a timber reserve belonging to the Schleier family in the

Lautaro district) ; so long as small farmers are denied legal redress and police protection against violent takeovers, there will be a steady drift towards forms of direct action like the Guardia operations. This could develop into a full-scale civil war in the south that could precipitate events in the capital. At the very least, there are political processes at work that are beyond the control of the government and possibly even of the national parties.

The three battles

And not just in the countryside. In Santiago itself, one of the most alarming signs is the politicisation of the slum *poblaciones*. The Mirista "Che Guevara" settlement, for example, contains 1,200 families and their goal, according to Compañera Natalia, a Socialist party militant and the "vice-president" of the *poblacion*, is "the liberation of the whole of Latin America." They receive regular visits from Cubans, Bolivians, Uruguayans and Argentinians, and the Che Guevara settlement has sent out assault groups to participate in land seizures in the provinces. Although Compañera Natalia refused to admit that military training was being carried out, the settlement has a system of guard posts and watchtowers. It also has discipline. It is forbidden to sell liquor in the settlement, and although the houses are only squalid wooden shanties peopled with lean mangy dogs and staring children, they are laid out geometrically.

The Ministas are said to have a strategy of "encircling" Santiago from the slums and, in the short term, of staging takeovers in comfortable commuter suburbs such as Las Condes. If so, they will meet resistance. One of the signs of the times is the rapid growth of the *Patria y Libertad* organisation, founded after the September, 1970, election to agitate for the choice of Alessandri for president by congress.

Its leader, Sr Pablo Rodriguez, is an intelligent lawyer who has made himself the ideologist of the extreme right. He believes in a modified form of the corporate state and declared to this correspondent that "in every case that the democracy of political parties has been carried to its logical extreme, it has resulted in communism or civil war." Originally, a movement of upper-class youth, *Patria y Libertad* has made inroads in the *poblaciones*, vying with the Mir for its recruiting grounds. During the "march of the casseroles" in December, it displayed its discipline and its numbers when militants turned out in helmets to do battle with left-wing brigades.

The general proliferation of paramilitary groups is a depressing spectacle for anyone concerned with the future of Chilean democracy. The very real danger is that the violence of the streets may trigger off an army coup or a messy civil war. So far, despite police action against the People's Organised Vanguard (VOP), the government has failed to show the capacity or the desire to control the extreme left.

But to grasp the situation as a whole, one must comprehend that three battles are being waged simultaneously in Chile. The first is the electoral battle, and most opposition party leaders cling to the hope that somehow they can find the money to finance a triumphant campaign at the legislative elections next year and then recapture the presidency (and a legacy of economic disruption) in 1976. The second is the armed struggle, the shadowy contest between the extremists of both sides, and between the vigilantes and the land-grabbers. The third battle is for control of the economy.

In the private sector, as in the countryside, there is a new mood of militancy, demonstrated by the publicity campaigns of organisations like the Front for the Defence of the Private Sector (Frenap), Sociedad Fomento Fabril (Sofofa) and also by the growing strength of opposition syndicates and the movement initiated by Sr Jaime Guzman in the universities. It remains to be seen whether many of the 91 new enterprises scheduled for expropriation can hold out for long against the variety of pressures that the authorities can bring to bear. In the short term, one of the greatest assets of the opposition is the survival of the free press. There is still an amazing variety of magazines and newspapers on the Santiago news-stands, and the survival of El Mercurio is, in itself, a tremendous source of encouragement for the rest of the private sector.

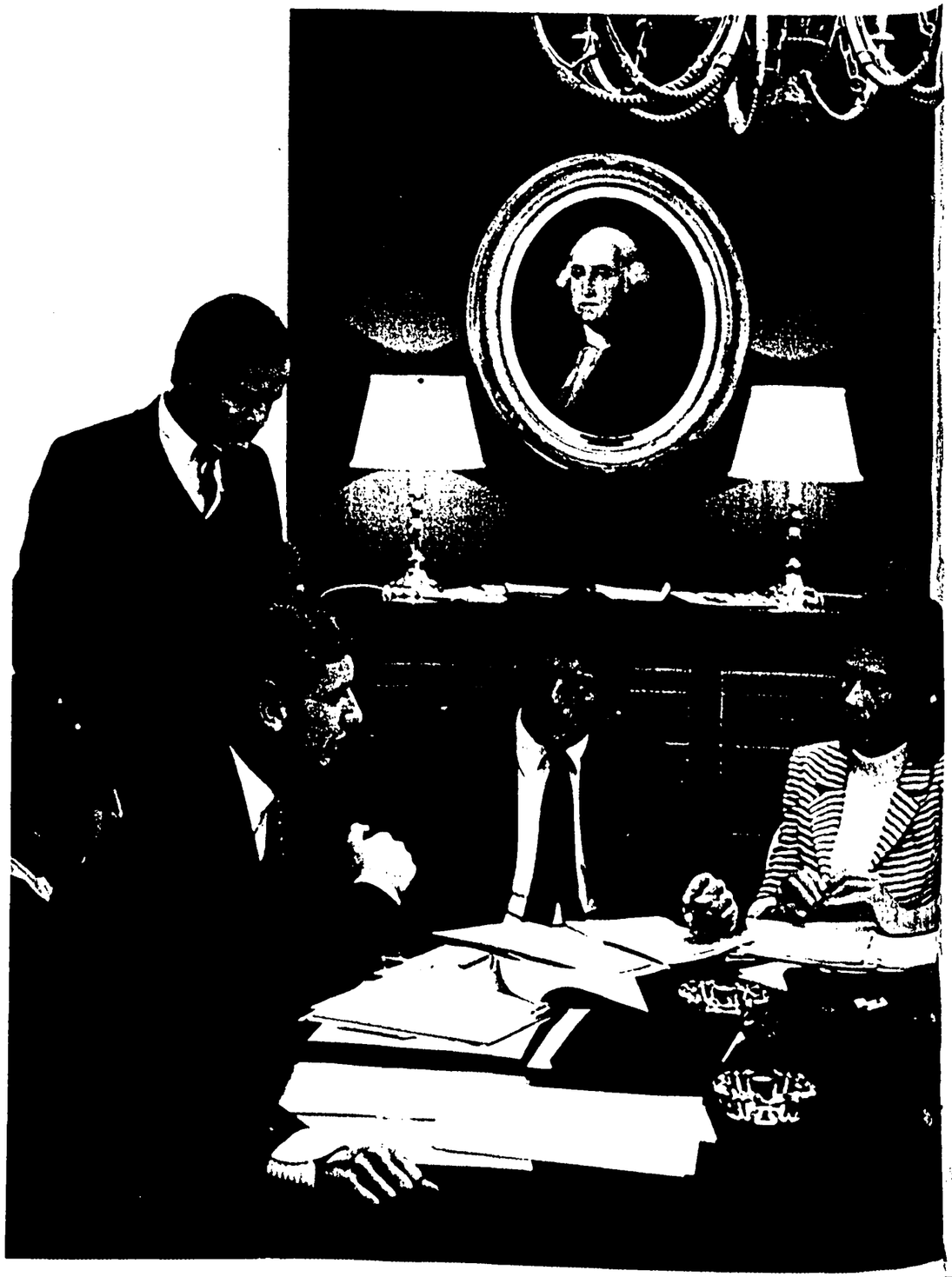
Dr Allende, one Christian Democrat leader maintained, "is a man who turns back when he gets into a cul de sac." The political future of Chile depends on whether that judgment of character is accurate. There is nothing very revolutionary about most of the men in the present government. They are middle-aged ; they enjoy the good life ; they have been in parliamentary politics for a long time. A cartoon in the right-wing periodical PEC shows a Communist party boss in a big American car saying to a dishevelled businessman : "Join the party, comrade. I was once like you . . . a poor and miserable factory boss." The optimistic argument runs that because Chileans are born compromisers and not keen on shooting at each other, and because the Popular Unity government is, at heart, more interested in the perks of office than in the socialist millenium, Dr Allende will turn back when he comes up against serious opposition.

But there is another argument. It is that many of the men in Dr Allende's government are bent on holding on to power and that political democracy cannot survive indefinitely in the face of the decline of economic democracy. It is also possible that the extremists of either side may trigger off a political crisis through their own actions. Those who have come to love the country that has been called "the England of Latin America" will hope that the optimists are right. But there is stormy weather ahead.



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All of a sudden the ground trembles under Willy's feet

FROM OUR BONN CORRESPONDENT

A dog's dinner of discouragement was awaiting Herr Brandt when he got back to his desk in Bonn on Thursday after four days in Teheran dedicated to repairing frayed German relations with Iran. If the chancellor could have been as sure as he had claimed to be that a majority of the electorate supported his Ostpolitik there was little doubt he would have decided then and there to hold a general election.

But there was no such assurance. The chancellor was confronted with the result of a new public opinion poll carried out last week by the Wickert institute. Some 1,477 qualified voters, living in 346 different parts of the country, were asked how they would vote if a general election were held today. The result indicated that 50 per cent of the electorate would vote for the Christian Democratic Union and its Bavarian counterpart, the Christian Social Union, 44 per cent for the Social Democratic party, 3 per cent for the Free Democratic party, and the remainder for one or another of the parties of the extreme left and right. When the same question was put in January the result had been 45 per cent for the Christian Democrats, 45 per cent for the Social Democrats and 6 per cent for the Free Democrats.

Why has the coalition's stock dropped so markedly? The Wickert hounds drew only rather loosely formulated objections to the government's actions. But there is no shortage of detail among critics elsewhere.

It is true to say that all Germans who think about these matters have conceded all along that national risks are being taken in accepting the post-war frontiers of central Europe, and thus virtually the indefinite continuation of two separate sovereign German states. Many believe with Herr Brandt and his foreign minister, Herr Scheel, that acceptance of all this, and the ensuing respite of suspicion, would pay substantial dividends to Germany and Europe in the long run. Just as many others, it seems, object that the treaties in their present form offer an expansive Soviet Union an irresistible temptation to go on pushing in the west politically and commercially.

Between these two equal-looking forces are the undecided, whose turning this way or that will decide the validity of the treaties with Russia and Poland, either in the present Bundestag or at the polls in the event of an early election. And it looks very much as though their number is being reinforced as a result of a series of setbacks suffered lately by the government.

The first occurred on February 9th, when in a first reading the Bundesrat passed the treaties back to the Bundestag for further consideration unless 12 questions were satisfactorily answered; the questions were mainly about the German people's right to self-determination. In the Bundesrat, which represents the governments of the 10 federal states, the opposition is in a majority of 21 to 20. This could be changed if the Social Democrats win the Landtag election in Baden-Württemberg on April 23rd. But it is not expected that they will. The Bundesrat can be overruled only by an absolute majority of the Bundestag.

Holding between them 251 of the 496 Bundestag seats, the coalition parties had an absolute majority of two and a simple majority of six until the beginning of last week. But on February 28th the Social Democrat deputy Herbert Hupka, who as chairman of the Silesian refugees' association has consistently rejected the treaties since they were signed in 1970, joined the Christian Democrats. Herr Hupka protested that the Social Democrats had tried to gag him by removing him from the Bundestag foreign affairs committee, which is now considering the treaties. (Another Social Democrat, Franz Seume, resigned from the party on March 3rd, but he is a Berliner without a vote.)



Hupka won't be gagged

Then last weekend a prominent Free Democrat, Baron Knut von Kühlmann-Stumm, announced ominously that he too has serious misgivings about the treaties and would withhold his vote were they not removed. On Monday another Free Democrat, Herr Wilhelm Helms, spoke up in much the same vein. And according to Der Spiegel two more, Georg Gallus and Richard Wurbs, are contemplating defection to the opposition should the Free Democrats fail to clear the 5 per cent hurdle in Baden-Württemberg next month. Herr Erik Blumenfeld, the Christian Democrats' foreign affairs specialist, has denied rumours that he secretly approves of the treaties and intends to defy the party whip. The doubters' misgivings have not been allayed by the latest scoldings from Pravda and Izvestia.

Should the government decide to clear the air by holding a general election it would be a hotly contested one—and not solely on account of Ostpolitik. Herr Brandt has had once again to reaffirm his dedication to

western Europe, and once again he has had to do it by calling to heel Herr Karl Schiller, his economics and finance supremo, on the subject of monetary co-operation inside the common market (see page 87). Herr Schiller prefers monetary independence for Germany, and prefers dealing with the Americans at times of monetary difficulty rather than with his common market colleagues in Brussels. The paradoxical upshot of Herr Schiller's show of freewheeling Atlanticism is that it weakens Herr Brandt's longstanding claim that his east European adventures are firmly rooted in west Germany's continuing attachment to the west European common market. The consequent strain in cabinet shows itself throughout the Brandt coalition government, and is not lessened by the fact that Germany's internal economy has not escaped the generally depressed conditions in the rest of the world.

As the Wickert poll suggests, there is widespread disappointment in the country at the government's failure to fulfil its handsome promises of internal reform—particularly to extend and modernise education, and to introduce a simpler and more equitable system of taxation. The resignations of the minister for education and science, Professor Hans Leussink, a non-party man, which is to take effect on March 15th, and of Herr Heinz Haller, the state secretary specialising in taxation reform have scarcely assured the public that all is well.

Sensing their opportunity, the Christian Democrats say they would like an election now, short as the party is of funds. And they are promising, in the event of victory, to ask the Soviet Union to renegotiate its treaty with west Germany. They will not ask Poland to do likewise. It is the inexorably hard frontier between east and west Germany that the Christian Democrats find unacceptable, not the Oder-Neisse boundary with Poland.



Dutch passions run high

Holland

The prisoners of Breda

Three elderly German Nazis at Breda prison have caused Mr Bisheuvel's government in Holland a humiliating political setback that may well shorten its life. The Dutch cabinet announced last month that it intended to release these three prisoners on humanitarian grounds, even though they had committed very serious crimes during the Nazi occupation: one had been in charge of the Amersfoort concentration camp for Dutch Jews and the other two had been senior officials concerned with the deportation of Jews to the extermination camps. The government argued that the punishment of these old men, who are no longer a threat to society, should not continue indefinitely.

But society, or a very vocal part of it, clearly did not agree, and the government had a nasty shock when parliamentary hearings started at the end of last month. There were demonstrations outside parliament in The Hague by Jewish and other war victims' associations, and disorderly scenes inside it. A passionate debate raged throughout the country: even Quaker prayer meetings agonised and divided over whether these old Nazis should go free.

Under this pressure the lower house of the Dutch parliament voted last week by 81 to 65 to reject the cabinet's proposal. The vote is not binding, because pardoning prisoners is the crown's prerogative. But the cabinet, responding to the public outcry, found a face-saving formula at the weekend, whereby a commission will now look at the individual petitions from the prisoners. Another emotional debate in the near future is on the cards. It is strange that this should happen in one of the least bloodthirsty and vengeful of European countries, which sentenced only 14 Nazis to death after the war, executed only five and released six—leaving the three men of Breda.

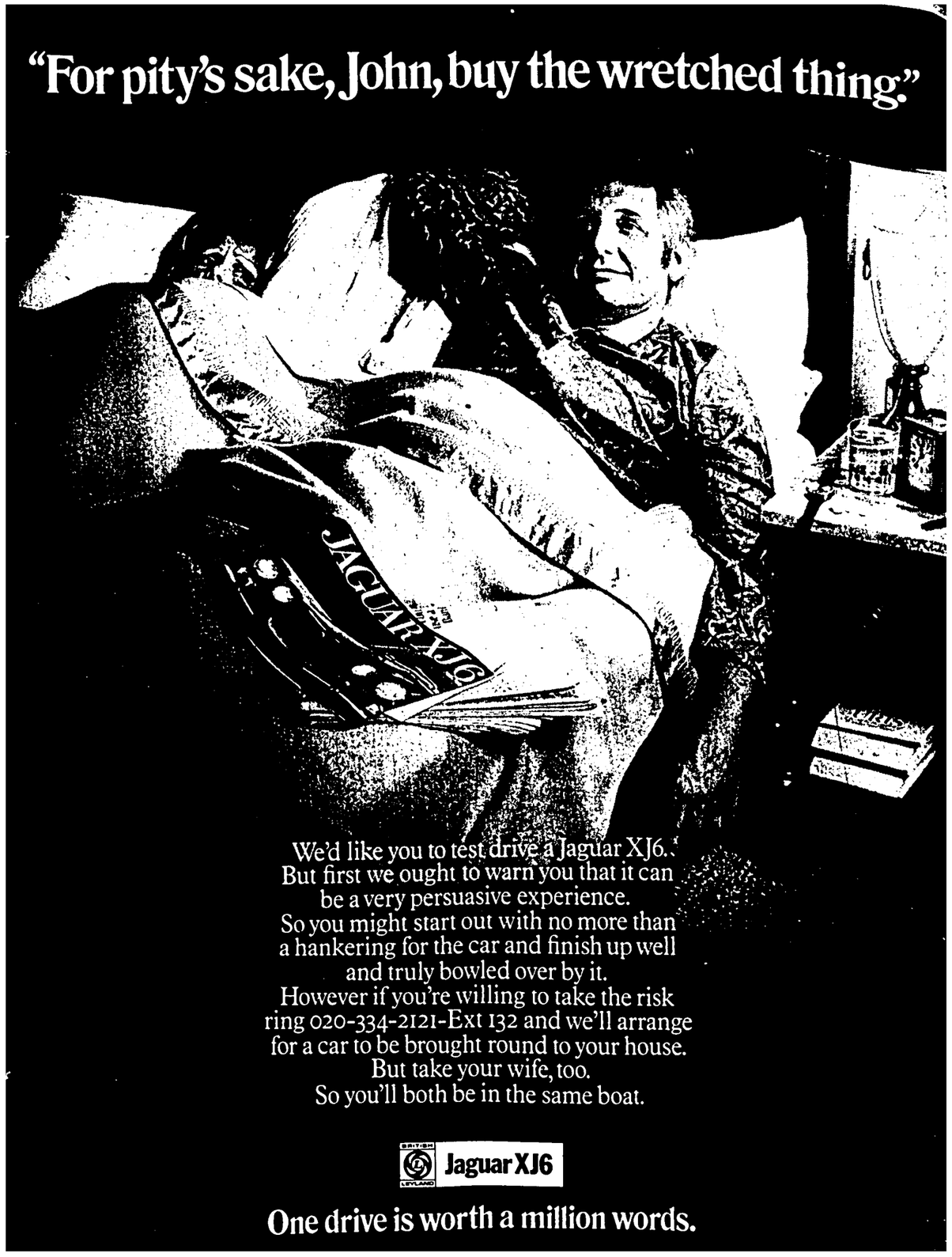
Malta

Three weeks left

Lord Carrington and Mr Mintoff both said that "some progress" was made during the talks on Malta that hiccuped into life again on Sunday and Monday. Of course neither defined what "progress" means. But the Ministry of Defence in London says that the two sides have moved slightly closer together on the question of British employment of Maltese on the island.

At present the number of Maltese employed by the British forces stands at 6,017, all of whom have now received notices of dismissal to take effect from March 31st, the deadline for British withdrawal. Although no figures are being revealed, Britain has now improved on its previous offer—said to be 3,800—for the number who will still be wanted if the British stay, and there will be phased redundancies for those who cannot be employed. Mr Mintoff's reply will come when he has discussed the proposal with his cabinet and his supporters in Malta's General Workers' Union.

The main sticking point remains the annual rent. The Nato offer stands at £14m. Not a penny more, said Lord Carrington, and the Nato secretary-general, Mr Joseph Luns, took the same line as the London talks ended. That was what they were both saying when the Rome round of negotiations broke off a month ago. But since then Mr Mintoff has come up with another proposal: for a separate cash payment of £5m, to be paid immediately, to



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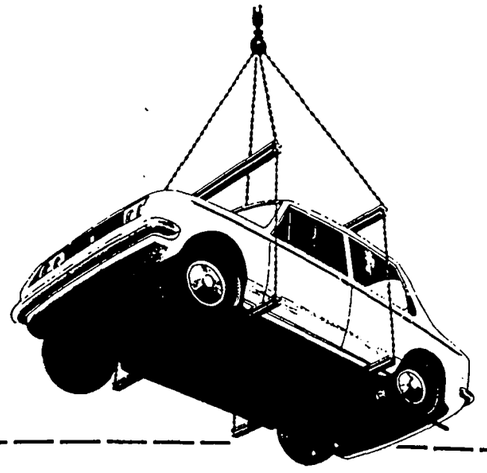
The figure may even reach 300,000 in three years time, and 530,000 to 640,000 cars within seven years.

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cover a budget deficit and other debts including salary bills for the island's civil service. Mr Mintoff sees this figure as a concession, since his proposal at Rome was for £18m as the annual rent and an immediate cash payment of £10½m on top of this. Lord Carrington does not see it that way at all.

So the ball has been played back to Mr Mintoff. But the Maltese prime minister has a rare capacity for not returning it over the net straightaway. He has often referred to Malta's "alternatives." The flirtation with Libya's Colonel Qaddafi might have led to one possible alternative. The recent visit to Malta by the Russian ambassador in London was clearly another attempt to spread Mr Mintoff's options. And the visit of a French delegation on March 1st, headed by the deputy foreign minister, M. de Lipkowski, was presumably not made for climatic reasons. Will Mr Mintoff be able to push the bargaining with Nato into yet another round with the alternatives he claims to have in mind? March 31st is only three weeks away.

Cyprus

Bishops or pawns?

By Thursday it looked as if the month-old Cyprus crisis was at last coming to a head. President Makarios—who seems to have relished the whole affair—appeared to be about to give his reply to both the Greek government and the three dissident Cypriot bishops. The Athens government had demanded that he should surrender his secretly imported Czech arms to the United Nations and form a "government of national unity." The three bishops, at a meeting of the synod of the Greek Orthodox church of Cyprus, had called for his resignation, on the ground that his temporal and ecclesiastical functions were irreconcilable.

The bishops were a bit late in the day in making this discovery, for Archbishop Makarios has been head of state and head of the church since Cyprus became independent in 1960. The bishops' intervention looked like a heavy-footed stratagem engineered by the Greek government (which has now disavowed the use of force to resolve the crisis) to use the church to undermine the president's position. None of the three bishops commands a significant following in Cyprus and one, the elderly Bishop of Paphos, is a nonentity. Their challenge to the president is almost laughable, as the pro-Makarios rallies throughout the island in the past week bear witness.

Nevertheless, speculation has persisted that Archbishop Makarios might in fact resign—or, more accurately, appear to resign. He would do so in the almost certain knowledge that a tidal wave of popular support would sweep him back into office within a day or two (unless General Grivas, the former Eoka leader, should suddenly decide to strike). After all, President Nasser did almost exactly this in June, 1967, at the end of the Arab-Israeli war—and the archbishop's position is infinitely stronger than Nasser's was at that time.

More fundamental than the challenge of the three bishops, or indeed the disposal of the Czech arms, is the whole question of reforming the Cypriot cabinet. The odds are that, after protracted wrangling, the arms will eventually find their way into UN custody. But the Greek government's virtual claim to a right of veto on the appointment of President Makarios's ministers and advisers seems to many moderate Greek Cypriots an affront to Cyprus's sovereignty; and it is hard to see how the archbishop can accede to this demand—at the moment. But, as on so many other things, the president may temporise. It is conceivable that, after a few weeks or perhaps months, when the excitement has subsided, a quiet reshuffle of the Cypriot cabinet will be announced. The world will barely notice it, but the Greek government will have its ounce of satisfaction. This is how politics in the byzantine tradition has been conducted, since the time of Byzantium itself.



It's taken the bishops 10 years to spot the irreconcilable

Turkey

Backlash

The campaign by a section of the British press to raise a public outcry against the six-year prison sentence on 14-year-old Timothy Davey has backfired. The Turkish press did not let such words as "barbaric"—splashed in two-inch-high letters across the front page of the Sun on March 2nd—pass unnoticed. This week it has counter-attacked.

The Turkish daily Hurriyet quotes Timothy's mother, Mrs Davey, as saying that she abhors the anti-Turkish campaign of British journalists and is grateful for the exceptional treatment given to her son in prison. The paper adds that the courts have a duty to implement the laws passed by parliament. The editor of Milliyet has warned British newspapers to "rid themselves of the illusion of their majestic British Empire . . . which leads them to put pressure on other countries to achieve what they want."

Turkish members of parliament reflected the views of the newspapers. On Monday the foreign minister, Mr Haluk Bayulken, had to answer questions which suggested that Britain could never forget its defeat at Gallipoli. Although he pointed out that the British Government had not sought to influence the course of justice, Mr Bayulken said that Turkey could not tolerate doubts being cast on its independence and dignity. Even the Turkish prime minister, Mr Erim, has felt it necessary to make a gesture of protest. He has announced that he has cancelled his plan to spend a day in London on his way to the United States, a plan of which he had never informed the British Government.

The one person likely to suffer from the headlines of British newspapers and expressions of hurt national pride is Timothy Davey. It is now most unlikely that the Turkish parliament will give the boy a pardon.

Arms talks

Salt and soya sauce

It was clearly desirable that President Nixon's visit to Peking last month should not be overclouded by Chinese suspicions that the Americans were simultaneously working out deals with the Russians. So it was logical to make this the time for a break in the long run of the Russo-American strategic arms limitation talks (Salt). It has been predicted that a first agreement may emerge just before Mr Nixon goes to Moscow in May, or may be announced when he gets there. But optimism was not encouraged by the circumstances surrounding the decision to adjourn the Salt session in Vienna on February 4th, and to set March 28th as the date for a resumption, this time in Helsinki.

Unusual discretion has been maintained by the negotiators on both sides since these talks began in 1969. The communiqué issued when the talks adjourned merely restated the aims that had been publicly announced nine months ago: to limit anti-ballistic missile (ABM) systems by treaty, and to agree on "certain measures" for the limitation of offensive missile systems. Five days later, Mr Nixon's report to Congress on the state of the world seemed to suggest that the ABM agreement was in sight, but he described the "interim offensive agreement" as being still the subject of "intense" negotiation.

His message also placed heavy emphasis on his intention of preventing any "further erosion of the strategic balance." He indicated that if the Russians continued to expand and develop their nuclear armoury, while the talks dragged on, the United States must do likewise. A week later there came the annual defence statement in which Mr Melvin Laird predicted that by 1973 the Russians would have as many missile-firing submarines as America and might also draw level in their ability to put Mirvs—multiple independently targetable warheads—on their missiles.

In the gloomier versions of the Salt story, the Russians' rejection of any curb on submarine development was cited as the main reason why the talks in Vienna had ended rather abruptly, and why an interval of nearly two months would occur, leaving little time before Mr Nixon goes to Moscow. Another difficulty, it is said, arose over ABM quotas. The Americans, alarmed by the threat to their land-based missile sites posed by the huge Soviet SS-9 missiles, particularly if these can be Mirved, wanted to be allowed 200 ABMs to defend two of their sites. The Russians, who previously seemed interested only in building up to 100 missiles in their existing ABM system around Moscow, now wanted another 100 to protect one of their missile sites. In congressional circles in Washington, there is now some expectation of a deal giving each power the right to deploy about 150-200 ABMs where it pleases.

Mr Nixon cannot have had much hope that the mere sight of him visiting Peking would spur the Soviet leaders towards compromise. But they cannot now deny the relevance of China to the question of limiting strategic arms. According to the latest American information, the Chinese are already deploying missiles with an estimated range of up to 2,500 miles, as well as turning out bombers with a 2,000-mile range—copied from the Tu-16s they got from Russia in the good old days. The industrial centres of European Russia are thus within China's strategic range. The Soviet army newspaper, Krasnaya Zvezda, dwelt anxiously on this new development in a long article on February 25th.

Just before Mr Nixon set off on his journey to Peking, there were reports from Washington that he would offer to support any Chinese move to claim a seat at the 25-member Geneva disarmament talks. It appears that the Americans did raise the point during the Peking talks, but the Chinese were inscrutable. When the latest round of the talks at Geneva began on February 29th, Mexico's delegate argued that neither China nor France would accept a seat there while America and Russia remained co-chairmen of the conference. The Americans seem to recognise the logic of this. But the Russians, so far, have kept mum about it.

Sudan

Salute your rebel general

FROM A SPECIAL CORRESPONDENT

Juba

President Numeiry is now in southern Sudan trying to explain to the 12,000 northern troops stationed there the agreement that ends the eight-year civil war between north and south Sudan. Since he took over in May, 1969, the president has exhorted his troops to



It was just "leave without pay"

root out the "imperialist-zionist-backed" rebel Anya-Nya movement: now he is touring all units in an effort to convince officers and men that their former enemies are brothers.

Northern public opinion had been poorly prepared for the terms of the peace agreement with the south. "Regional autonomy" was little more than a slogan during the first two years of President Numeiry's regime. Although a regional constitution for southern Sudan was drawn up by the southern members of the government, and approved by the president, as far back as last October, it has never been published in Arabic. It provides wide powers for the southerners to run their own affairs; the exceptions being external defence, foreign relations and a few minor matters such as telecommunications and customs duties. It also contains built-in safeguards against any unilateral change in the constitution. But all this has been virtually unknown. It was only last Friday, March 3rd, that the president spelt out the details, and the ceasefire arrangements, at a public rally near Khartoum.

The northern civil officials in the south, who still provide the backbone of the administration at provincial and district level and run most of the technical services, have grown used to working under southern Sudanese. Since October southern Sudanese politicians have been in charge as provincial commissioners. But the old fears of what might go wrong, born of the massacre of northerners at the time of the Equatoria Corps mutiny in 1955, are likely to affect future recruitment. Once autonomy becomes a reality and the southern exiles return home, many a past grudge against the northerners

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could hit surface. Southern officials do not seem concerned about an exodus of their northern counterparts but the standard of administration could seriously suffer.

The position of the northern troops, particularly of the officers, is more difficult. Given generous hardship allowances, many local perks and the run of the land, they have become remittance men with no great desire to rush home to their families. They are now being told to receive into their ranks those of the Anya-Nya rebels who wish to join the regular army ; the size of this rebel army has been variously estimated but the number of trained, armed men is around 1,500. The recruitment of southerners into the army is to continue until the army corps in the south is half-southern, half-northern.

It is difficult to see a young Arab captain, after two or three years' campaigning against the rebels in the south, saluting as his senior "General" Joseph Lagu, the erstwhile rebel leader whose recent supplies have come almost entirely from Israel. Renegade officers from the Sudanese army who have been leading the rebels will, if they wish, be recommissioned with their former seniority as if they had merely been on leave without pay. Thanks to the rapid promotion in the past few years of coups and counter-coups they will now rank as full colonels or brigadiers.

The president will have his work cut out to persuade the officials to stay and the young army officers to honour the peace agreement he has sprung on them abruptly. He will be helped during his tour by his vice-president, Mr Abel Alier, a southerner who was the architect of the agreement, and by Brigadier Omar Tayib, the northern commander of the southern corps. Brigadier Tayib has already started the process of trying to turn his troops' minds away from a shooting war to the civil role the army can play in rebuilding the battered south ; next week construction should begin on the first macadam road for Juba, the future regional capital.

Vietnam

Has the big attack been called off?

FROM OUR SAIGON CORRESPONDENT

North Vietnam's leaders, bereft of Uncle Ho's unifying influence since 1969, are believed to be in disarray about how to win the war. The crux of the problem is whether to mount a general military offensive fairly soon—



Le Duan controls the see-saw

maybe this autumn, before the American presidential election, or perhaps early next year—or to adopt a long-haul strategy of smaller-scale warfare while rebuilding and consolidating the communist north. The argument is not new, but some of the ingredients are of more recent vintage, and it may even be that individual members of the politburo in Hanoi have switched sides because of changes in the situation.

The progressive American withdrawal from South Vietnam poses a curious dilemma for North Vietnam. To some extent it strengthens the argument of those who want to deploy the north's slender resources for internal development, while merely keeping the pot boiling in the south until such time as the war may perhaps be won there more easily. This argument gained strength after last year's disastrous floods in the Red river delta, which not only caused economic havoc but placed added strain on the morale and discipline of people in North Vietnam.

On the other hand there are evidently those who hold that the risks of delay are too great. What if President Thieu continues to gain strength in the south ? Besides, can China, Russia and other communist countries be relied upon to continue their substantial level of support ?

Despite recent assurances of unwavering solidarity from Moscow and Peking, the Vietnam war has lost some of its glamour for the communist world after all these years. Soviet aid to North Vietnam during 1971 has been estimated at about £210m ; China's contribution was approximately half that figure. Much of the aid is required simply to feed North Vietnam and keep its economy afloat. But a large proportion is directly earmarked for the war effort, which would collapse without it. If, as is widely believed, the Soviet Union intends to ask President Nixon for technological help during his Moscow visit in May, he might suggest that the Russians should stop sending so many resources to Vietnam.

The group in Hanoi which advocates a quick crack at victory is thought to be led by Truong Chinh, the party's chief theoretician. The defence minister, General Vo Nguyen Giap, has also been associated with talk about main-force warfare and decisive leaps forward—a contingency for which the North Vietnamese army has recently shown signs of preparation along the borders of South Vietnam.

The opposing school, which favours a long-drawn-out preparation for victory while rebuilding the north, seems to be led by the party secretary, Le Duan. It may well be that this view currently prevails. It is interesting that the North Vietnamese did not in the end launch the offensive they were expected to make in February, even though they completed the necessary preparations. The obvious explanation at the time was that the leaders in Hanoi realised that the attack would probably fail. But it is equally plausible that in a see-saw debate within the politburo the advocates of the long haul had it called off because it would have been too expensive. In South Vietnam this week President Thieu ordered his troops to put more stress on smaller-unit guerrilla warfare. He believes the communist command has decided to revert to guerrilla tactics.

Pakistan

Two steps forward, one step back

The prospect of a second civil war in Pakistan is now receding. In a last-minute compromise President Bhutto announced on Monday that the national assembly would meet in April to appoint a constitutional committee and that martial law would be lifted on August 14th. A fairly staggered timetable. But the important thing is that it has the support of the National Awami party (NAP) and the Jamaat-i-Ulema, which have majorities in the North-West Frontier Province and Baluchistan respectively. Both parties have been vociferously demanding the lifting of martial law and Wali Khan, the ebullient Pathan leader of the NAP, had been threatening direct action—Bengali style—if nothing was done by March 23rd.

Old grievances in Baluchistan and the frontier were aggravated by Mr Bhutto's recent appointments of provincial governors without consulting either majority party. There have been revolts in Baluchistan in the past, and since the end of the December war Wali Khan has been raising his own armed militia, the Red Caps. Mr Bhutto showed himself alive to the dangers of secession when he said last week, "The Pathans have always carried guns, but now they carry them with a little bit of temper."

The constitutional timetable does two other useful things. On the one hand it gives Mr Bhutto the cover of martial law for long enough to make a start on the sweeping land reforms he announced last week (see page 91). On these measures he would almost certainly find a national assembly obstructive, even if it did not turn its attention to his own large estates in Sind. And the timetable also pushes Mr Bhutto a step farther towards accepting the fact of Bangladesh. One of his arguments for keeping martial law was that the national assembly could not meet without the Bengali delegates. Now it is to frame a constitution without them.

Pakistan is already facing the economic facts of separation, in particular the lack of jute and tea from Bangladesh. An attempt is being made to cultivate 2,000 acres of jute this year, and a commission has been given the thankless task of finding somewhere in Pakistan wet enough to grow tea. Political realism may soon follow.

But on Friday Mr Bhutto did something to make it harder for India and Bangladesh to accept Pakistan. He made General Tikka Khan—who led the onslaught against the Bengalis last spring—head of the army. Mr Bhutto complained of "Bonapartism" and the meddling of soldiers in politics. It may be that General Tikka Khan has been put in a position where his job is to stop the army leaning too hard on the president. But the army has always thought Pakistani politics too important to leave to politicians, and it is unlikely that Mr Bhutto can reverse a 25-year-old trend now. Certainly Tikka Khan is something of an insurance policy for Mr Bhutto if he fails to conciliate Baluchistan and the frontier. Before his command in East Pakistan, he had already earned himself the title of "Butcher of Baluchistan."

Whatever Mr Bhutto's motives for the services reshuffle, Tikka Khan's appointment will please neither the Indians nor the Bangladeshis. The Indians will not welcome the idea of Tikka Khan at the head of what Mr Bhutto has promised to rebuild as "the finest fighting force in Asia." And Bangladesh will not want any link with a country whose army commander is high on its list of "war criminals."

India

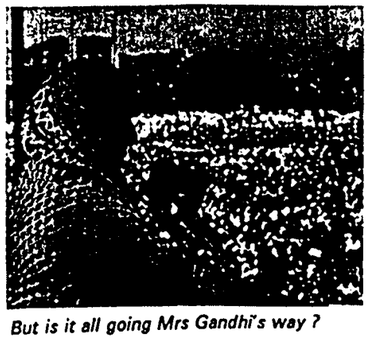
Unclean sweep?

Mrs Gandhi has almost everything working for her—the recent victory over Pakistan, the disorganisation of the opposition to her in India, and her own overwhelming popularity. Yet her Congress party may still fall short of the clean sweep it is hoping for when the results come out on Monday of this week's elections for 16 out of 21 state assemblies.

Bangladesh will undoubtedly be a big help. But in some areas this issue may backfire on the Congress party because of unhappiness among its traditional Moslem supporters at the break-up of Pakistan. In Bihar, Moslem discontent has spawned an extraordinary alliance between the Hindu communalist party, the Jana Sangh, and several extremist Moslem groups, all of them calling for repatriation of the Bihari Moslems in Bangladesh. Mrs Gandhi's firm rejection of such a move will certainly cost her votes in Bihar. However, Moslems will scarcely want to strengthen the Jana Sangh, which is the only alternative to Congress in much of north India, so they may decide to abstain.

Another handicap for Congress is the factional quarrelling which has broken out in the party as a result of Mrs Gandhi's recent party purge. Four chief ministers have lost their jobs, local party committees in 10 states have been dissolved and up to a third of the sitting members in each state (including 50 state ministers) have been refused party endorsements for this week's elections. The Congress committee in New Delhi which carried out the shake-up explained it as an effort to replace corrupt and unpopular politicians by a more representative lot. But in spite of such claims the official Congress list contains the usual number of princes, rich landlords and moneylenders.

About 300 of the rejected nominees stood this week as independents ; others worked against official candidates on the quiet. The revolt was strongest in the four states where the local party was hardest hit—Andhra Pradesh, Gujarat, Rajasthan and Maharashtra. In Rajasthan and another unsettled state, Madhya Pradesh, internal squabbles may give the Jana Sangh a slight edge. Several other states, including Bihar, Gujarat and West Bengal, may well end up with no clear winners.



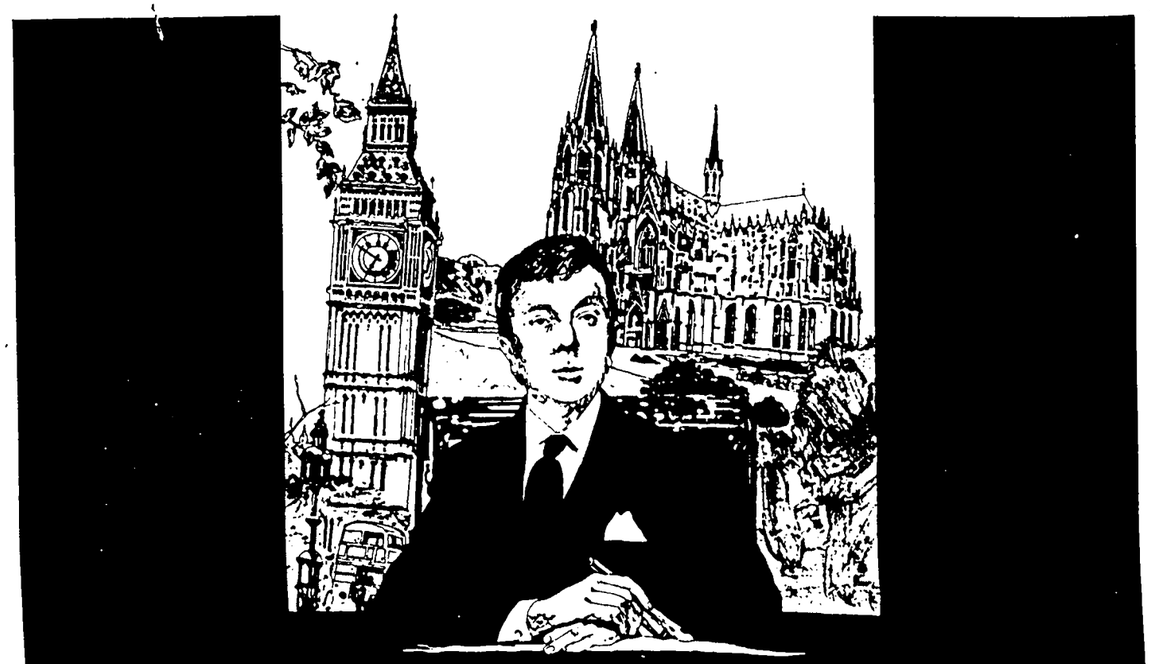
But is it all going Mrs Gandhi's way ?

Islam

Politics of piety

Having been host last week to the delegates of 30 Moslem countries, King Faisal of Saudi Arabia is this week receiving Egypt's President Sadat. Half a dozen years, and two wars, ago this tramp of august feet to Saudi Arabia might have been represented as a stage in the fulfilment of the king's plans to present an alternative to revolutionary Arab nationalism. The confusion caused by the Arab-Israeli war in 1967 and the Indian-Pakistani war last December has stripped the gloss from these plans; the king may bask in his new authority but he is at least as anxious to evade the concurrent responsibility. The Islamic world, having no more, or no less, unity than one might expect from 300m diverse people, is at a loss what to do about Bangladesh; it is possibly more unified over the Arab-Israeli conflict but only in the sense that the greater part of it has every intention of doing nothing at all.

The Islamic jamboree has become an annual event; the one last week was the third. Officially it is at foreign minister level but about half the countries, including Egypt, found other representatives more suitable, or more dispensable. A handful of Moslem states maintain relations with Israel but they could all join together in condemning the judaising of Jerusalem and proclaiming the rights of the Palestinians. A decision was made to start some kind of fund—the Saudi radio calls it a *jihad* or holy war fund—but the channelling of any money that might be paid into this fund would apparently be the responsibility of individual governments. The slightly more tangible plans for an Islamic bank, which to avoid the Koranic sin of usury would have to issue interest-free loans, were passed back to a committee of experts; the Egyptians, who for obvious reasons had a keen interest in this bank, suspect this to be as good a way of killing it as any other.



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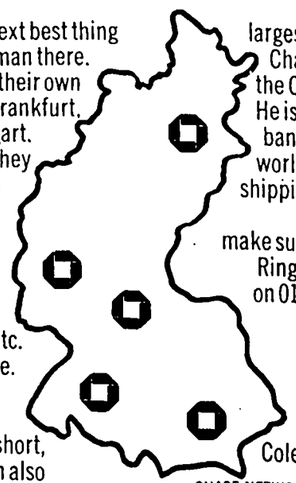
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THE WORLD

American Survey



A cold start for Muskie, a warm one for McGovern

ELECTION '72

In Muskie's back yard

FROM A CORRESPONDENT IN NEW HAMPSHIRE

When Senator George McGovern of South Dakota came to the alien corn of New Hampshire 14 months ago as a candidate for the Democratic presidential nomination in next November's election, his face and name were known to few of the state's citizens. But by Tuesday night he had racked up 37 per cent of the votes cast in the intraparty primary election and had established himself as a credible candidate for nomination at the Democratic party's national convention in July. Mr McGovern finished second to Senator Edmund Muskie, who was able to remind the voters that he was "born just 25 miles from New Hampshire and I have visited here every year of my life." He collected 48 per cent of the vote.

But it was not only regional loyalties that made him a difficult opponent for Senator McGovern to challenge. It was also Mr Muskie's reputation as a man of solid accomplishment in the Senate and his vice presidential candidacy in 1968 when his restrained "down-east" style made a powerful and lasting impression. Because of these assets, and even more because his best chance of the presidential nomination rests on his being able to establish and maintain his position as a front runner at an early stage, it was desirable for Senator Muskie to do better than he did in New Hampshire. There may be only 740,000 people in the state and only 100,000 Democratic voters but the primary elections there are the official opening of the presidential season and psychologically it is important to do well at the start.

The Senator from Maine has long been recognised as the Democratic candidate who will have to be beaten if any challenger hopes to secure the presidential nomination this year. Mr McGovern set out to do just that, beginning bravely in New Hampshire in spite of his disadvantages there, with a classy well-run organisation that included many of those veteran workers for John and Robert Kennedy who backed Mr McGovern's brief chase after the presidential nomination in 1968, after Robert Kennedy was assassinated.

On Tuesday Mr Muskie did well where he was expected to do well—among members of trade unions in the gritty industrial cities along the Fall Line of New Hampshire's picturesque if polluted rivers and in the seacoast towns, where the political and social life is closely linked to his home state of Maine. Mr McGovern did well in the university towns where his end-the-war platform had special appeal. But it was in the suburban communities in the southern part of the state, where the professional and managerial classes are concentrated, that Mr McGovern made his strongest showing. And these were the areas where Mr Muskie had hoped to do better than he did. The two candidates will not meet again in a clear cut contest until early in April, in the Wisconsin primary, where it will be Mr McGovern's turn to call on regional loyalties ; he comes from a nearby state.

In the Republican primary in New Hampshire President Nixon, as was expected, demonstrated solid support in what his strategists called "Nixon country." He won 70 per cent of the vote, an impressive vindication of most of his policies, including his recent trip to China. But two challengers—one on the right, the other on the left—demonstrated that Mr Nixon may not have entirely clear sailing among rank-and-file Republicans. Congressman John Ashbrook, a conservative from Ohio, campaigning on Mr Nixon's "sell-out" of Taiwan and on the President's "disastrous" economic policies, won 10 per cent of the vote. This is not highly impressive but it is enough to encourage Mr Ashbrook to fight in several more primaries. On the liberal side Congressman Paul McCloskey from California called for an end to the bombing in Indochina and for "truth in government." He did not score a startling victory either but he obtained the 20 per cent of the vote

which he considered essential if he was to continue his challenge to Mr Nixon. *Our Washington correspondent comments :*

Now that the New Hampshire primary has left Mr Muskie with his leading position not yet established unequivocally, there appears to be no way in which he can achieve when Florida votes next week what he did not quite manage in New England this week. With 11 candidates on the Democratic ballot in Florida the field is much more crowded there. Whether Governor George Wallace finishes first in Florida, as most people seem to expect, or not, he will certainly take a substantial slice of the vote. So the real Democrats seem likely to be crowded closely together, with little glory to be won by anyone.

Senator Humphrey, who was busy in Florida, greeted the early returns from New Hampshire with the remark : "I will sleep well tonight." His hope is that if Mr Muskie does not show himself able to win votes in the successive primary elections in the next month or two, Mr Humphrey's old sources of strength in the local party organisations, the cities and the trade unions will eventually assert themselves. He has had some encouragement.

Senator McGovern's standing with the party establishment is, of course, weaker than either Mr Humphrey's or Mr Muskie's. He has to prove that he can win popular support or he is lost. His campaign is not well-financed but it is intelligently run and he is showing himself a better candidate than people gave him credit for. In the first stage he has succeeded brilliantly ; his 37 per cent of the vote in New Hampshire is, in the circumstances, an excellent achievement. He gave Mr Muskie a jolt and obliterated the other Democratic contenders there.

What Mr McGovern has to show next is that he is the chief of Senator Muskie's rivals. In Florida, where Mr McGovern went this week after the New Hampshire results were out, he will find this hard to demonstrate. With his limited resources he could make the effort that he did in New Hampshire only by neglecting Florida. Not only is Senator Humphrey's campaign well established in the Miami area and one or two other towns, but Mayor Lindsay of New York has been campaigning stridently and spending heavily in Florida to collect the liberal vote which Mr McGovern could otherwise have hoped to get. Now he is trying to make up lost ground in Florida. But it may be too late.

The Weather — Sunny, Cold

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State Edition

NEW HAMPSHIRE'S LARGEST DAILY NEWSPAPER

Another Manchester's guardian

FROM A CORRESPONDENT IN NEW HAMPSHIRE

Once every four years, when presidential aspirants come to New Hampshire for the first test in the series of intra-party elections called primaries, the ultra-conservative Mr William Loeb, the cantankerous publisher of Manchester's right-wing newspaper, the Union Leader, surfaces as a national figure. Sometimes he surfaces in between, but most of the time interest in him is confined to the Granite State where he is loathed, feared or loved—and always read—by vote-seekers and office holders alike.

His newspaper, with a circulation of 63,000, is the largest and most influential in the state; it reaches about 9 per cent of New Hampshire's population, mainly in the south-eastern quadrant where nearly half the total number of citizens lives. Stinging leading articles on the front page, venomous cartoons and willingness to print practically every letter that comes in make him a power to be reckoned with. "He can't create a candidate all by himself," said President Nixon's campaign manager in this week's primary in the state, "but he can break one if he wants to." Miss Maria Carrier, a strategist for Senator Muskie's campaign in New Hampshire this year, claims to be one who was indeed "broken" by Mr Loeb when she ran for the State Senate in 1970.

> I was doing well until I had lunch one day with one of Mr Loeb's editors. He told me that, if the election were held tomorrow, I would win and went on to say that the Union Leader intended to see to it that I didn't. They did, too. They attacked me from then on and my major political backer publicly withdrew his support after the Union Leader's attacks.

Mr Loeb's approach is Danton's—*l'audace, encore l'audace, toujours l'audace*. His invective is beyond compare in American journalism. President Eisenhower was "Dopey Dwight, that stumbling hypocrite in the White House." President Kennedy was "the number one liar in the United States of America" and "tricky Jack." Other Kennedys have been labelled "copperhead Bobby" (a pejorative tag seldom used since the Civil War) and "stupid Ted." Mr Nixon is "a doublecrosser and stupid to boot"; his trip to Peking was "a sell-out" of the Chinese on Taiwan. There is also "Moscow Muskie."

Senator Muskie was the most recent target of Mr Loeb's wrath and he responded to an article in the Union Leader on Mrs Muskie by calling the publisher a "gutless coward" and a man who "doesn't walk, he crawls." Mr Loeb, said Mr Muskie, "likes to attack women. This says something about his own manhood, I guess." Mr Loeb's personal response to the Muskie emotion was unrestrained glee. He has never been one to shun controversy and publicity, although he tried to give another view when he assessed himself in a recent interview. "I'm a very gentle person," he said; "I'm not one of those publishers who takes himself seriously."

Mr Loeb believes that everyone should "carry a loaded gun at all times"—and is ready to produce his own as he demonstrated to three reporters recently. At 66 years of age he runs the Union Leader with an iron hand and the long-distance telephone. "I go there very seldom," he said over coffee in his house in Pride's Crossing, an affluent suburb north of Boston. "I operate from wherever I am. It might be a fishing camp in New Brunswick, or it might be my ranch in the west." But wherever it is he keeps an eye on the country's welfare, according to his own lights. Liberals in power—and to him they include most office holders—spend too much money trying to right wrongs—"not their own, but somebody else's. And this just hasn't worked, that's all." He argued forcefully for the parole which Mr Nixon recently gave to Mr James Hoffa, the imprisoned boss of the lorry-drivers' trade union; its pension fund once eased a financial crisis for the Union Leader.

New Hampshire's liberals, both Democratic and Republican, think that they are chipping away at Mr Loeb's influence in the state. But it is still strong. A recent poll by the Boston Globe, for example, examined the support among voters for Mr Sam Yorty, the mayor of Los Angeles who has been conducting a small-scale campaign for the Democratic presidential nomination with Mr Loeb's enthusiastic support. Among the Union Leader's subscribers, 13 per cent favoured Mr Yorty, while only 2 per cent of those who did not read that newspaper were in his corner. Facts like these make Mr Loeb something more than just another newspaper publisher

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March, 1972

Arms and the colonels

The ban which Congress placed on aid to Greece has been set aside almost as soon as it came into force. The prohibition was part of the bill authorising this year's foreign aid and last month, 10 days after he signed it, President Nixon decided to use the loophole which Congress had provided: that the ban could be ignored in the overriding interest of the security of the United States. The continuing Soviet military build-up in the Mediterranean was the reason given for continuing to arm Greece, on the eastern flank of the North Atlantic Treaty Organisation. Preliminary negotiations over the arms which will be provided—including, it is expected, Phantom jet aircraft, tanks and other ground equipment—began in January.

To Representative Rosenthal, whose subcommittee held the hearings which led to the ban, the continuance of aid to Greece shows just how impotent Congress is when it tries to restrict help to authoritarian regimes. His subcommittee may come back to the attack; it was due to hold hearings this week on the agreement to make Piraeus a home port for the Sixth Fleet. The advantage to the navy is that ships could stay on station for two or three years instead of returning to the United States every six months to give officers and men a chance to see their families; this would save money and might raise enlistments, which have been falling. The risk that Nato forces might no longer enjoy Maltese facilities is probably also in the navy's mind. To Mr Rosenthal, however, there are considerable strategic and political implications in the agreement; moreover, it does not require the assent of Congress and Congress has been complaining recently about agreements on bases in which it has no say.

The Greeks will not be getting the $118m in aid for which the Administration asked originally; the total for the remaining four months of this financial year must not exceed what was granted last year, about $70m. But in this the Greeks are suffering a common disappointment. The foreign aid appropriation which Congress finally approved last week gives the President substantially less than he had requested in almost every category and satisfies practically no one. Development assistance has been granted about the same small amount of money as it won last year, but the Senate's attempt to move away from bilateral to multilateral aid was frustrated by the determination of the House of Representatives to keep control in its own hands. Had matters been left to the House, the World Bank would have been cut off without a penny; as it is, it gets only half of the President's request. Another victim, on a smaller scale, is the Peace Corps; its appropriation falls from $92m last year to $72m this year. Since it has been spending at a higher rate, harsh economies must be undertaken.

Democrats against Nixon: 7

ELECTION '72

Populist Wallace



Washington, DC

When asked to comment on the latest campaign for the Presidency by Governor George Wallace of Alabama, Republican leaders invariably reply with a smile that now he has become a problem for the Democrats. Indeed he has. Democratic leaders fear that he will run well enough in the southern states in the primary elections to bring more than 100 delegates pledged to him to the nominating convention at Miami Beach in August. This would be hardly enough to make him a contender for the nomination but sufficient to embarrass the party on the nationwide television programmes. At the same time Democratic leaders fear that he will decide not to run in the general election campaign as nominee of his American Independent party and that thus he will provide President Nixon with the clear field in the south that could ensure his re-election.

Yet the three years after 1968, when he collected 13 per cent of the national vote as nominee of his own American Independent party, were obscure ones for Mr Wallace. His public pronouncements on national issues were infrequent and scarcely worthy of attention. He was barely elected governor in 1970 after resorting to overt racist demagogy of a type that he had not used since his first election as governor in 1962. Outside Alabama, Democratic politicians and trade union leaders forecast hopefully that Mr Wallace's attraction for the white working man was no more. For his part, Mr Wallace hinted to visitors that he would be the American Independent nominee for President once again in 1972, but would campaign largely in the southern and border states, harming Mr Nixon far more than the Democrats.

But within the past six months, two developments have radically changed this pleasing outlook for the Democrats. The first, ironically, was the democratisation of the internal procedures of their party dictated by the McGovern commission. This has resulted in a less firm grip over selection of delegates to the Democratic national convention by the new centrist, anti-Wallace governors of the south and also in the introduction of direct primary elections in Florida, Tennessee and North Carolina. Thus, Mr Wallace saw the road open to bringing a fair-sized body of delegates to Miami Beach, generating the national attention that he covets so much.

The second, more important development, still shrouded in mystery, is that somewhere along the line Mr Nixon and Mr Wallace seem to have reached an understanding of sorts. In contrast to 1970, when it was intervening in Alabama to try to prevent Mr Wallace becoming governor again, the White House is now impeccably correct in its dealings with him. While making no promises, Mr Wallace shows increasingly less inclination to run as an independent candidate in November. He has virtually abandoned his own creation, the American Independent party, to the far right lunatic fringe.

In the meantime, Mr Wallace is set to disrupt Democratic primary elections, north and south. Having first concentrated on campaigning in Florida for its balloting on March 14th, he will thereafter move on to Wisconsin, Pennsylvania, Tennessee, North Carolina and Maryland. His campaign technique is indistinguishable from that of 1968. The dawn-to-dusk days of multiple speeches, hand-shaking and conferences that so exhaust the ordinary candidate are not for Mr Wallace. As a master demagogue, he would much rather confront the voters in the mass than individually. After rising rather late, he lolls about in his hotel suite much of the day, readily accessible for interviews, sometimes highly combative, with the press. The only real campaigning is the monster rally in the evening in the biggest auditorium in town, a setting shunned these days by most candidates who fear that they cannot lure the apathetic voter away from his living room. Mr Wallace, perhaps the best stump speaker in America today, has no trouble in doing so.

But the differences from 1968 are more significant than the similarities. Superficially, Mr Wallace has been prettied up a little under the tutelage of his handsome, young, new wife, wearing suits that fit and ties that match and letting his hair grow longer. Beyond that, Mr Wallace's basic half-hour speech is the most coherent, most tightly organised and least crudely rabble-rousing that he has ever developed for a campaign. He omits overtly racist strains. Also gone are the habitual thigh-slappers of 1968, bound to evoke roars of laughter from his admirers, such as his denunciation of "pointy-headed intellectuals who can't even park a bicycle straight."

In their place, Governor Wallace has linked the issues that most concern and frighten the white working man. "Big government," he shouts, "go home where you belong!" He excoriates "the rich" for taking advantage of tax loopholes, promises to end sending money "down the foreign aid rathole," pledges that American troops "never again will be sent 10,000 miles away to a no-win war" and, of course, denounces school busing. Unemployment, inflation, the return of isolationist sentiment, fear of intellectuals and racial minorities and a desire to return to the old virtues are played upon by Mr Wallace in virtuoso fashion. He is not fussy about his facts and the formulae are repeated time and time again.

Still, their impact on the white working man in Florida has been profound. Mrs Shirley Chisholm, the black Congresswoman from Brooklyn who is also entered in the Florida primary and is the Democratic aspirant for President who is farthest to the left, returned last week from Florida to tell her colleagues in the House of Representatives that Governor Wallace and Governor Wallace alone was getting to the core of the issues that really concern people, however thoroughly she disagreed with his positions. At a moment when it is chic for upper class Democratic liberals to refer to themselves as "populists," Mr Wallace's vigorous brand of demagogy is closer to the populist tradition than the warmed-over liberalism of his rivals.

The result is that Mr Wallace will probably win the Florida primary on Tuesday by a comfortable margin and the polls show him running first in both the Tennessee and North Carolina primaries as well. But, say the leaders of the Democratic party, these are southern states; when he gets up north, he will be humiliated. But that is precisely what the party leaders said of Florida two months ago.

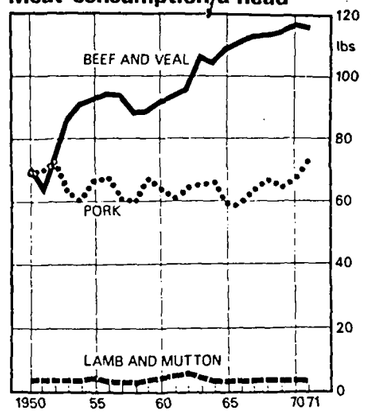
One man's meat

The housewife is up in arms over the price of meat, which accounts for nearly a third of her spending on food. Beef is what Americans like to eat and the price of beef has been rising steadily from the low point which it reached in 1965. To Europeans steak may not seem outrageously expensive at $1.45 a pound, but a year ago it cost $1.35 and the year before that $1.23. Even humble hamburger has gone up from 58 cents a pound to 70 cents. Wholesale prices of beef and pork are now higher than they have been for nearly a generation. The sensible advice of the head of the Price Commission to eat less meat (eggs are almost being given away) has little appeal. Instead, spokesmen for the consumer are demanding the extension of price controls to agricultural products, particularly meat.

The Administration appreciates that the whole stabilisation programme may be undermined if food prices continue to climb. But the producers of livestock contend that they are just beginning to get a fair price after 20 lean years of subsidising the consumer. They admit that productivity has soared but they emphasise that the costs which they have to pay are up by 50 per cent since 1951 and that last year's severe drought reduced their herds.

In an election year neither the Administration nor Congress can turn a deaf ear to the farmers' arguments. Mr Earl Butz, the new Secretary of Agriculture, has been scouring the farm states, calling for even higher prices for food and promising to "fight like a wounded steer" against any attempt to impose price controls on farm produce. There is, however, another way to tackle high prices, at least for meat, although it is easy to understand why the Administration hesitates to take it. The "voluntary" quotas on imports of meat could be relaxed; this would please foreign suppliers such as Australia and New Zealand as well as the housewife.

Meat consumption/a head



But there would be a roar of protest from the producers, who enjoy considerable political power; in the mid-1960s they got Congress to put statutory quotas on imports of meat. These were turned into "voluntary" arrangements four years ago. In the negotiations to renew these agreements, the Administration is said to have offered, so far, only a niggardly 1 per cent increase over last year's imports of about 1.13 billion pounds.

Jobs in court

The white man's hold on the job market is slipping bit by bit but not without a battle. After a long struggle Congress has now passed a bill giving women and minority groups more protection against discrimination. For the first time the Equal Employment Opportunity Commission would have the power to take employers accused of discrimination to court: until now it has only been able to use its powers of reason and moral persuasion to stop unfair treatment. The bill also extends coverage to 16m more people: it includes employers and trade unions that control more than 15 persons (the present minimum is 25) and employees of state and local governments.

At one stage liberals in the Senate had hoped to give the EEOC more power by granting it the authority to issue its own cease and desist orders against those accused of job discrimination. But a filibuster by southern Sena-

tors, the disapproval of the White House and the absence of Democratic members who were out campaigning prevented the supporters of this stronger bill from mustering the two-thirds vote needed to cut off the debate. In order to save something of the legislation and to prevent further delays to other pressing business in the Senate the advocates of a stiff measure were forced to back down.

Old habits die hard even when stiff penalties are enforced. At the moment the federal government, pressed on by women's groups, is coming down hard on universities which offer fewer openings for women than for men. But it has run straight into the old question of academic freedom. When the Department of Health, Education and Welfare threatened to cut off research funds from Columbia University the independently-minded arts departments deeply resented what might become interference with their freedom to make their own academic appointments. Nevertheless, women are making headway. The Senate voted last week to deny federal funds to public colleges and universities which do not give women opportunities equal to those offered to men for education and academic careers. The House of Representatives approved a similar, but less far-reaching, measure last year.

Elusive violence

Some children may be made more aggressive by seeing violence on television—but only if they are violence-prone already. Is that tentative finding worth $1m? The report of the Surgeon General's scientific advisory committee on television and social behaviour will be given a hard going-over by Senator John Pastore's communications subcommittee at hearings later this month. Senator Pastore, the stern little moralist from Rhode Island, had expected something much more definite when he asked for the advisory committee to be set up three years ago.

Even among behavioural scientists, however, who are accustomed to ambiguous and qualified conclusions, the television report is controversial. The Surgeon General, Dr Jesse Steinfeld, admitted when releasing it that the major television networks had been allowed to veto prospective members of the committee who had been thought to be anti-industry. Moreover, some of the researchers who did the experiments have complained that the committee's final report dilutes and distorts the evidence actually obtained.



Steinfeld offers no remedies

There is no doubt that the general conclusion—that most children are not harmed by what they see on television—is a comfort to the industry.

But the Surgeon General claimed that the report had come up with something new: the first evidence that under certain circumstances television can cause an increase in aggression among certain kinds of children. Just how large a proportion of the total child audience these children are or whether there are common elements in their family backgrounds are questions for future research. Much depends on parents' attitudes toward violence and punishment.

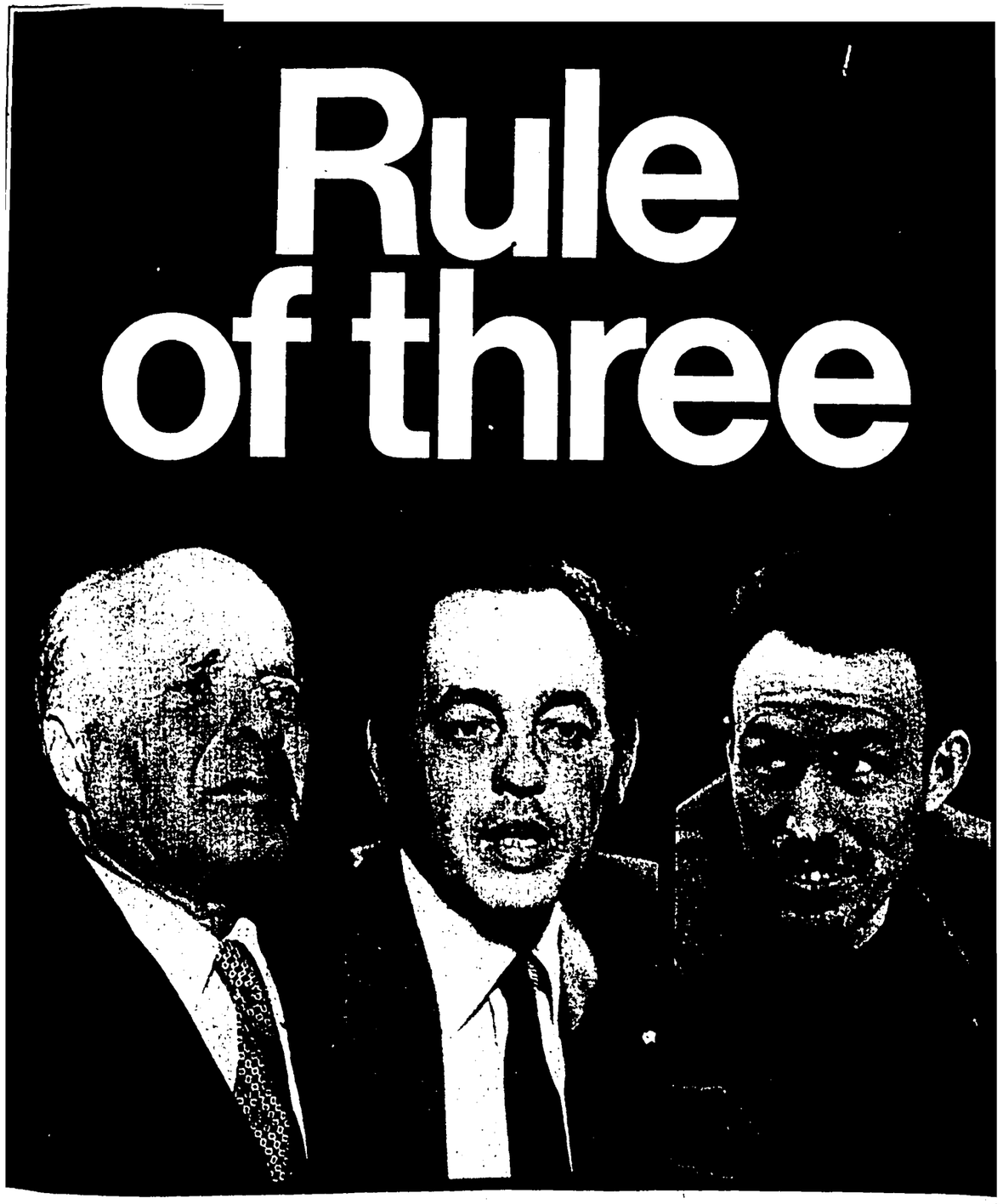
Some hard facts did appear, however. The average American television set is on six hours a day. There are about eight violent incidents an hour in entertainment programmes; violence is popular with adult audiences. American children tend to watch television at least two hours a day, beginning at the age of two or three. The violent content of programmes did not alter substantially between 1967 and 1969 (the years in which the networks became sensitive to criticism and switched from the "Batman" to the "Dr Doolittle" strain of children's cartoon series) but fewer characters were involved and there were fewer deaths. The proportion of violence in American television was greater than in Britain, Israel and Sweden. These and other observations are merely the distillate of the five volumes of research reports now being published. These, the Surgeon General believes, have yielded much new information and constitute a major contribution towards understanding of the effect of televised violence.

ITT's convention?

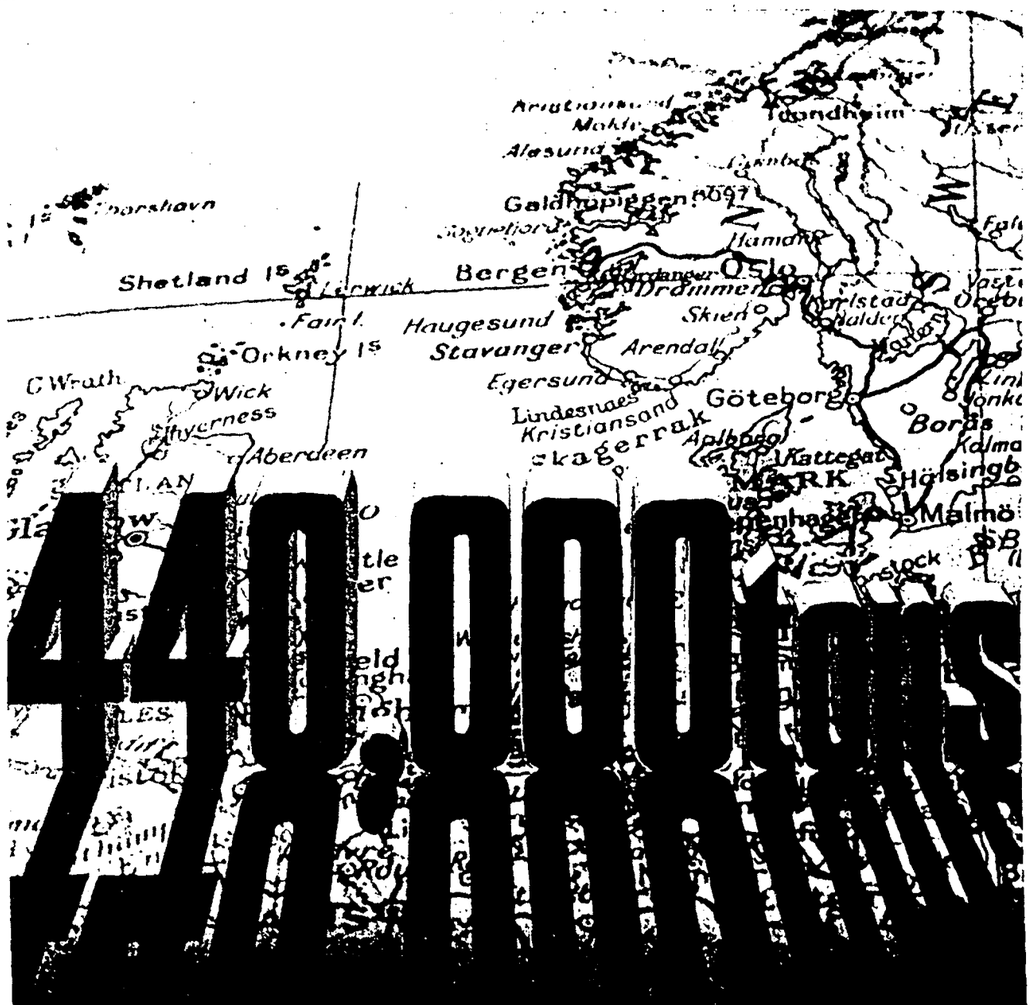
That any Administration could be stupid enough to barter favours in a huge anti-trust case for a piffling contribution to election expenses strains belief. Yet that is the allegation which is now holding up, perhaps endangering, Senate confirmation of Mr Richard Kleindienst as Attorney General. San Diego, California, the city where President Nixon was determined that this year's Republican convention should be held, was far from enthusiastic about the honour; it had to rake up about $600,000. A good part of this was pledged by the Sheraton hotel chain, a subsidiary of the International Telephone and Telegraph Company, only a fortnight or so before the Department of Justice agreed to abandon its suits against ITT and let the conglomerate retain one big acquisition—the Hartford Fire Insurance Company, a wonderful well of cash—if it would divest itself of several smaller acquisitions.

The Democrats, looking for any stick to beat the Republicans, were immediately suspicious but only last week did their suspicions receive some confirmation in a memorandum published by Mr Jack Anderson, who inherited Mr Drew Pearson's muckraking column. The memorandum, apparently written by Mrs Dita Beard, a lobbyist for ITT, to her immediate superior, clearly implied that the "noble" contribution to San Diego was smoothing the way to a favourable settlement of the anti-trust suit. Mrs Beard is now incommunicado in hospital. But lobbyists have been known to exaggerate their own importance.

More disturbingly, the testimony given to Congress so far suggests a veritable epidemic of absent-mindedness in the Justice Department about the ITT settlement itself. Mr McLaren, the former head of the anti-trust division who is now a federal judge, concedes, but cannot recall, that he asked the White House to procure outside advice on a settlement and ignored his own economists. Mr Kleindienst, who said at first that he had nothing to do with the agreement, turns out to have discussed it with men from ITT and sent one of its directors, Mr Rohatyn, to impress on Mr McLaren the risks of an unfavourable settlement to ITT's liquidity, to the economy and to the balance of international payments. Political intervention in anti-trust suits is nothing new but no one wants to be accused of countenancing it in an election year.



The Maghreb The Economist A survey



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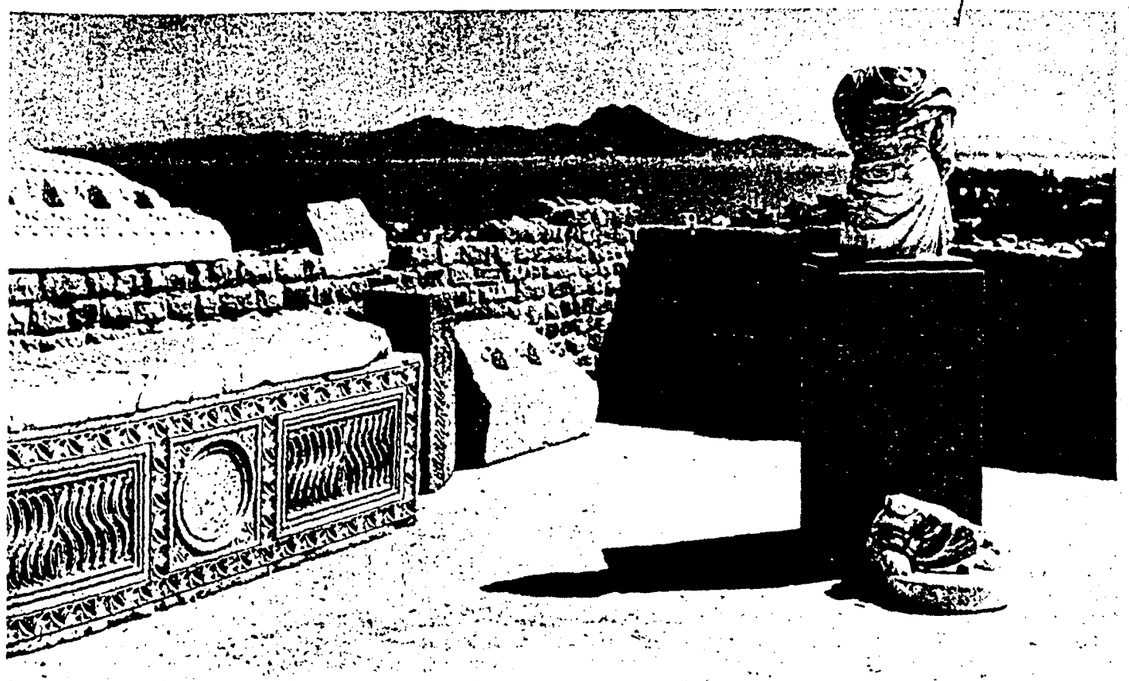
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Out of the past

A girl walks down a street in Algiers. She wears, like millions of others throughout the world, a maxi-coat, a mini dress and a headscarf tied under her chin. But she is different. The lower part of her face is hidden by a fine, beige veil. She is followed by stares and smiles, for the women of North Africa either retain their traditional dress or blossom out in the latest European styles. But this girl's idiosyncrasy illustrates two features which distinguish the countries of the Maghreb—Morocco, Algeria and Tunisia—from the remainder of North Africa and the rest of the Arab world.

The Arab word "maghreb" means west and the term has long been used to denote the western wing of the Arab-speaking world. But it is applicable in another sense. On the northern shores of the western Mediterranean the people and the cultures of the east and west have met and mingled. The Europeans may feel that the east begins at Tangier, just nine miles from the tip of Spain. But Tangier is as near the United States as London is and it might be argued that Europe's southernmost boundary is not its Mediterranean shore but the Middle Atlas mountains.

The cover: (from left to right) President Bourguiba of Tunisia. King Hassan of Morocco. President Boumedienne of Algeria.

The fruits of the Maghreb's geographical closeness to Europe and its historical ties with France, Spain and Italy are very much in evidence in the urban societies of the Maghreb today. In Tunis, Algiers and Casablanca it is easy to imagine that one is in a French provincial city complete with its traffic-jams, café life and language. Yet the influences of the Arab world and Islam are there too, and the pull of east and west, especially on the younger generations, creates unavoidable tensions. To which world do they belong?

After years of colonial occupation the Maghreb is now on its own. In each country there are forces pulling its people both ways at once. There are those who believe that to establish their own national identity the links with the east must be strengthened—that now the colonialists are gone the future must lie with the Arab world and its religion, language and culture. There are others who feel that the ties with Paris are stronger than those with Cairo or Damascus and they regard efforts to make their society Arab as a step back into a dead past. And in each of the countries which today make up the Maghreb there are voices, admittedly not as yet very strong, who say that Morocco, Algeria and Tunisia have a unique opportunity to forge ahead through closer co-operation and eventual unity among themselves. A united Maghreb could, they argue, blend the best from east and west and need not turn away from either.

The affinity between the three countries goes far deeper than the inescapable geographical fact that they are neighbours on the southern shores of the western Mediterranean. That affinity has its real roots in the people themselves. Perhaps as long as 30 centuries ago the whole area was populated by the Berbers—a people who came from no one quite knows where. And the Berbers, who spread from Morocco's Atlantic coast, across the Atlas mountains, along the coastal plain and into the Saharan oases, were subjected to successive waves of conquerors. They were ruled for a thousand years

by the Carthaginians—Phoenicians who established themselves at Carthage, where President Bourguiba of Tunisia now has his home. They were brought into the Roman Empire, giving Christianity St Augustine of Hippo and Rome the Emperor Septimus Severus. They had a taste of the Vandals before the Byzantines returned.

Then in the seventh century the Arabs came. The new invaders brought with them a new language and a new faith. They did what their predecessors failed to do: they assimilated the Berbers who adopted Arabic and Islam. And the Arabs took Berber wives. So, the western wing of the expanding Arab empire assumed its own distinctive character. Although welded into the Arab world by language and faith the people of the Maghreb remained basically Berbers, tenacious, individualistic and independent. Those traits have lasted until today.

When the Arabs and Berbers swept across the Straits of Gibraltar, Spain became the centre of the western part of the Arab world and the most civilised area of western Europe. Spanish and Arab-Berber blood mingled as did the cultures of Moslem, Jew and Christian. In the fifteenth century the Christian-Moslem war was brought to the North African shores as the Spanish and Portuguese followed up their victories in Spain and captured the coastal cities from Tangier to Tripoli. The Moslem response was to call on the Turks for help.

For the next four centuries the eastern part of the Maghreb was under Turkish rule. Morocco alone somehow managed to preserve its independence by shutting itself off from the rest of the world. It paid a heavy price, for while western influences continued to grow elsewhere in the Maghreb Morocco was bypassed by the renaissance and humanist movements and its people degenerated in medieval gloom. Meanwhile Algeria, Tunisia and the now Libyan province of Tripolitania began to emerge as separate states. The Turks appointed three distinct regencies: those in Tunis and Tripoli became hereditary, and Algeria became a republic with a Bey elected for life. The main claim of these feudal states to fame in the world was the activity of the Barbary pirates.

Piracy in the Mediterranean was effectively dead after the Napoleonic wars and Lord Exmouth's bombardment of Algiers in 1816. It provided only the barest sliver of an excuse for the French invasion of Algeria in 1830. It was not long before France's aim broadened out from the protection of French trading interests to the colonisation of the whole of Algeria through the mass settlement of Europeans. The early colonisers may have seen themselves as latter-day Crusaders reimposing western civilisation and values; but the deliberate uprooting of the country's economic and social structure sowed the seeds of discord and hatred which bore their bitter fruit in the war of 1954.

After Algeria it was Tunisia's turn; it became a French protectorate in 1881. Officially the French ruled through the Bey's administration but in fact they took over the entire direction of the country. In 1911 the Italians occupied Libya and, a year later, Morocco was occupied by the French and Spanish with the agreement of the reigning Sultan. So all of the Maghreb came under the domination of Europe only fleetingly but still decisively.

The French connection

Although the legal status of the French in Tunisia and Morocco, which were protectorates, differed from their status in Algeria, which became part of France, French objectives in each country were the same. They were to encourage European settlers to colonise the land and to build French towns for administration and commerce. The crops that were needed in France formed the basis of agriculture: wine and cereals and later citrus fruits and vegetables. As French capitalism developed, the industrial companies, and big financial houses moved in to develop and control the mining enterprises, light industries, electricity, railways and the bigger farms.

Officially in Morocco and Tunisia the French governed through traditional channels: but in fact their control was as direct and tight as it was in Algeria. They filled all the administrative and technical posts from senior civil servants to postmen. The Moslems retained their small holdings on the poorer land and provided the cheap labour for the French farmers and the French industries. They had no political rights. The settlers' economic system was based simply and squarely on their own self-interest. Profits from their enterprises which they did not repatriate were used to import French goods for themselves. Yet, despite this common pattern of French domination, each country has developed differently since independence. This is due in part to the differing length of the French occupation—they were in Algeria for 120 years, Tunisia for 80 and Morocco for 44—and in part to the different histories of each nationalist movement. In Algeria more than a century was to pass between the peasants' insurrection led by Emir Abdel Kader (who brought Arab and Berber tribes together to resist the French military occupation in the 1840s) and the formation of the National Liberation Front and the general uprising in 1954. Between these dates nationalist demands were much more moderate: the demand then was for French citizenship and for equal rights for Moslems.

It was not until 1934 that a more radical nationalism made itself felt in Tunisia when a young lawyer, Habib Bourguiba, broke away from the moderate nationalist movement centred around the Bey to found the Neo-Destour party. He was imprisoned, went into exile and was imprisoned again before France finally agreed to grant Tunisia internal autonomy in 1955 after 12 months of insurrection in the countryside. A year later Tunisia was given its independence.

In contrast to Tunisia the French military occupation of Morocco was a long, bloody affair, which was completed only in 1934. The standard of revolt was raised first in 1920—only nine years after the establishment of the protectorate—by a remarkable political and military leader, Abdel Krim. At the head of Berber tribesmen he inflicted a humiliating defeat on the Spanish army and in 1926 led his forces in a march on Fez. His revolt was crushed but the fire of nationalism had been lit and it spread quickly into the urban areas. But unlike the movements in Tunisia and Algeria, Moroccan nationalism came to centre around the sultan, Mohammed V, and the country's traditional leaders. It was the sultan the French had to depose and send into exile after he openly made common cause with the Istiqlal (independence) party; and it was the sultan who returned in triumph in November, 1955, after France and Spain had promised Morocco its independence.

France's relations with both Morocco and Tunisia have gone up and down like a yo-yo since 1956. The French held both governments responsible for giving sanctuary to Algerian partisans and for the fighting along the borders. And France, at one time, drastically cut down financial aid to Tunisia in an attempt to bring it to heel.

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In 1962 Franco-Tunisian relations took another knock when, after trying in vain to get the French to evacuate the naval base at Bizerta, the Tunisians attacked it and lost 1,200 troops. The French cut down aid again in 1964 when the Tunisian government nationalised all land still in settlers' hands. Aid was not fully restored until 1971.

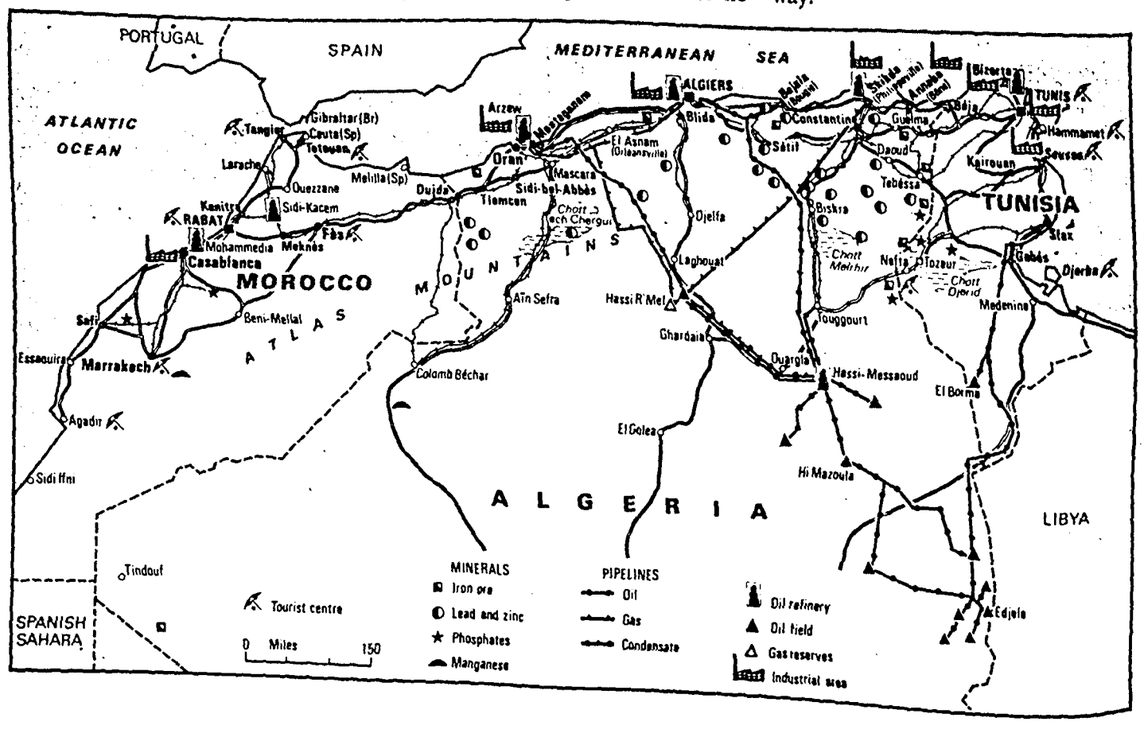
The Moroccans were gentler with the French, leaving the majority of the farmers and businesses alone. There were no Bizertas. But when the French granted Mauretania independence in 1962 the Moroccans were furious. The low point in their relationship came in 1965, when a Moroccan opposition leader, Mehdi Ben Barka, was abducted in Paris. He has never been seen again. Moroccan security agents, working with the French police, were held to be responsible. The French government demanded that King Hassan should hand over his security chief, General Oufkir, for trial. The king refused and France reduced economic aid until 1970. But in both Morocco and Tunisia when France tightened its purse strings the Americans loosened theirs. The United States was not prepared to give Moscow the opportunity of getting in first.

Eight years of war in Algeria, a million people dead, wanton, indiscriminate destruction and the frenzied flight of over a million French settlers should have been enough to rupture French-Algerian relations for good. But the Evian agreements promised massive economic aid and a French-Algerian partnership in developing the Sahara oilfields. A sharp reduction in the amount of Algerian wine taken by France and Algeria's construction of its own oil pipeline strained relations at the time. But it was not until the dispute over oil and gas royalties in 1971 and the subsequent nationalisation of part of the French oil interests that relations between the two countries were seriously damaged.

For some reason, the French leave a more indelible mark than other colonisers. In the Maghreb it has gone right down to the roots. In each country the French set out to educate a Moslem elite. A few Moslems were taken into French schools, attended French universities and trained in French methods of administration. The young radicals were more influenced by the left wing in Paris than in Cairo, Baghdad or Damascus. When independence came, many educated Moslems spoke French better than Arabic ; even today French prevails as a diplomatic and commercial language. The link between language and trade is strong : a Moroccan businessman will ignore a letter in English. If he has a choice he will opt for a French product because he understands French business methods and can get on the telephone and rattle off in French. And because of the language it is easier to employ French-speaking technicians, advisers and teachers.

Education still follows a basic French pattern and France left a valuable legacy in the modern cities it built, the network of roads, the ports, electricity and telephone services and the provision of medical services.

But the Maghreb countries were also left with massive problems. They were confronted with rapidly rising populations (a result of the progress made in preventive medicine) and enormous numbers of urban unemployed people —the peasants who had flocked to the cities when the settlers took their lands. They faced a terrifying shortage of educated people in the administration and in the professions, a lack of skilled workers and an aching need for financial and technical aid to develop natural resources. Moreover, they received their independence when the communists in the west vied with each other to draw the developing countries into their own spheres of influence and at a time when the Arab world was becoming increasingly obsessed about Israel. These problems and tensions remain, but each country has sought to resolve them in its own way.



Morocco

Palace and people

Morocco is a land of strong and strange contrasts. Its shores are pounded by the Atlantic ocean and lapped by the Mediterranean sea. Its Atlas mountains, snow-covered and savagely beautiful, are often bitterly cold but in the summer its deserts and plains dance in the searing heat. There are the moon-like, grey, bare hills of the Rif, and below the vividly red soil and grey-green eucalyptus trees of the plains. The wide, tree-lined boulevards of the French-built modern cities surround the walls of maze-like medinas. There are neat French country towns as well as clusters of square, mud houses which dignify themselves with the name of villages. The peasants, making up over 65 per cent of the population, are often desperately poor. So are those who have left the land to seek work in the cities and finding neither work nor houses live in squalor in "bidonville" shacks. Over a quarter of the urban work-force is totally unemployed and more than a quarter of the agricultural work-force is unemployed for the greater part of the year. Yet there are families of great riches.

The Moroccan character is deceptive. An open friendliness, a quality of gaiety and a capacity to enjoy life conceals a tough ruthlessness which, once demonstrated, shocks because it surprises. The tension between a puritanical Islamic code and the more permissive way of life imported by the French and the Moroccans who have been educated in Europe is more evident in Morocco than elsewhere in the Maghreb. Officially, Moroccans may not drink alcohol. Yet the bars in Tangier and Rabat are full. Elsewhere the young men will drink only Coca-Cola in public for fear of being arrested. The young, attractive secretary in a Rabat ministry gives the impression of leading much the same sort of life as her counterpart in Europe, but it would be more than her life was worth to be seen in public with a young man to whom she was not officially engaged.

King Hassan himself illustrates the same uneasy attempt to marry the traditional way of life with the more liberal and sophisticated style of the west. An intelligent, shrewd and able man, educated at Bordeaux university, he is just as "European" as the next man when he is with foreigners ; and when he chairs ministerial meetings he seems no different from his cabinet ministers. But he moves with his court to his numerous palaces in an aura of privilege, wealth and luxury. There, it is generally believed, his private life-style is nearer that of a medieval sultan than a twentieth century head of state. His wife or wives are never seen and few know even their names. It is argued that this way of life is demanded of him by the mass of the people who regard him first and foremost as their religious leader and who expect him to preserve his aloofness and to remain the symbol of traditional customs. But the absence of any great manifestations of public joy when the king survived the attempted coup d'état last July at least raises a question of how much they revere this particular emblem.



Does this fortune-teller know Morocco's future ?

Today Morocco is troubled, even turbulent. The repercussions from the events of July 10th, when a handful of senior army officers attempted to seize power by killing or capturing the king, his senior service chiefs, his ministers and advisers while they celebrated the king's birthday at his palace at Skirat, have not ended. King Hasaan was badly shaken. The sole base of his power, the loyalty of his army, came in question. The full story behind the attempted coup may never be known : the leaders were either killed in the fighting or executed on the king's orders. But in part it was certainly a revulsion against the degree to which corruption and bribery were infecting the whole of Moroccan life. The subsequent purge of a number of highly placed businessmen, officials, former ministers and many lesser officials in the public services was welcomed by most people, caused consternation among the wealthy and has been greeted with a good deal of scepticism in intellectual circles.

In August the king appointed a new government under Mr Karim Lamrani, a former businessman. It embarked on a two-year programme of reform. Immediate measures were taken to rally popular support. Bicycle and radio taxes were removed ; the special sugar tax imposed to pay for the construction of dams was lifted (sugar being the most important item in the poor man's diet) ; the minimum agricultural and industrial wage was raised ; civil servants had their salaries increased by 15 per cent and the pay of the forces was raised. The king started discussions with the leaders of the two main political parties, Istiqlal and the National Union of Popular Forces (UNFP). At the same time, General Oufkir, who until last July was the powerful head of the security services and was then appointed chief of staff, purged the army of officers whose loyalty to the king was in doubt. Last month the king announced amendments to the constitution which were put to the people in a referendum on March 1st. They give more power to the government and parliament but leave the king the right to appoint the ministers and to dismiss the government and parliament. Istiqlal and the UNFP still refused to co-operate.

By joining forces with and in fact leading the nationalist forces the present king's father, Mohammed V, was the country's unchallenged leader after independence. For two years a coalition government served under him but in 1958 he appointed an Istiqlal administration without, however, relinquishing any real power. In 1959 the Istiqlal split when Mehdi Ben Barka formed the left-wing UNFP with the support of the powerful trade union federation. But, before he died in February, 1961, Mohammed V had dismissed his government and appointed his son, Hassan, to head the administration. Since King Hassan's accession, Moroccan political life has been a continuing conflict between the more liberal political elements and the monarchy and its aristocratic allies.

A new constitution in 1962 made a gesture towards democracy in establishing two elected chambers. But it was violently opposed by the UNFP. The next year the king dismissed the government headed by the Istiqlal leader, Alal al Fasi, and reverted to personal rule through "courtier" governments. In March, 1965, students and workers joined forces in serious riots in Casablanca. They were ruthlessly suppressed. The 1962 constitution was abandoned and a "state of exception" declared. This lasted until 1970. Since then, the abduction of Ben Barka in Paris, the arrest and trial of the trade union leader, Mahjoub Ben Seddik, the tough measures against numerous student demonstrations, the closing of newspapers that criticised the regime, regular sentences of detention for opposition leaders and the arrest and mass trial of 194 people last year on charges of plotting against the regime are a stark witness of the depth of unrest in Morocco.

In 1970 the king's second constitution, which confirmed his power, was strongly opposed by both Istiqlal and the UNFP. They banded together to form the National Front. They allege that the overwhelming support given the constitution in a referendum and the results of the subsequent elections (which they boycotted) were both rigged. Then on July 10th came Skirat.

The opposition leaders, Alal al Fassi of Istiqlal and Abdel Rahim Bouabid of UNFP, disagree about future economic policy and about the touchy question of Morocco's frontiers (for Istiqlal has never accepted the independence of Mauretania, nor the frontier settlement with Algeria and says firmly that the Spanish Sahara should belong to Morocco). But they united in a demand for immediate free elections to a new national assembly and a revision of the constitution. They accept that in Morocco the king must play a greater role than being a mere figurehead of the country's unity, but they insist that real reforms can only come when the government is responsible to the people through their elected representatives. The latest constitutional reforms show that the king has learnt a lesson from the events of July 10th. But it seems he has ceded too little and held on to too much to gain the confidence of the major opposition parties. This is a poor augury for the future.

In need of aid

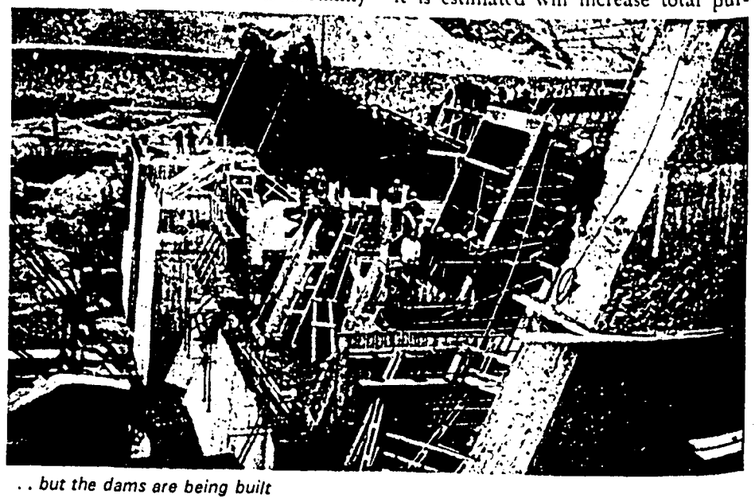
Since July, potential investors of private capital, both domestic and foreign, have been extremely cautious in their attitude towards the Moroccan economy. This is doubly unfortunate, because after years of near stagnation the Moroccan economy was just beginning to look distinctly healthier. The apparent stability of the country and a seemingly docile labour force were strong inducements to invest in private concerns in Morocco. Now, the businessmen prefer to wait and see.

The events of last July will have a strong effect on the 1973-77 plan which is now being prepared. No details of this plan have yet been disclosed; but though it appears that the current priorities for agriculture, tourism and education and training will be retained there will certainly be more emphasis on projects which will have an immediate social impact (such as clearing the bidonvilles, medical services and improvements in living conditions in the rural areas). There is also likely to be more public investment in the industrial sector, which up to now the government has largely left to private enterprise. Labour-intensive industry will also be encouraged, in an overdue attempt to do something to reduce unemployment in the cities, and further inducements will be offered to exporting industries.

After Skirat the king said that the new government would seek to make the poor richer without making the rich poorer. The most important immediate step was an 18 per cent reduction in the price of sugar, which it is estimated will increase total pur-



The land is dry



. . but the dams are being built

SOCIETE INDUSTRIELLE D'ACIDE PHOSPHORIQUE ET D'ENGRAIS (S.I.A.P.E.)

INDUSTRIES CHIMIQUES MAGREBINES (I.C.M.)

Address : 22, Rue Pierre de Coubertin TUNIS—TUNISIA—
Telephone : 249.600 (4 lines).
Telex : CHIMAG . 399—
Cable : ACIPHOS—Tunis.

Factory :	Sfax	**Factory :**	GABES
Production :	250.000 tons of triple Superphosphate 45% of P205 under granular form	**Production :**	120.000 tons of P205 as liquid concentrated acid at 54 per cent. The whole production is for exports.
Exports :	90 per cent of the production are exported.	**Transport :**	ICM has her own tanker of 4.500 tons of capacity for transport. Unloading capacity is 450 tons per hour.
	The factory is located by the main port of exports of Tunisia. Deliveries are either in bulk or in bags.	**Storage :**	ICM has her own terminals in many ports.

SIAPE and ICM use the SIAPE process for production of phosphoric acid and use phosphate of Tunisian origin. SIAPE process is used by factories in many countries.

COMPAGNIE DES PHOSPHATES ET DU CHEMIN DE FER DE GAFSA

Société Anonyme au Capital de 9350.000 Dinars, 9, Rue Mazagran—Tunis—

Registre de Commerce : Sousse 36
Telegraphie address : GAFSAX-TUNIS
Telex : 474 TUNIS
Telephonne : 283 522

Paris Office
TUNIFOS
41, Avenue Hoche
PARIS 8ème
FRANCE

The Compagnie des Phosphates et du Chemin de Fer de Gafsa is the 4th producer of phosphate rock in the world. It is now exploiting four mines in the Gafsa region (Moulares, Metlaoui, M'dilla and Redeyef) and a fifth mine at Kalaa Djerda. We plan the opening of three new mines and the extension of the existing mines during the next five years.
With its development programmes, the yearly production will reach 5 000 000 T in 1975. The Compagnie des Phosphates et du Chemin de Fer de Gafsa exports phosphate rock to more than 20 countries of Europe, Latin America and Asia.

Hereafter rock phosphate exports figures since 1960.

YEARS	Total Sales	EXPORT	Local Sales
1960	1.927.000	1.639.000	288.000
1965	2.968.000	2.307.000	661.000
1966	3.000.000	2.394.000	606.000
1967	2.858.000	2.235.000	623.000
1968	3.241.000	2.460.000	771.000
1969	2.532.000	1.855.000	677.000
1970	2.864.000	2.109.000	755.000
1971 Forecast	3.380.000	2.480.000	900.000

The Tunisian phosphate rocks are very soft and friable and remarkable for their good reactivity to acids. They show a high solubility in organic acids and the most qualified agronomists are unanimous about this superiority.
The Compagnie des Phosphates et du Chemin de Fer de Gafsa employ more than 12000 workers in its mines and plants. It has very important economic and social activities to the south and to the country as well. In fact phosphate rock is one of the most valuable resources of Tunisia representing in 1968 60% of the production of mining industries of the country, 30% of its foreign exchange earning and 5% of its G.N.P.

chasing power in the country by 2-3 per cent. The loss in revenue will be partly recouped by the introduction for the first time of a tax on high incomes. This is not expected to affect more than 100,000 people, but it is a step of some significance. Another overdue innovation is a plan for regional development, under which the seven regions will be invited to co-operate with the ministries in determining their needs and priorities.

The target set for the annual growth of the gnp between 1973 and 1977 is expected to be about 6.5 per cent. The target of the current plan, 4.3 per cent, has so far been exceeded and between 1968 and 1971 has averaged 5 per cent. This is a substantial improvement on the 2.7 per cent growth rate averaged from 1961 to 1966 when it failed to keep in line with the 3.2 per cent annual increase in population. These, however, were years of poor harvests. The turning point came with the bumper crops of 1968 when the cereal harvest amounted to 6.5m tons and the gnp rose by 12 per cent. Cereal production has continued to be good.

Agricultural production was responsible for 31 per cent of the gnp in 1970 and industrial production 28 per cent. Even so, Morocco is not self-sufficient in foodstuffs. Cereals and raw sugar figure prominently in its imports. So there has to be a continuing emphasis on the development of agriculture. Investments already made in sugar beet factories and sugar refineries are now paying off. Before 1965 all sugar was imported. By 1971 home-grown sugar provided over 60 per cent of the country's needs. Foreign exchange is thus being saved.

Morocco's balance of trade, however, remains in serious deficit though the gap was narrowed in 1971 when exports rose by 7 per cent and imports by only 3 per cent. But the unfavourable trade balance is more than covered by receipts from tourism, remittances from 240,000 Moroccan workers abroad, foreign aid in the form of long-term credits and the flow of foreign capital investments.

Minerals, especially phosphates, which are mined under a state monopoly, account for 30 per cent of the country's exports. The depressed price for phosphates has meant that, although production of Moroccan phosphates rose in 1970 by 10 per cent to 11.4m tons and by over 20 per cent to almost 14m tons in 1971, foreign exchange earnings from this source did not rise proportionately. The government is hoping that new incentives will encourage foreign firms to take part in mineral exploration in partnership with the state organisation, the Bureau of Mineral Research and Participation (BRPM). Iron ore production from the Rif mines has risen over the past two years but it remains under 1m tons a year. A pelletisation plant is being constructed but plans to build a steelworks at Nador, producing 240,000 tons a year, still hang fire. The idea is that these steelworks should use pelletised ore and Algerian natural gas. A new steel rolling mill using smelted scrap steel is expected to produce a quarter of the country's requirements for reinforcing bars and steel wire this year.



Marrakesh waits for change

Domestic demand for oil products has justified the expansion of the two refineries at Sidi Kacem and Mohammedia. The production of local crude oil is falling. In 1970 it was only 45,700 tons but exploration by foreign companies has been stepped up. A major supplier of crude oil to Morocco is the Soviet Union which contracted to ship 800,000 tons in 1971, as well as 100,000 tons of refined products.

Manufacturing industries still account for a relatively small proportion of the gnp—less than 20 per cent. A sizeable construction programme, both public and private, has encouraged the three major cement factories to expand. The textile industry has pushed ahead since independence but if it is to grow any further it must look for export markets. The chemical industry, centred on Maroc-Chemie's complex at Safi, which produces phosphate-based fertilisers, will be expanded with the construction of a phosphoric acid plant.

The three major vehicle assembly plants are working at full capacity. The largest is Somaca, in which the government has a 30 per cent stake. It produces well over 20,000 vehicles a year, most of them Renaults and the rest Fiats and Simcas. A new Renault assembly plant is to be built and in it the government will have a 50 per cent shareholding. British Ford trucks, assembled in Casablanca, account for, it is claimed, 60 per cent of the commercial vehicle market, while Massey-Ferguson tractors, put together there, account for 55 per cent of the tractors sold. Some 500 Land-Rovers are also assembled each year. The local tyre industry is also expanding. Goodyear Tyre is planning to build a plant near Casablanca and this will provide some competition for General Tire's factory.

The Moroccan agreement with the EEC (which gives many Moroccan products preferential entry to common market countries) is paraded by the Moroccans as a powerful inducement for manufacturers in non-member countries to establish factories in Morocco, where labour is both plentiful and cheap. Like many developing countries, Morocco would like to see local capital, private and public, playing a bigger part in the economy. In 1971, for instance, the plan was to increase local participation in the banks, insurance companies, export-import agencies and the like. But, in the event, nothing much was achieved. There is the perpetual fear that, if the Moroccans press too hard for local participation in industry, foreign capital will be frightened away. Yet one of the political lessons of Skirat is that the Moroccans themselves want to have a greater stake and say in the development of industry.

They still remain generally optimistic that there will be no difficulty in negotiating long-term credits and loans to cover the investment projects in the next plan. The Moroccans can and do cite last year's agreement with France, which doubled French aid and eased credit terms, as a good augury. The United States is providing $81m in grants and credits in the financial year and west Germany runs a close third in the aid stakes. The sheer abundance of foreign aid has tended to overwhelm the Moroccan administration. Too many ministries get involved and decisions on how and where the foreign grants and loans should be spent take far too long. The Moroccan government has promised to do something about it.

Algeria

The years of austerity

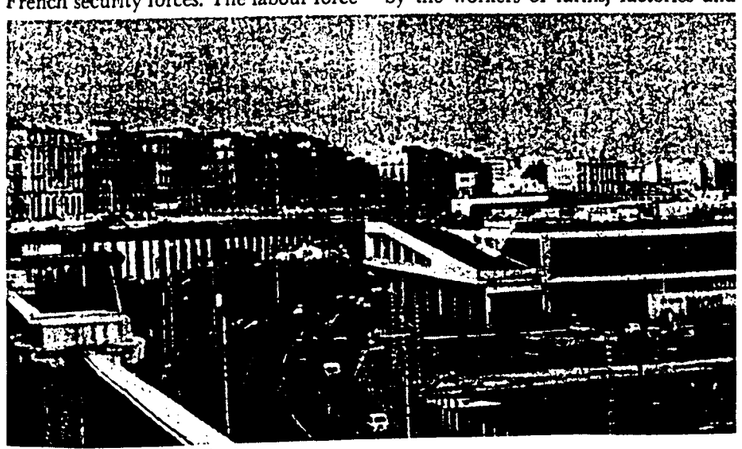
Algeria's chosen name with its ideological overtones, the Democratic and Popular Algerian Republic, sets it apart from its Maghrebi neighbours. But the differences go deeper. The Algerians themselves are more serious, more austere and more withdrawn than the Moroccans or Tunisians. They do not laugh much—and never at themselves. With foreigners they are polite but reserved. With one another they are cautious. Their personal and national pride is more highly developed and, to their credit, this results in a greater degree of honesty and a more dedicated attitude to their work.

The Algerian character and the post-independence political development in the country are in large measure the result of France's policy of attempting to destroy the Algerians' own traditional social structure. When the eight-year war for independence finally ended in Algerian victory just under ten years ago and one million French settlers fled from their homes, their land and their businesses, the Algerians were left to pick up the pieces. In Tunisia and Morocco, where the social set-up had not been radically altered, French civil servants simply handed over their offices and jobs and those businessmen and landowners who decided to return to France did so after selling their properties. In Algeria the French left overnight, leaving chaos and destruction behind them.

Millions of Algerians had been uprooted from their homes either through their lands being expropriated or through being "regrouped" by the French security forces. The labour force on the land and in the towns was left without bosses or skilled operators. There were no plumbers, postmen, police, electricians or telephone operators. Out of 2,000 civil servants in the Algiers palais du gouvernement only eight were Moslems. Moreover, the Algerian leaders who led the fight for independence were divided among themselves. So, when the members of the government-in-exile, others who had been imprisoned in France and in Algeria, the army officers heading Algerian forces in Morocco and Tunisia and the FLN leaders who had led the fighting in Algeria itself all came together in July, 1962, they had no clear and agreed ideas on the sort of country they wanted to build. They had only a vague commitment to socialism, as agreed at the Tripoli conference in 1961.

An inevitable struggle for power, complicated by ideological differences and regional loyalties, followed. For nearly three years, from September 20, 1962, the Algerian government was headed by Ahmed Ben Bella, one of the leaders held prisoner in France, who achieved supremacy through the support of the Algerian Liberation Army headed by Colonel Houari Boumedienne. Ben Bella's style of leadership was erratic and demagogic. He surrounded himself with foreign trotskyist advisers, courted personal popularity and ruthlessly eliminated potential rivals.

While their leaders fought for power, the Algerian people fought to keep food in their mouths. The takeover by the workers of farms, factories and shops vacated by the French was dictated less by political theories than by an instinct for self-preservation. The endorsement of the system of self-management by the March, 1963, decrees legitimised and gave political form to a situation born of necessity. Massive French aid—cheaper for the French than a civil war and balanced, in any case, by royalties from Saharan oil—gave the Ben Bella regime a false sense of financial stability. But agricultural and industrial production fell alarmingly. The frontier war with Morocco in 1963 served to divert attention from Algeria's own problems; but when Ben Bella attempted to interfere with the army's command, Colonel Houari Boumedienne struck. On June 19, 1965, Ben Bella was arrested and the army assumed power.



Algiers is a handsome inheritance

Colonel Boumedienne, who quickly emerged as the undisputed boss, is the complete antithesis to Ahmed Ben Bella, who remains under house arrest. Austere, retiring, a dull speaker and eschewing any personal publicity or mass popularity, Colonel Boumedienne has completely changed Algeria's style of government. The foreign political ideologists were dismissed; left-wing supporters of Ben Bella arrested; and all manifestations of opposition were suppressed. As an ardent nationalist but with a pragmatic rather than doctrinaire approach, Colonel Boumedienne hastened the policy of nationalising the country's basic industries, insurance companies and all vacant land and properties. Tighter state control was imposed on the undertakings which had developed self-management systems. Technocrats who had not been FLN leaders were brought into the government. The FLN party itself and the worker and student unions, which alone had voiced some protest at Ben Bella's overthrow, were brought under tight government control.

But the new leader's greatest achievement was to give the country a clear idea of where it was heading. The goal was to be rapid and full industrialisation and Algeria's natural resources were to be utilised to this end. This had to be accompanied by a massive effort to educate the people so as to produce the necessary administrators and technicians. The countryside was to be revitalised through both regional development and agrarian reform. The aim was the betterment of life for all the Algerian people. But meanwhile, there was, the colonel decreed, no alternative to hard work and austere living.

One of the most striking aspects

of Algeria today is the extent to which this has been understood and accepted by the Algerians. Although the days of government by slogan went with Ben Bella, one idea is continuously drummed into their minds. The revolution is not over; independence has been won but the battle for Algerian development continues. Few people are unaware of the objectives of the present four-year plan. Few complain of the shortage of luxury goods or grumble too loudly when they cannot buy butter or radio batteries. Today the country's mood is confident and expectant. But what of tomorrow?

Algeria's investment in technically advanced plants and equipment in all sectors of industry creates relatively few jobs immediately. Life for the ordinary Algerian will not be so different in 1974—when the current plan ends—as most of them have been led to expect. The planners are thinking in terms of the 1980s. But that is a long time for the people to wait for their jam, especially when up to a quarter of the urban population is unemployed.

The government's principal line of contact with the people is through the FLN party; which retains its all-embracing structure down to the smallest village cells. The government controls the party, which has no independent voice. The current flows from head to base—not from base to head. A start has been made in letting the common voice be heard through elected communal and regional chambers. But in these communes all representatives have to be party members. In a deliberate attempt to decentralise the bureaucracy, regional governments and regional assemblies are being given more authority and a greater voice in development plans in their own areas. But a national assembly and a party with its own voice are still considered as luxuries which Algeria cannot yet afford. Development, the colonel believes, needs security, stability and single-mindedness.

The students have learnt by experience that overt protests are not tolerated. Their strikes and demonstrations for greater freedom to run their own affairs and for their union to be freed from the party's shackles have been put down ruthlessly. Nor is much notice taken of their view that Algeria's "state capitalism" has little relation to their own brand of revolutionary socialism. The government accepts that students will be students but it sharply reminds them that it is the state which pays for their studies.

For the most part the class which assumed power and responsibility in the new state was the small, French-educated Moslem elite. Today it is being rapidly enlarged by young men who have received their training in Algerian institutions, but the civil servants, the managers in state-owned concerns and the technicians still remain elitist. They work hard, but they dress well and enjoy themselves too. The night-clubs in Algiers where whisky is £2.50 a slug and beer £2 a bottle are packed at weekends with young Algerians. Although the highest salary in the civil service is £2,000 a year, and in state-run enterprises a third higher—a differential which leads to some grumbling—official perks, such as free accommodation, telephone, gas, light and a car, allow the young official to spend a good deal on his clothes and entertainment. But how does anyone keep relatively well-heeled bureaucrats burning with revolutionary fervour and at the same time prevent the ordinary people from feeling themselves to be an underprivileged majority?

Oil is the base

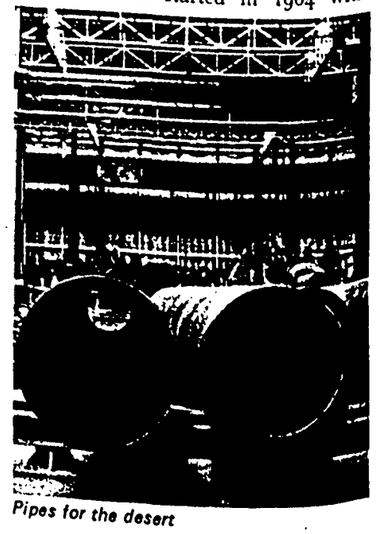
Algeria has gone all out for industrialisation on a centrally controlled socialist pattern. The aim is to achieve complete economic independence, as the government firmly rejects the idea that Algeria should remain a supplier of cheap raw materials and labour for the developed countries and an importer of their manufactured goods. The government has also rejected the theory that light industries should be developed first so as to provide a ready market for the products of heavy industries. After taking power in 1965, the Boumedienne government drew up two development plans covering 1966-69 and 1970-74. These were tied to the establishment and expansion of heavy and basic industries.

The government further reasoned that this policy could not be carried out unless the state controlled all sectors of economic activity by holding all the levers of capital investment. And, following an orthodox socialist line, the planners went on to argue that as the development of heavy industry had to be on a large scale to be at all viable, the country's economy had to be geared to compete in foreign markets. So all industrial processes had to be of the kind that makes the maximum use of capital and the minimum use of labour. The manufacture of consumer goods, the expansion of the service industries and the revival of the agricultural sector through the use of fertilisers, tractors and machinery was thus firmly put into second place. From such reasoning has flowed the doctrine of nationalisation.

Algeria's hydrocarbons, oil and natural gas, are the base on which the economy is being built. Their control by the state at all stages from exploration to marketing was, therefore, seen as essential to the government's policy. But this required trained personnel. The task of training Algerians to run their own industries started in 1964 with



Gas for Britain



Pipes for the desert

the establishment of the African Centre for Hydrocarbons and Textiles for training engineers and technicians. By next year it will have 3,000 pupils. In 1965 the Algerian Petroleum Institute was opened for training skilled workers and foremen and since then technical institutes have been set up in several large towns. By the end of 1973 it is estimated that there will be over 10,700 trained Algerians at work in the hydrocarbon industries.

The first major step in gaining control of oil resources was the government's decision to construct a third oil pipeline from Haoud el Hamra to Arzew. This led to a rise in production from 26m to 33m tons within a year. The government's next step was to take over the distribution and marketing of petroleum products and derivatives from BP, Esso and Mobil—and this was then followed by the nationalisation of the fertiliser industry. By the end of 1969 the state controlled 57.5 per cent of the pipeline network, 56 per cent of exploration and refining and all domestic distribution facilities. But, at that time, it controlled only 25 per cent of production. This latter figure was raised in June, 1970, by the nationalisation of the non-French foreign companies. Even then, two-thirds of production remained in the hands of French corporations.

The story of Franco-Algerian relations between the signing of agreements on the exploitation of Algerian oil and gas in July, 1965, and the crisis of February, 1971, is long, complicated and punctuated by accusations and recriminations. In brief, the Algerians came to believe that the French were not spending enough on exploration and were limiting production to suit the economic interests of France while at the same time they were benefiting from financial concessions on royalties and taxes. Negotiations to modify the 1965 agreements dragged on for almost two years until on February 24, 1971, the Algerian government lost patience and announced that it had raised its participation in all French oil companies to 51 per cent and had nationalised the natural gas fields and all pipelines on national territory. On April 12, 1971, the government raised the posted prices of Algerian oil to the level agreed at the Tripoli conference of April 2nd and brought the tax system into line with that operated by the Organisation of Petroleum Exporting Countries.

The French accused the Algerians of breaking the 1965 agreement by acting while negotiations were going on. They placed an embargo on Algerian oil. It was met by an Algerian embargo on French imports. In order to preserve foreign exchange and offset the effects of the oil embargo the Algerians were called upon by the government to face a year of austerity. The import of a great deal of the capital equipment needed for the industrialisation programme was delayed and for once the inefficiency and obstinacy of the Algerian customs department, served some purpose, if only a political one. Algerian oil production fell by two-thirds and it was not until the end of last year when agreement with the second of the two major French groups was finally reached, that the former production rate of 50m tons a year was fully restored. The Algerians claim that the financial loss incurred has been made up by the higher prices.

The pattern of 51 per cent Algerian participation now having been established (it was the basis of an agreement with Getty for exploration and production signed in 1968), the Algerian government, through the state-owned company Sonatrach, is hoping to attract other foreign partners. One of the snags is Sonatrach's own organisation. It is both large and over-centralised. So it places too much responsibility over too wide a field on the men at the top—young and able as some of them are. This problem may be eventually overcome as more administrators of high calibre fill the lower echelons, but foreign contractors and technicians are being driven crazy by avoidable delays in decision-making.

Sonatrach's expansion programme is breathtakingly ambitious. In 1971 its investment costs amounted to around 2.5 billion dinar ($580m, £214m) and are expected to rise by 30 per cent this year if the American Federal Power Commission approves the Sonatrach-El Paso deal, which in its first stages involves the import of 10 billion cubic metres of Algerian natural gas a year. This will call for the construction of another liquefaction plant and terminal at Arzew, and five compressor stations to boost the capacity of the new gas pipeline. The present Arzew liquefaction plant, the world's first, supplies Great Britain and France. Another liquefaction plant which will have an ultimate capacity of 6 billion cubic metres is being built at Skikda. The Hassi R'Mel gas pipeline is already completed. A liquid petroleum gas line is being laid from Hassi Massaoud through Hassi R'Mel to Arzew and two extraction plants for propane and butane are under construction at Hassi Massaoud. A gas separation plant and terminal at Arzew should be ready this year.

The 2.5m-ton refinery at Arzew should be producing in September and tenders have been requested for a refinery twice its size at Skikda. In 1975 the Skikda petrochemical complex is expected to be operating and this will supply the raw materials for a plastics industry at Sifta. The Arzew fertiliser plant comes into full production this year. A phosphate fertiliser plant is planned for Annaba. In all, Algeria has an abundance of oil and natural gas to exploit. It has the will to do so. But has it, as yet, enough administrators and technicians to make the best use of its chances?

Headlong development

The dispute between Algeria and France over oil has thrown the current four-year development plan awry. The 9 per cent cumulative annual increase in gnp envisaged in this plan was not reached last year: it was nearer 6 per cent. Nevertheless, the Algerians still hope that this year 94 development projects will come into production. Of the 28 billion dinars ($6.2 billion) devoted to development investment between 1969 and 1973, 45 per cent is allotted to industry, excluding the hydrocarbon industries, and 15 per cent is going to agriculture and 12 per cent to education and training.

Obviously, such an investment programme calls for the import of materials and equipment on a vast scale, but even during the French embargo on Algerian oil last year the government claims its foreign exchange reserves never fell below $300m. Although exports—and hydrocarbons make up 75 per cent of their value—are expected to rise by 55 per cent from 1969 to the end of 1973, the trade gap will still be about $1,000m at the end of this period. But it should be covered by the remittances of the 700,000 Algerians working abroad (600,000 of them in France) and the credits extended by the exporting countries.

The largest, most ambitious and most controversial industrial project is the El Hadjar steelworks. It was originally conceived on a fairly modest scale but when it was realised that the investment outlay per ton of steel produced would be double that of any other

comparable steelworks it was decided that the works should be greatly increased in size and capacity. This has meant delay. The foundry started in 1969 but the two oxygen-converters and the hot-rolling mill will not be functioning until later this year. At the first stage 400,000 tons of crude steel will be produced a year but eventually, with a third converter, a production of 1.4m tons is envisaged. Domestic consumption of steel has risen from 120,000 tons in 1965 to 550,000 tons last year, a third of which was needed for oil and gas pipelines. But if steel production approaches capacity export markets will have to be found—and this may be difficult. Studies have been made on the feasibility of processing alloy steel, a product needed among other things for vehicle engines.

The Algerians are determined to establish their own car industry. Negotiations with Renault fell through during the oil crisis but the Algerian government says that both west German and Italian firms are interested in setting up a plant. Some observers believe this exhibition of national pride to be foolhardy and doubt whether Algeria will be able to produce enough components to make an all-Algerian car. At Constantine the west German firm, Deutz, is building a tractor and small engine factory and a motorcycle and bicycle plant is going up at Guelma. The Renault assembly plant closed down last year amid mutual recriminations: the Algerians accused Renault of not paying the agreed import duties and Renault said that the plant was impossible to operate as the Algerians refused to give the necessary import licences. However, Berliet continues to assemble its own trucks at the rate of 4,500 a year.

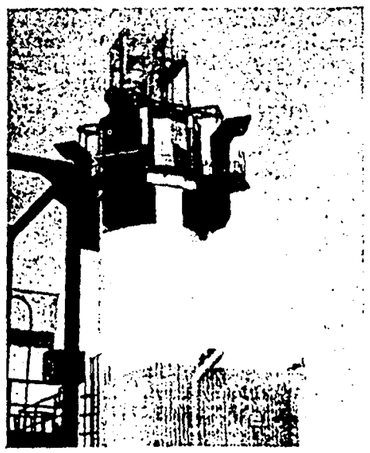
The construction and building material industries are growing rapidly and cement, which was exported until 1969, now has to be imported. Two cement works are under construction and by the end of 1973 the industry should be able to supply the 2m tons required. A great deal of money is also being invested in mining. Several mines closed by the French have been reopened, and a systematic survey is being carried out of the whole country. Hope still lingers that there will be a uranium find. Zinc, copper, lead, phosphate and koalic as well as iron ore are now being mined and a new zinc plant is under construction at Ghazaout. The textile and food processing industries are expected to get a higher investment priority in the next plan, but in both these fields private enterprise still predominates.

The private industrialist is the most nervous individual in Algeria today. He fears that even if the government does not nationalise his enterprise he will be squeezed out by other means so as to leave the field open for publicly owned concerns. The government maintains that there is a place for private enterprise in the non-basic industries and indeed recognises that competition does something to keep the public sector on its toes. But there are occasional barbed comments in the controlled press, for instance about the private sector being able to manufacture at lower prices because it does not spend so much on research. Such comments do nothing to encourage the private investor to extend his operations. In all, the private sector is small: 80 per cent of the non-hydrocarbon industry is owned and managed by the government.

Foreign firms are deeply involved in the development programme. Their operations are, in the main, on a turnkey basis. They plan, build and equip the plant, factory or pipeline and help train the Algerians to operate it. They pull out when the operation can be left entirely to the Algerians. Apart from the El Hadjar steelworks, which is being constructed by the Russians (the Italians are putting in the hot-rolling mills and the Austrians the cold), the major contracts have gone to Japanese, American, German, British, Italian, French and Austrian firms, for advanced technology carries greater weight in Algeria than any political considerations.

The 1971 row with France has opened the door further for foreign exporters. In 1967 80 per cent of Algerian trade was with France. It had been reduced to about 45 per cent by 1970 and next year may be down to about 30 per cent. Although the British share in the industrialisation programme is far below that taken by the Americans, Germans and Italians, trade between Britain and Algeria has expanded rapidly since 1968 and in 1971 it was 70 per cent up on the previous year.

Foreign contractors, including British ones, cannot but be interested in the pace of economic development that the Algerians are hoping to achieve. But, like some Algerians themselves, they must wonder whether too much is being planned and done too quickly. It is easy to trip over one's own feet if one runs at a headlong pace, particularly when the whole economic apparatus is so rigidly controlled.



In Arzew the fertiliser plant is in production . . .



and the Japanese are building



. . . an oil refinery

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Tunisia

One man's country

Modern Tunisia is the creation of one man—its president, Habib Bourguiba. He remains, as he has been since the days of independence almost 15 years ago, both the centre of power and the source of his people's inspiration. He has literally talked the Tunisians into becoming the most socially advanced people in north Africa. He may no longer storm through the towns and villages as he once did, inveighing against archaic customs, and, by sheer force of oratory, persuading the people to change their habits and attitudes ; but despite two long and serious illnesses he has retained the reins of power firmly in his own hands.

Bourguiba's ideas and policies are not easily pinned down. His approach to both internal and international problems is usually realistic and pragmatic. He defied the entire Arab world by withdrawing from the Arab League for five years: He risked a total break with France in attacking Bizerta in 1961 and nationalising all French-owned land in 1964. Overnight, in 1969, he switched the country's economic policy from state intervention and forcible collectivisation to the encouragement of the private sector. He has doggedly refused to listen to some of his closest colleagues, who believe the time has come for more democratic procedures in his Destour Socialist party and the country. At the last party congress he flouted majority opinion by appointing his own yes-men to the party's executive committee rather than the more liberal choices of the congress.

So the nagging worry at the back of many Tunisian minds is whether the country's stability will survive when the president is eventually forced to step down. Mr Bourguiba has made it known that he wants the present prime minister, Mr Hedi Nouira, to be his successor. The party has shown that it prefers either the former prime minister, Mr Bahi Ladgham, whom the president sacked in November, 1970, or Mr Ahmed Mestiri, a former minister, who has now been suspended from the party for daring to challenge the president at the congress.

The European visitor to Tunisia may feel more at home there than in any other Arab country—with the possible exception of Lebanon. Tunisians have a natural charm, a relaxed attitude to foreigners and an easy-going approach to life. The effects of one of the early presidential reforms, which gave women equal status with men, and the president's own personal dedication to the aim of allowing Tunisian women to play a full part in the country's life are very noticeable. Few women in the towns are veiled. Almost as many girls as boys are at school ; and the girls no longer hesitate to be trained as teachers, nurses, secretaries and machine-operators. This is part and parcel of the plan to educate all Tunisian children, which has involved massive expenditures on school-building and teacher-training. Over half the Tunisian population is under 20 years old. A third of the state budget is devoted to education and a deliberate decision has been taken to save on military expenditure. Mr Bourguiba's aim is to give Tunisia a fully literate population with skills enough to raise both agricultural and industrial production. He decided that this could be done only through a strong government and a single political party devoted to the task. Through the strength of his personality Mr Bourguiba persuaded the mass of his people that his aim of "human betterment" could be fulfilled only by sacrificing such luxuries as a multi-party system, western-style democracy and a liberal economic policy. But two years ago the people showed that there was a point beyond which they could not be persuaded to go.



Bourguiba's children's crusade

The man at the centre of this particular storm was the exceptionally able Ahmed Ben Salah, who held the ministries of planning, economics, finance and education. Since 1961 he had been the most forceful and powerful of Mr Bourguiba's ministers. He convinced the president that the country's productivity could be greatly increased by "rationalising" the economy through collectivisation of both farming and commerce. The president agreed and the party apparatus took in hand the task of persuading farmers and shopkeepers to join state co-operatives. Any resistance was met by strong-arm methods. This in turn was met by farmers killing their stock and ceasing to cultivate their land rather than give up their property and become state-paid labourers. There were many ugly incidents throughout the country and the mood of revolt became so strong that the government's nerve cracked. In 1969, Mr Ahmed Ben Salah was sacked, arrested, tried and sentenced to 10 years' imprisonment for misleading the president and putting the country on the road to ruin. While that possibly unfortunate minister paid the price of the president's and, indeed, the whole government's error, Mr Bourguiba agreed that the process towards state ownership should be reversed and that private enterprise should be given a greater freedom than at any time since independence. State marketing monopolies were disbanded ; farms, shops and cafés were returned to their owners ; and private investors, both Tunisian and foreign, are now being encouraged to take a stake in Tunisian enterprises, especially in light industry and the tourist business. But the government continues to control the major industries, land taken over from foreign owners and about 40 per cent of the banking and insurance business.

With a population of just over 5m, of whom 1.2m are at school, Tunisia has a limited domestic market. The population keeps on growing even though an energetic family planning campaign—which, thanks to the president, has the support of religious leaders—has reduced the increase in the birth-rate from 3.4 per cent to a more modest 2.6 per cent. (Emigration brought down the actual increase last year to 2.2 per cent.) Out of the working force of 1.1m men and 300,000 women, of whom over half work on the land, more than 350,000 are either without work or underemployed. Yet, in contrast with Morocco, agriculture provides only 10 per cent of the gnp. But with only one all-year-round river, the Medjerda in the north, agriculture is constrained for lack of easily obtainable water. Collectivisation gave it a severe knock and the floods of 1969 another. Up to 1968 Tunisia could export both meat and wheat. Today it has to import both.

Tunisia has never had difficulty in getting foreign aid. It receives more per head than any other country, but annual repayments now absorb more than a quarter of its own export earnings. In all its undertakings Tunisia has somehow to balance the need for efficiency and viability—the watchwords of Mr Nouira—and the social needs of its people. State industries are lavishly overstaffed ; but to prune the labour force would be to swell the ranks of the unemployed. Tunisia's planners accept that the country must live with a higher percentage of unemployed than could be tolerated in Europe—the extended family system of the Arab world ensures that few actually go hungry—and estimate that 23 per cent of the gnp would have to be invested just to provide work for the new arrivals on the labour market. Even so, the provision of more jobs is the basis of all future planning.

Beating a retreat

Apart from the mining of phosphates and mineral ores, the French established little industry in Tunisia in the years of their rule. The country was regarded as a colonial sub-region, destined to export its raw materials and to import its manufactured goods from France. In the first flush of independence, an enthusiastic determination to change this image swamped careful economic calculations. The state set to with a will to create major industries—a steel plant, oil refinery, a phosphate complex, a paper factory and sugar refineries. It also set up textile, cement and foodstuff industries and car assembly plants. More sensibly, perhaps, it began to lay the foundations for tourism.

The weakness of the Tunisian industrial sector, now freely admitted by the government, is that it has been designed to satisfy the home market by providing substitutes for imported products. Protected by tariffs and enjoying a near monopoly in each field, the new industries have been cosseted. No spur has been applied to improve efficiency and to cut production costs. The point has now been reached where the small domestic market is saturated with Tunisian manufactured products and if there is to be any further expansion it will have to be into markets overseas. So the government is relaxing its formerly tight exchange controls and import restrictions and it is preparing new investment codes so as to encourage domestic industries to look abroad for custom and to induce foreign companies to enter Tunisia to manufacture or assemble products entirely for export. At the same time, it is disengaging itself from the textile and tourist industries, which it wants to leave to private enterprise. Its apparent intention is to own and manage only the basic industries connected with mining and energy. It is, in fact, retreating from state socialism with drums beating and colours flying.

The government does not even intend to ask for a shareholding in new industrial ventures. There has already been some response from overseas investors, with American and German companies setting up clothing factories. Like the Moroccans, the Tunisians hope that their association with the EEC countries will act as an inducement for manufacturers to take advantage of the low cost of Tunisian labour for manufacturing and assembling products which require a big force of workers. They foresee possibilities in this direction, for example, for the electronics industry.

Future plans for extending Tunisian industry are limited to the expansion of what already exists—oil refining, chemicals and cement. Oil was first found in 1964 at El Borma on the Algerian frontier. Production started two years later and this field and another small field at Douleb now produce 4.1m tons a year. The El Borma find created some difficulties with Algeria, which claimed the field as its own, but finally the matter was settled in January, 1970, with an agreement that each country should exploit that part of the field within its own frontiers. The Algerian oil is taken by the French-owned La Trapsa pipeline to the Tunisian port of Skirra, but the Algerians plan to construct their own pipeline and take it through Hassi Messaoud to Skikda.

The Tunisian refinery at Bizerta is jointly owned with Eni, the Italian company which is also involved at El Borma. It was originally constructed in 1961 to refine oil from the Gulf but it now processes 1m tons of Tunisian crude oil, just sufficient to meet domestic demand. The rest of the crude oil is Tunisia's largest export. But it has now been decided to build a second refinery with a capacity of 1.3m tons. Its products will be exported and negotiations have already begun with French and Italian oil companies. At the same time, new explorations have yielded encouraging results. An off-shore field in the south promises to produce between 1m and 2m tons and 500,000 tons are likely to come from a land strike near Sfax. These finds should eventually make an important contribution to Tunisia's foreign exchange earnings.

Heavy investment in equipment for the phosphate mines is expected to



Textiles : one of the substitutes

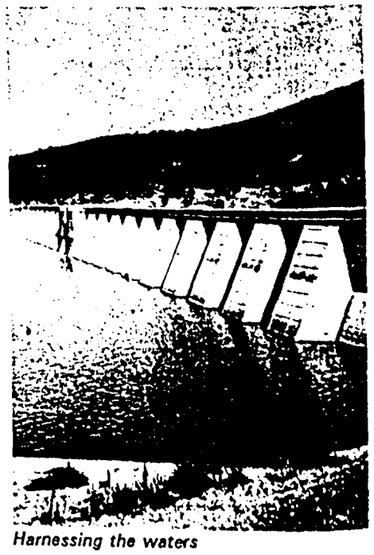
raise production from the current 3m tons a year to 5in tons in 1975. The Tunisian phosphate is inferior in quality to the Moroccan and export markets are therefore easier if the phosphates are transformed into other chemicals. The chemical industry, now centred at Sfax with a phosphoric acid plant and superphosphate plant, is to be expanded, with another superphosphate plant being built at Gabes. When it comes into operation, Tunisia will transform 1.3m tons of its own phosphates.

The two cement factories, which until 1971 provided a good quantity of cement for export, are now only just meeting the domestic requirement of 600,000 tons a year. So a third is to be constructed with a capacity of 400,000 tons. The El Fouladh steelworks at Menzel-Bourguiba outside Bizerta is still a cause of pride among Tunisians, as it was the first integrated steel plant in the Maghreb ; but the planners now admit that it might have been better had it never been built. Using Tunisian ore it turns out about 80,000 tons of reinforcing steel bars a year, more than Tunisia needs and at a greater cost than European products. All the coke for the furnaces has to be imported. One day, it might become part of an integrated steel industry in the Maghreb ; but until that day does dawn it will remain a white elephant.

Olive oil exports are third in importance to the Tunisian economy after crude oil and phosphates, and the 1972 crop is expected to reach a record 140,000 tons. The tourist industry, which is discussed elsewhere, offers great promise and allied to it are local craft industries. A national craft bureau has helped restore the old high standards of Tunisian craftwork and to revive private workshops throughout the country. About 112,000 people are now employed in various forms of craftwork from carpet-weaving, ceramics and leatherwork to basket-making and silverwork. Sales would be higher if prices were lower but these crafts are still subject to a special tax designed to cover the cost of the original investment in setting up the local craft centres.

This year's prospects look good. Last year Tunisia's gnp rose by 7.9 per cent, after a rate of less than 4 per cent a year in the previous decade, and the hope now is that it will rise by 8-11 per cent. The about turn in government policy from a tightly controlled economy to a more liberal approach has begun to pay off. The lines of state intervention have been drawn anew and the farmer, the businessman and the potential investor can be easier in their minds about the future.

Investment plans for the next decade will call for a mounting figure of foreign loans and credits. Tunisian charm, the persuasiveness of the itinerant foreign minister, the country's stability and the retreat from state socialism make it unlikely that Tunisia will experience all that much difficulty in getting what it needs.



Harnessing the waters

Agriculture

A long, slow job

When the Maghreb countries became independent the first thing they had to do was to reorganise their agriculture. Each, to some degree, had been treated as a French kitchen garden. French settlers took over the best land and they grew the crops that France needed—cereals, wine and, later, citrus fruits. Over 75 per cent of the population lived in the rural areas and depended on the land for their living. The peasants were poor and illiterate. The majority of them owned no land of their own. When the French left, agricultural production fell and the increase in population outpaced any improvement in output. Yet agricultural products were the base of each country's exports. Most of the land was unirrigated and the crops were dependent on rainfall. So a year of drought was a body-blow to the whole economy.

Each country is aiming to increase production and to change over to crops suitable for home consumption and for export. So natural water resources have to be harnessed for irrigation ; sugar-beet and soft-grain cereals for bread have to be grown. It also means that the dairy industry has to be developed and that advantage has to be taken of the early spring and warm autumns to grow vegetables and soft fruits for export. All this requires massive investment in dams and irrigation schemes, in fertilisers and agricultural machinery, in research and above all in educating the farmer to use new methods of working his land.

Morocco's current four-year plan gives top priority to agriculture with investments totalling more than 2.5 billion dirhams ($540m ; £200m). The bulk of the money is going on dam-building and the construction of hundreds of miles of concrete piping to carry the water to previously dry sectors. By the end of this year 22 dams should have been completed. It will take time before the fruits of this investment are ripe, but there has already been an impressive increase in sugar-beet production. It is, however, easier to build a dam than to teach farmers how to use irrigated land. There is a good deal of criticism in Morocco about the fact that the land being irrigated is largely owned by the big landowners who acquired their farms from the French. The distribution of formerly French-owned land among the peasant farmers is one of the government's declared aims, but it has come to little in practice. Last year troops were called out to quell a riot by peasants in the Gharb valley when land which they thought was being allotted to them went to an absentee landlord instead.

One of the first promises made by the Ben Bella government in Algeria was that there would be a radical agrarian reform. It took nine years for it to appear—in January, 1972. The Boumedienne government's proposals are grandly entitled the Agrarian Revolution. They envisage substantial investments not only directly in agriculture but in the improvement of the standard of living throughout the countryside. But, undoubtedly, its most important proposal concerns land reform. The basic idea is a somewhat surprising one for a country so wedded to socialism. It is that the land should be given to the families which work it.



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The oases, too, are being developed

To provide the small farmers with land, the big landlords, the absentee landowners and the state itself will give up what they now own. The new, small landowners will be organised into co-operatives through which they will purchase machinery, seeds and fertilisers and sell their produce. The self-managed farms, which were taken over by the workers when the French left, will remain as they are.

The Algerian government is embarking on several research programmes for which it hopes to get the benefit of American, Canadian and Australian experience. It wants to find out what seeds, fertilisers and cattle will do best on the dry Algerian soil. It is also developing vegetable-growing in the Saharan oases. Over the past two years 15m tons of vegetables were grown in the Sahara for export and the effects of this new source of income on the lives of the inhabitants have been more important than the foreign currency earned. Mexican-type wheat seed is now being widely used and it is estimated that the country will be self-supporting in cereals by 1982. Many of the vineyards are being turned over to cereals now the French have stopped their huge purchases of Algerian wine. However, the development of a dairy industry is at a very early stage.

Tunisia, by contrast, has first-class dairy herds in the valley of the river Medjerda and makes butter and cheeses of the camembert type indistinguishable from what can be got in France. The valley is the main irrigated area, given over to model farming of all kinds. Elsewhere much energy and money has been devoted to sinking wells. Agricultural production has been rising since 1969 when the experiment in forcing farmers to join co-operatives was abandoned. But other factors such as the wider use of fertilisers, credits for small farmers, better seed and the growth of the agricultural advisory service, which now has 70 engineers and 500 technicians touring the country, have played their part. But the Tunisians face the same basic problem as the Moroccans—and the Algerians will have to face it too. This is the inborn resistance of the small farmer to any change in his traditional methods. It will be a long, slow job to get the farmers of the Maghreb to go in for intensive cultivation.

Both Morocco and Algeria have unusual schemes to help the countryside. In Morocco roadbuilding and irrigation work is offered to unemployed or underemployed men, who are then paid half in cash and half in flour supplied by the United States for the purpose. In Algeria all army conscripts, after six months' military training, spend 18 months doing work to benefit the countryside. The majority, who are unskilled, work on construction projects with picks and shovels, but the skilled and professional men are sent to work where they are most needed. So doctors and dentists spend 18 months in the country villages ; university graduates may find themselves in local administration offices or at desks in one of the state companies ; and technicians may go back to the job they were doing before—but at army rates of pay. One motive behind the scheme is to make every Algerian feel he is involved in the country's race for development.

Education

Tomorrow's men

In their development plans all three countries of the Maghreb place tremendous emphasis on education and vocational training. They all take pride in their successes and they all like to cite figures to show how much they are spending on their young people. Both Tunisia and Algeria claim to spend a third of their budgets on education and Morocco a quarter. Tunisia prides itself on devoting 55 per cent of its development budget to education, health and social affairs and the Algerians think that they are doing well in allocating 40 per cent to education and welfare. In fact, as developing countries, they had no alternative but to allot a high proportion of their national resources to these purposes.

Morocco, with a population of 15.5m, now has 1.2m children in primary schools, 300,000 at secondary schools, 7,000 in technical schools and 14,000 at the university. Tunisia, with a population of only just over 5m, has 1.2m young people at school, college or university, which represents 80 per cent of the 6 to 20 age group. Algeria, with a population of 14.7m, started later and with less on which to build. But it now has about 2m children in primary schools, 300,000 in secondary schools and 22,000 in its three universities and higher education centres. Ten years ago the figures were 300,000, 35,000 and 1,000 respectively.

The construction of new schools and the like has always been a heavy task (Algeria, for example, is still building 11 secondary schools a year at the cost of £1m each) ; but the most crucial problem is to provide enough teachers. The French have waded in to help, so that today in Morocco there are 7,500 French teachers, in Tunisia 3,500 and in Algeria 4,300. Algeria alone has looked farther afield and employs about 5,000 teachers from Middle Eastern countries. Morocco and Tunisia have preferred to keep the education of their young out of the hands of their fellow Arabs. But all three countries are intent on providing their own national teachers as quickly as possible and students who go in for teacher-training receive bigger grants.

For the moment, however, education still turns on the presence of French teachers. This gets in the way of another aim : to make Arabic the language of the schools in all three countries. The Moroccans set about this process far too hastily by teaching only Arabic in the primary schools. They then found that pupils had to begin to learn French when they entered secondary school. Now it has become an established practice in each country that primary school pupils begin to learn French after two years at school so that they are equipped to study under French teachers when they move on to the secondary schools. Certain secondary school and university subjects are already being taught in Arabic and eventually the hope is that the whole curriculum will be.

In each country there is now an unsatisfied thirst for learning English. The classes that are available are booked out well in advance. The Algerian government, particularly, is keen to encourage young people to learn a language other than French, and some ministers openly express their wish to see English become Algeria's second language. It hopes that the British Government will give help to establish a large English language institute in Algiers. Since trade to some extent follows language it could be a worthwhile investment.

As well as inheriting French as a second language, all three countries have inherited the French baccalaureat educational system. The emphasis this philosophy of education places on building up a "whole man" and its requirement that university entrants pass the baccalaureat before specialising may be admirable for France ; and it certainly was in tune with the original idea of creating a small Moslem elite in the North African protectorates. But this system is a luxury the Maghreb countries cannot yet afford. They do need professional men with a wide general education but they also need technicians for industry and agriculture who need to specialise early in their educational career.

The Algerians already allow certain students to enter the scientific faculties at the universities by special examination and in each country there are technical institutes and trade schools in which boys specialise before they have completed the full secondary school cycle and passed the baccalaureat. The Algerian government offers higher grants to students entering the scientific faculties and already half the Algerian university students are studying the sciences. The eventual aim is to raise this proportion to 75 per cent. The Moroccan government, less generous with grants than the others, offers scholarships only to science students and those training to be teachers. But higher education will get a boost when the American university to be established at Tangier starts up.

The drop-out rate from the educational system is highest in Morocco. The reason is largely financial, for, although attendance at classes is free, all books have to be paid for and this is too great a burden for many families when their children get to secondary school. In Algeria books are hired at the cost of one dinar (8½p) per book per year and grants are also made for school clothing. If a boy has the ability to carry on, the state will provide the means. It needs every trained man it can produce. All those at university are supported. Tunisia, too, is generous. It grants some form of financial help to 30,000 schoolchildren and students and 65 per cent of the students at university are there on scholarships. As a result, Tunisia can now claim that 30 per cent of its population is literate.

Tunisia has done more than the others in providing education for women. It has a higher proportion of girls in the schools than either Morocco or Algeria and it is making rapid strides in teaching the country's women about home hygiene and child care. This is linked to a family planning campaign that has the full backing of the religious leaders in Tunisia. Advice, contraceptive devices and, in certain cases, abortions are free.

The Moroccan government also officially supports family planning and it fully recognises the need to limit the rise in the birth-rate. But religious leaders in Morocco are still reluctant to lend their support. The Algerians alone have hesitated to make family planning a matter of policy. President Boumedienne, a bachelor and, reputedly, a staunch believer, has given no lead. It must be left, he says, to each individual. In fact, the Algerians seem to be clinging to the belief that their economic programme of full-scale industrialisation will require further growth in the population. All Algerian girls can attend school as freely as their brothers ; but when there are not enough places it is the girls who have to give way to the boys. Eventually, Algerian women will play as full a part in the national life as Tunisian women do now, but the process will be slower. Today, they still largely confine themselves to their houses and hide behind their veils. That has something to do with Moslem conservatism and a natural desire, strengthened during the French occupation, to retain Moslem culture and customs ; but it is also a fact that President Boumedienne has not shown the same active interest in the future role of women as has President Bourguiba of Tunisia.



It all begins in the kindergarten

Tourism

Space in the sun

The countries of the Maghreb have one invaluable asset—space in the sun. Two of them, Morocco and Tunisia, are putting a lot of effort and cash into exploiting it. They want the foreign tourists because they so badly need the foreign exchange they bring. The tourists also create abundant work. For every two new hotel beds one extra pair of hands is needed. Algeria wants tourists too but is not pushing so hard for them because its need for foreign currency is less.

Yet despite everything that has been done in Morocco and Tunisia in building hotels and tourist villages the tourist centres are no more than a few specks on the Maghreb's 2,300-mile coastline. There is room for infinite expansion and no fear—as there is in Europe—of the supply of waiters, cooks, counter-clerks and bellboys drying up. And the Maghreb has a lot more to offer than sun, sea and beaches for the summer visitors. For the winter there are warm desert regions with luxury oasis hotels ; skiing in the High Atlas ; hunting and shooting ; even swimming in southern Morocco. In each country there are fine Islamic cities and Roman sites well worth visiting. But the national tourist offices should stamp firmly on foreign travel agents who promise winter sun in the Mediterranean resorts from Tangiers to Tunis. These resorts, it is true, have their warm, sunny days in the winter but it is just as likely to be wet and windy.

While all three governments are keen in differing degrees to attract the tourists, they are also anxious to preserve the character of their ancient cities. Western tourists out to enjoy themselves tend to import a way of life that is perhaps even more permissive than they would live at home. Inevitably, this creates tensions in a society with different customs and a more rigid code of conduct. One Moroccan eye is on the tourists' pockets : the other is on the morals of its own youth.

The Moroccans and Tunisians work hard to provide the sort of entertainment that Europeans expect—discotheques, night-clubs and cabarets featuring national dancing and singing. But café life sometimes lacks colour because the evening turn-out is almost exclusively male. The young men in the tourist areas mix readily with the visitors because they find that certain European women—even some twice their age—are not averse to their company and favours. They also know that some western men can be similarly enticed by youthful charm. What these young men have still to learn is that the majority of the tourists are not particularly interested in their physical attributes and greatly dislike being pestered on the beaches and in the streets.

Bargaining over price in the Arab souks is part of the way of life, but



Still-life in Morocco



Strong-arm tactics

the traders in Morocco and Tunisia who clamour to sell their craftware to the tourists are in danger of killing the goose. It has become an almost established practice for them to ask about three times the real value for any article and many a tourist turns away empty-handed, wearied by the long, hot process of haggling. Even when he gives in and hands over the money, he goes away with an uneasy feeling that he has been cheated. More government-run craft shops in the main tourist centres with clearly marked, non-negotiable and reasonable prices might deter the stallholders from gross profiteering.

Morocco and Tunisia can claim to have succeeded in putting themselves on the world's tourist map. In both countries the state led the way by providing the necessary infrastructure and by building and managing hotels. Both governments are now attempting to induce both domestic and foreign concerns to take the lead in investment by offering them grants and favourable credits. In Tunisia the government, together with international and foreign banking and commercial interests, has created a company, Cofitour, which aims to expand the tourist industry by giving investors financial and technical help. In Morocco the government acts in much the same way through the investment banks.

The Moroccans hope to reach the magic figure of 1m tourists in a year at the end of this year. The 2m figure they reckon should be reached in 1977. The cholera scare in Spain and the July events at Skirat plainly had some effect

on the 1971 figures as the increase over the previous year was nowhere near the 20 per cent recorded in 1970. Nevertheless, total tourist receipts were appreciably higher, amounting to nearly $70m. The present four-year plan calls for a total investment of $360m and the addition of nearly 15,000 beds.

The Tunisians have set themselves a more modest target—1.5m tourists by 1980, which is just 1m more than came last year. Although in both Morocco and Tunisia the majority of the hotels are in the luxury class, the bulk of the tourists arrive on cut-price package tours. (In Tunisia only 20 per cent pay the full rate for bed and board.) Although the hotel owners welcome the chance to keep their hotels open during the winter the extremely low winter rates forced on them by tour-operators are worrying the governments, for unless the hotels have a reasonable profit potential investors will be scared away. The future trend will almost certainly be to build more hotels in the middle price range, coupled with greater efforts to encourage individual tourists by emphasising that Morocco and Tunisia have more to offer than the beaches frequented by the package crowd. The Tunisians should also consider some tax concessions for car-hire firms (hire-cars are now prohibitively expensive) and some relaxation in currency restrictions for tourists.

The Algerians have not entirely ignored their tourist industry, but it comes well below pipelines, factories, schools and hospitals in their planning priorities. In 1967 it was decided to create 16,000 beds by 1970 and a further 9,000 by the end of 1973, giving a total of 35,000. The seaside tourist centres are near Algiers and on the Tunisian and Moroccan frontiers (which gives tourists in either of the neighbouring countries the chance to sample Algeria as well). But prices are very high. Algerian wages and social security contributions are far higher than in Tunisia and Morocco and imported food and drink are extremely expensive. Some Algerians take the moral view that tourists from developed countries should not expect to holiday in underdeveloped countries at far less expense than they could at home. But they may possibly be underestimating the general usefulness of welcoming foreign visitors to their shores. It is only through such visitors that a country gets itself known as a place with nothing to hide—and an attractive place to be in.

Not quite in step

The countries of the Maghreb do not speak with a common voice either on the Arab-Israeli conflict or on broader matters of foreign policy. Although their distant and recent pasts have been so much alike, the differences in their political structures and in the personalities of their heads of state make it impossible for them to do so.

King Hassan of Morocco, as a descendant of the Prophet and the religious leader of his people, is deeply committed to the Arab cause since, in his eyes, it is the cause of Islam. Yet, of all the Arab countries, Morocco has taken the most care to observe the Islamic tradition of protecting minorities. In the second world war Mohammed V, for example, refused to implement the anti-Jewish policies of the Vichy government and it may be no coincidence that when an anti-corruption drive got under way in Morocco last September the Jews alleged to be involved were out of the country. Naturally enough, King Hassan feels closest to his fellow Arab monarchs and his sympathies in the struggle between the Palestinians and Jordan lie firmly with King Hussein. Inevitably, too, he sides with the more traditional, conservative regimes in inter-Arab quarrels.

President Bourguiba has refused to let himself and his countrymen be blinded to reality by being part of the Arab world. Consistently he has told his fellow Arabs that Israel exists and that it will continue to do so. So he has urged them to come to terms with



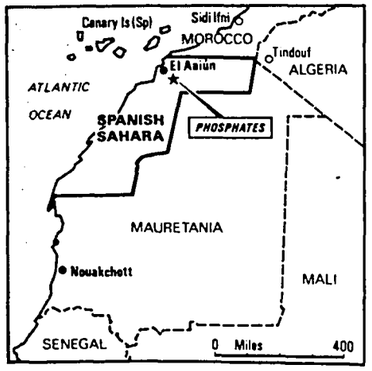
Which way will Morocco march ?

the facts. He refused to follow meekly in President Nasser's wake, taking Tunisia out of the Arab League for five years. Both the Tunisian president and King Hassan are bound to keep a weather-eye on their relations with the United States, for they both depend greatly on its aid. But President Bourguiba took the risk of offending his patron by refusing to support the Americans in the United Nations vote on China.

From the day of their independence the Algerians have deliberately put themselves, and consciously seen themselves as being, in the vanguard of the world's "liberation" movements. Ben Bella appeared to see himself as the Fidel Castro of Africa, touring the socialist countries to receive their acclaim and elicit their aid while feeding his people with revolutionary slogans. President Boumedienne's style is different but Algeria's proclaimed desire to help all people struggling for independence against colonialist powers remains unaltered. In that, the Algerians are the creatures of their own bitter past,

So they see the Palestinians as fighting for the liberation of their homeland. This is the crux of the Algerian attitude to the Middle East crisis : unless Egypt, and Israel's other Arab neighbours, are to support the Palestinians to the hilt, the Algerians want no part in what they regard as half-measures, such as getting the Israelis out of Sinai. This attitude does not go down well in Cairo or Damascus. Nor is it entirely accepted at its face value by the Palestinians themselves, for they suspect it is a device for the Algerians to do nothing while they concentrate on their own economic development programme. The Algerian government's support for Pakistan over the Bangladesh issue is another example of where its priorities lie. The Algerians saw the dispute as a matter of altering a state's accepted frontiers and not as an issue of 10m refugees wanting to return to their homes. The Palestinians will have noted this.

Above all else, the Algerians wish to preserve stability in the Maghreb. So it comes as no surprise that President Boumedienne was among the first to congratulate King Hassan on his escape from assassination. The Algerian government is determined to prevent any repetition of the 1963 frontier war with Morocco, though it is uneasily aware that the seeds for further dis-



agreement with that country already lie scattered on the soil of the Spanish Sahara. Morocco claims this territory as its own. It does not want to see the phosphate deposits there—a potential source of keen competition with its own phosphate industry—in any other hands. At the same time, the Mauretanians do not want to see the Spanish Sahara incorporated into Morocco, thus bringing the Moroccan army down along their own border. The Algerians are also anxious that Morocco should be kept out and suggest the 40,000 nomads living there should determine their own future. The Spanish indicated in 1967 that they agreed to a UN proposal that a referendum should be held, but since then they have said nothing and have continued to develop the phosphate mines. But in January the Spanish foreign minister, Sr Lopéz Bravo, made a sudden visit to the Mauretanian president. The Algerians, who have ideas of gas pipelines running from their gasfields through Morocco and Spain into Europe, want to offend no one and are determined to play it cool.

Despite all the signs that President Boumedienne's foreign policy is primarily directed to keeping Algeria clear of entanglements while it concentrates on economic development, the Moroccans remain suspicious and wary of their neighbour. They were particularly worried when Algeria turned to the Soviet Union to equip and train its armed forces after their poor showing in the 1963 frontier war. In turn, King Hassan looked to the French and Americans to strengthen his armed forces. Today, it is estimated the Moroccan and Algerian forces are roughly on a par. About 1,000 Russian advisers are attached to the Algerian forces while the Moroccans are helped by about 800 American and 800 French instructors (who, quite deliberately, keep well in the background). The Moroccans are particulary sensitive about the American communications centre at Kenitra. It is now guarded by Moroccans and the American service personnel never appear in uniform. In Algeria the Russians enjoy certain port facilities but they have to get Algerian permission before bringing naval vessels in. The Algerians always, in fact, keep a close eye on Russian activities.

The young officers in both the Moroccan and Algerian armies are well-trained (with a large number of the Algerians having had a four-year spell in Russia). The forces in both countries depend on highly trained non-commissioned officers ; the bulk of men are conscripts. After six months' intensive military training the conscripts spend the next year doing other jobs. In Morocco many learn to work in hotels ; in Algeria they work in the countryside. The Algerians spend about 10 per cent of their budget on their armed forces, which total about 57,000 men, and the Moroccans somewhat more on theirs, which number around 50,000 men.

For the Tunisians it is a matter of pride that they spend under 8 per cent of their budget on their armed forces, which total only about 25,000 men. The Tunisian army plays a smaller role in the nation's life than the Moroccan and Algerian armies do. So, whatever takes place after President Bourguiba, there is little likelihood that any group of Tunisian officers will intervene. In Algeria the armed forces are under the direct control of the president who is also minister of defence and secretary-general of the ministry too. Army officers are on the Revolutionary Council, the country's highest authority, and although the national and regional governments are run by civilians the army provides the basis of power for President Boumedienne and his administration. Whatever happens in the future in Algeria, the army cannot but have a powerful say.

In Morocco, the role of the army could well be even more decisive. Although the senior officers are believed to have settled down again after the events of last July, when the armed forces were left with only three generals, the attitude of the younger officers towards the regime is uncertain and unpredictable. They may have been mollified by the recent increases in pay ; but it is known that many are of the opinion that they have become too cut off from the Moroccan people and that they should be playing a more active role in the country's development. If this feeling becomes more widespread in the officer corps, King Hassan can never be certain how much he dare rely on the army's continuing support. Over 1,000 officers and nco's were tried for their part in the Skirat affair. The accused claimed they acted on orders from senior officers and on March 2nd all but 73 were acquitted. The result of the trial will have done something towards raising the army's morale.



Mr Kosygin is interested in more than steel in Algeria

This survey was written by Michael Wall in collaboration with Sue Dearden.

Uneasy trio

When they were struggling for independence, many Moroccan, Algerian and Tunisian leaders cherished the belief that when the French left they would be able to co-operate closely with one another in the fight to develop their countries. Some went so far as to envisage a united Maghreb in which the member-countries would be joined in some form of federation. This idea was discussed in 1958 by representatives of the Moroccan and Tunisian governments and the Algerian government-in-exile. But four years passed before the Algerians won their independence and by that time it was obvious that Algeria's political structure was going to be so unlike its neighbours' that any form of political union was out of the question.

Even so, it was also clear to many that it would make much more sense to plan each country's economic development within the broad framework of the whole Maghreb. In 1964 the economic ministers of Morocco, Algeria, Tunisia and Libya met to discuss the possibilities of co-operation and left behind them a Permanent Consultative Committee on the Maghreb (CPCM) which has operated in Tunis since then. Its job is to make studies of projects proposed by the ministers. The office shelves bulge with its reports ; but very little notice has been taken of them. The sad fact is that although everyone pays lip-service to Maghreb co-operation and ministers express pious expectations about how close it will become one day, the current national development plans and the ones now being drawn up are completely unrelated to one another.

In 1970, Libya officially dissociated itself from the Maghreb by pulling out of the CPCM. Colonel Qaddafi had decided that Libya's future lay in co-operation with the Arab countries to its east. This has not caused much distress to the other members and, indeed, it has brightened the prospects for closer ties between them. Colonel Qaddafi rashly supported the officers who tried to overthrow King Hassan. As a result Morocco broke off diplomatic relations with Libya. There are indications that President Ould Daddah of Mauretania is trying to draw his country into the Maghreb club, but until the problem of the Spanish Sahara is cleared up it is doubtful whether Mauretania will identify itself fully with the Maghreb.

The CPCM is continuing to make its studies and its members from all three countries are optimistic that one day their governments will decide to act. The reports being prepared cover the possibilities of co-ordinating the planning and construction of roads, railways and airports so that this infrastructure can be laid out to facilitate the movement of goods and people among the three countries. Co-operation in the tourist business is also on the list. There has been an agreement in principle that a new airline, Air Maghreb, should be established to fly the international routes, but no one quite knows where the money is going to come from to buy its aircraft.

One of the most important studies is how to co-ordinate the infrastructure of energy. Electricity, oil and gas could be supplied more rationally across national frontiers. Both Tunisia and Morocco need Algerian gas for their industries and Algeria may need to run its gas pipes over Morocco and Tunisia to supply Europe. These are complex problems but solutions could be found in an atmosphere of complete trust. There are also possibilities for the three countries to develop a common export policy for their agricultural produce, olives and wine rather than competing against one another in the foreign markets. They have agreed on an export price for esparto grass (alfa) and the committee is trying to work out how this could be extended to other products.

Morocco and Tunisia have special agreements with the EEC which have to be renewed—and, they hope, expanded—this year, and Algeria, which has secured a complicated interim agreement, is still pressing the EEC to reach long-term agreement with it. There seems to be a strong case for the three countries to act in concert and attempt to negotiate similar terms. Each country would benefit if they could agree to share one another's facilities for training certain specialists. They could also act together in negotiations with foreign countries on the numbers of Maghrebi workers who can be employed abroad.



Let bygones be bygones

Action on some of these ideas, which are being worked on by the CPCM, could be taken without prejudice to the outcome of discussions on the thorniest problem of all—a common market for the Maghreb. Here the difficulties appear insurmountable. The Algerians are adamant that they are not prepared to jeopardise their plans for their own industries by allowing in cheaper products from Morocco or Tunisia. Their point is that such products are Moroccan and Tunisian in name only—they are really foreign products which have been assembled in these countries. There is no question but that Algeria's own products will be more expensive and possibly, in the early stages at least, inferior in quality. A common market for manufactured products in the Maghreb would in one blow, in the Algerians' view, undermine their industrialisation programme.

But the Moroccans and Tunisians, who are encouraging foreign firms to make use of their cheap labour to assemble their products, are naturally anxious to see the home market extended to the 34m inhabitants of the Maghreb. When Algeria's industries are fully developed and it is seeking wider markets it may feel confident enough to face the competition that a common market would bring. But that is a good number of years away. And when Algeria feels strong enough to open its frontiers to foreign products will the Tunisians and Moroccans then fear that a common market would open the way for complete Algerian economic domination ?

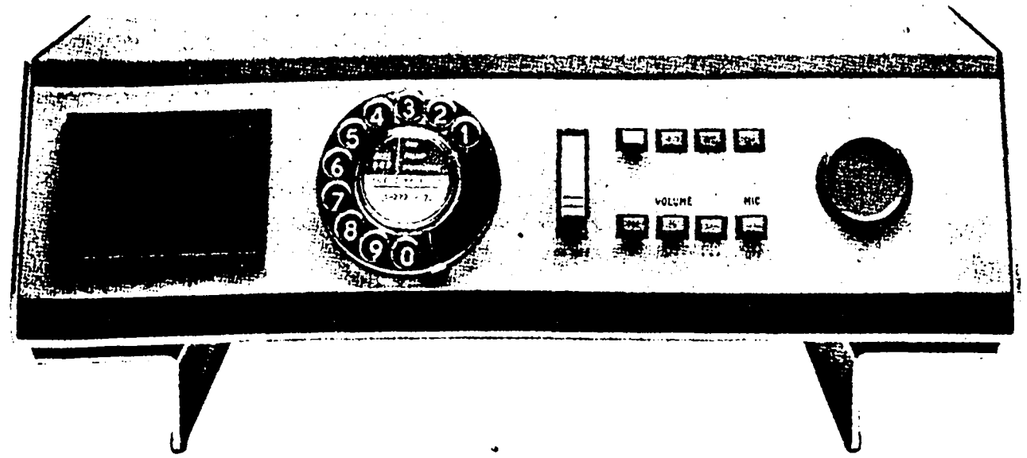
Perhaps it is far too soon to think in terms of Maghrebi unity, whether political or economic. All three countries are desperately poor. Much can be done to prepare the ground ; mutual trust and respect can be strengthened ; bilateral agreements can be multiplied. But until each country is standing firmly on its own feet the Maghreb's unity will remain an ideal for the future.

Good heavens, yes!



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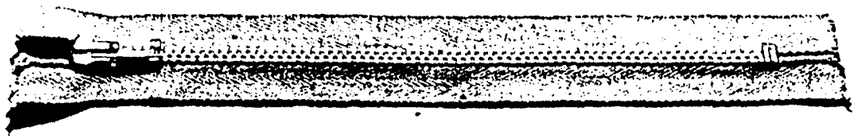
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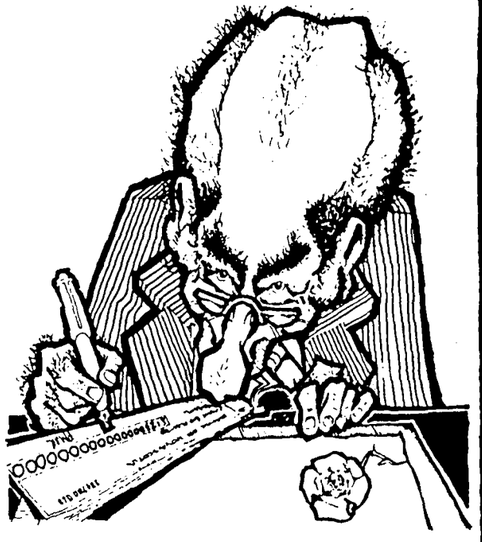
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BRITAIN

Just what kind of Ireland do the gunmen want?

The warfare in Northern Ireland has not lost its capacity to shock and horrify, but the incidents are now so frequent they have become the perishable stuff of daily headlines. Last Saturday's lunchtime explosion in a Belfast restaurant, in which two girls died and 136 people were injured, was followed by one on Monday, near a cinema in the city, which produced another 50-odd casualties. Such bombings are everyday events in the province. So are the murders of security men and civilians. These are the evidence that, six months after the return of internment, the IRA is far from crushed. Nor has its hold over the Catholic community declined.

Even though both wings of the movement oppose each other with bitterness, the IRA Officials and Provisionals are now almost indistinguishable, both in tactics and in objectives. So, too, with their satellites. The Northern Ireland Civil Rights Association is now almost wholly a mouthpiece of the Officials, while its rival in civil disobedience, the Northern Ireland Resistance Committee, is a quixotic alliance of Provisionals and marxist theoreticians from People's Democracy.

Few IRA leaders are political sophisticates. Fashionable talk of an Irish workers' republic provides a thin disguise for a movement which is inherently reactionary. The Provisionals have not won recruits by propagating their half-baked idea of four regional Dáils for the future Ireland, but because they can appeal to anti-British popular prejudice and to the Irish tradition of violent rebellion. The black berets, the dark glasses, the funeral processions, the paramilitary uniforms, may excite the younger generation and provide the IRA with a romantic image. But they are more reminiscent of prewar European fascist movements than the "democratic socialism" to which the IRA professes attachment.

The Provisional programme, "Eire Nua," is imbued with nationalist populism. Its call for "a reign of social justice based on Christian principles by a just distribution and effective control of the nation's wealth and resources" might evoke more recognition in Spain and Portugal than in Jugoslavia and Switzerland—the two countries which the Provisionals claim inspire their political ideas. Bigness would not be tolerated. Companies would be nationalised on co-operative lines. Large farms would be divided up among the smaller peasants. A strict moral code would be practised.

Above all, Gaelic would be enforced as the "principal community language of the Irish people." A ministry of national rehabilitation would be set up to supervise the restoration of the Gaelic language and culture. Gaelic-speaking districts would get special economic and social privileges. All government officials would write and speak the language, which would also be enforced in the schools as the primary teaching language. The media would be under Gaelic control.

Mr Lynch's Ireland may hold few attractions for Ulster's 1m Protestants. But what the IRA offers is an authoritarian and conservative dictatorship in both north and south. Very few of the IRA's followers appear to ask themselves where they might end up.

Wales

Labour changes another tune

All 27 Welsh Labour MPs appear to have become champions of an elected assembly for Wales, a cause that the last Labour government spent much time and energy in resisting back in the heyday of the Welsh Nationalist challenge in the late 1960s. Their amendments, seeking the Government's com-



Ritz cinema, Belfast: violence off the screen

mitment to the principle of an elected all-Wales Council, came up for debate this week when the standing committee on the Local Government Bill at last reached the three schedules and 30 clauses which carry the Government's proposals for the reform of Welsh local government. Sixteen Labour MPs, including two ex-secretaries of state, Mr Cledwyn Hughes and Mr George Thomas, signed a highly detailed amendment which sought to spell out the kind of elected body they want for Wales. It would apparently take over a wide range of activities, at present carried out by statutory organisations, such as tourism, consumer protection, hospital management, the preservation of ancient monuments and civil aviation. The secretary of state would decide the council's membership, size of constituencies, and its financing.

It has taken a long time for all Welsh Labour MPs to come around to supporting an idea which has been floating around in Welsh Labour circles since 1962. The Welsh Council of Labour first came out for an all-Wales Council as long ago as its May, 1966, annual conference. But it never found much support in the Labour cabinet. When Mr Cledwyn Hughes used to push the question he was unable to overcome the stolid resistance of Mr Callaghan. The formation of Lord Crowther's royal commission on the constitution provided a handy excuse for inaction, though Labour's abortive 1967 white paper on Welsh local government reorganisation made a milk-and-water reference to the idea of a future all-Welsh authority.

The Welsh Tories boycotted the commission and there is certainly no political dividend for them in reform for Wales, even though Welsh Labour MPs are quite ready to suggest that the carving out of a new county council for South Glamorgan owed much to the astute campaigning of Cardiff Tories. The Tories are only too conscious that they hold a mere seven out of the 34 Welsh seats and that the present secretary of state, Mr Peter Thomas, has to sit for a London suburban seat, Hendon South, and double up as chairman of the Tory party. But it is this very lack of political influence in Wales which makes the Tories more able to push through a local government reform which has been in the pipeline for over 20 years. Noisy local interests paralysed Labour's efforts through six dreary years of proposal and counter-proposal. And a late conversion to a major proposal for Welsh devolution cannot gloss over that sorry record.

By-election

A touch of democracy

It would be an alarming and improbable disaster for the Tories if they succeeded in losing the by-election at Kingston-upon-Thames, which will be caused by the appointment of Mr John Boyd-Carpenter as chairman of the Civil Aviation Authority from April 1st. The Labour party has never come within a stone's throw of the seat ; even in the nadir of 1945 Mr Boyd-Carpenter achieved a safe majority of 13 per cent, and in 1970 it was 25 per cent. So the real political dog-fight there ended last Saturday, after Kingston's Tory committeemen had nerved themselves for the daring innovation of a direct vote on the three shortlisted candidates by a general meeting of the association.

The original list of applicants for the seat was at least as large as the turnout at Saturday's association meeting—around 300. But it cannot be said that the quality was generally very high, and it was further reduced by the Eastbourne Tories' selection of Mr Ian Gow as their new candidate. On Saturday, Mr Norman Lamont, a 29-year-old merchant banker and chairman of the Bow Group, won an easy victory over his nearest rival, Dr Rhodes Boyson, the maverick educationalist and "black paper" editor.

Mr Lamont's selection was not altogether tranquil, since Kingston has a rough gang of anti-marketeers and he had courageously shown himself as an unequivocating pro-European. The net result has been that Mr Edgar Scruby, a local baker and an anti-marketeer of bizarre views, has resurfaced with the intention to contest Kingston as an independent Conservative. Mr Scruby took the surprisingly high total of 1,700 votes off Mr Nigel Fisher in the neighbouring constituency of Surbiton at the general election ; but Mr Fisher has a stormy relationship with his constituency and Mr Lamont will be unlucky if Mr Scruby milks him of as many. He will, however, have a particularly strong new Labour opponent in Mr Anthony Judge, who has been squeezing Mr Anthony Grant's majority in Harrow for the past two elections ; he will also have a Liberal opponent who made no great headway in 1970. The Liberals have been contesting Kingston since 1964, and in that year achieved 17 per cent of the vote. They are a continuing force in Kingston ; but it is more than unlikely to provide them with a saving triumph.



Lamont : already elected ?

Bristol

Enjoy it while they may

Labour, after five years in the cold, should not have much trouble in regaining control of Bristol Council House in the May elections. The Citizen party —formed in 1924 by the fusion of Tories, Liberals and Independents—is hanging on to power only because of its preponderance on the aldermanic bench, where it holds 19 seats to Labour's nine. Both parties have 42 elected councillors after Labour's sweep of 16 gains last year. In May, the Citizens have to defend 22 of the city's 28 wards.

But Labour's victory will prove hollow. In April, 1973, Bristol will find itself a mere district council in the new Avon county authority which is to be carved out of South Gloucestershire and North Somerset. The city is to have only 34 out of the 73 seats on the county council which is not to have metropolitan status. Even Labour leaders concede that their party cannot hope to win power over an authority which also includes much of the rural west country as well as Bath and Weston-super-Mare. The Citizens are reconciled to Mr Walker's proposals, even though this means that Bristol will lose control of such important functions as education, health and social services and strategic and area planning.

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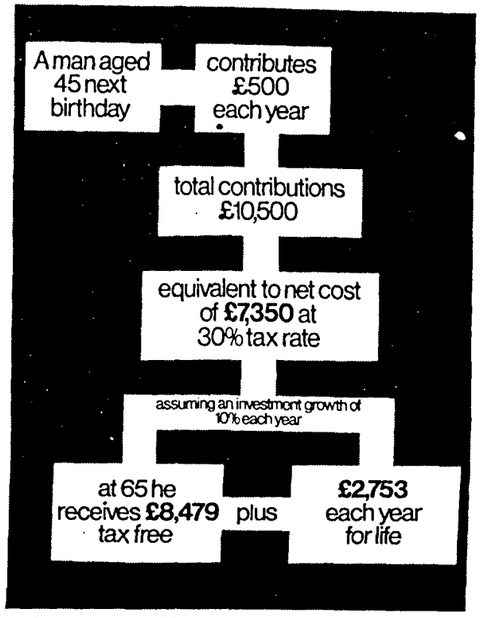
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Abbey Investment Annuity Bond.

There is a good deal of bipartisanship on the council. The Citizens began offering council houses for sale to sitting tenants as long ago as 1960 and Labour continued the practice when in power after 1963. But, last November, the Citizens were attacked for their decision to offer council houses for sale at 30 per cent below their market price. After May, there is likely to be a serious clash between Labour and the Government over the Housing Finance Bill. Bristol already has an economic rents scheme for its 47,000 council tenants, but the local housing department predicts that rents may eventually rise by £2 under Mr Walker's proposal. Labour threatens to practise non-co-operation, which would mean the intervention of the housing commissioner.

On planning matters, though, the Bristol parties are in almost complete agreement. Both backed the 1966 development programme. Both supported the Avon Gorge hotel scheme which the Government recently turned down. And both oppose the planned 225ft post office tower for the city. There is even common support for the outer ring road scheme, which would tear up parts of Clifton and Cotham. Labour has welcomed the appointment of Sir Hugh Casson as architect adviser for the docks area renovation plan.

The Labour party is in a better shape than most borough Labour parties nowadays and can boast two agents for Bristol's five constituencies. Its Citizen opponents are now very much the local Tory party, even if two Citizen councillors claim to be "Liberal at heart." The Citizens use the Tory machine at election times and their policies are similar to those of Tory parties in Britain's other big cities. Next year, however, the Citizens will disappear from the scene. Alderman Walker's party intends to fight for Avon county as Tories, pure if not so simple.

Drugs

Different dangers

Two recent alarms have shown up the hazards of modern medicine. The latest might have caused five deaths: the contamination of a batch of dextrose solution used for drip feeding. Clearly, if a nutrient of this sort is good for feeding humans it is good for bacteria too, and what seems to have been at fault is the autoclave used for sterilisation. As a precautionary solution the Government has temporarily banned the use of dextrose solution from the firm concerned. The second risk concerns imipramine, used in treating the mentally ill.

The new policy for the mental health services is based on the so-called chemo-therapy revolution. The phenothiazine drugs for schizophrenia and the tricyclic ones for "depressive illness" have reduced the median length of stay in hospital to about six weeks for schizophrenic patients and a month for depressed ones and have quite often enabled patients to avoid admission to hospital altogether.

Of the tricyclic anti-depressant drugs the imipramine group is the largest and most commonly prescribed. Its importance can be gauged from the fact that, of the 175,000 admissions to mental illness hospitals and psychiatric units in 1969, 66,000 were patients suffering from depression—nearly twice as many women as men. By comparison only 36,000 were diagnosed as schizophrenic. (These figures refer to total admissions and therefore include patients who are admitted more than once.) But, if imipramine drugs are found to be responsible for deformities in newborn babies, as an Australian doctor warned the world at large last week, the effect on treatment would not be calamitous. Depressive illness, in contrast to depressive reaction, is more common in older people than in those of childbearing years; other tricyclic drugs can be prescribed for younger women; and for severe cases there remains ECI (electro-convulsive therapy).

At present, the risk from this drug does not appear great. Tofranil, the first of these drugs, was first marketed (by Geigy) in 1959; it is unlikely that had foetal damage occurred during the 13 years it and its successors have been prescribed, reports of it would not already have been published. The potentially disastrous effects of thalidomide, on the other hand, were realised within five years. In addition, because of the thalidomide tragedy, the Committee on Safety of Drugs was set up in 1964 to collate and investigate reports of adverse reactions. If imipramine had produced side-effects similar to thalidomide it is strange that there has been no warning.

Monsters

Who'll laugh last?

Teresa Cameron saw it when she was coming home from school last winter; so, on another day, did her father, Angus, at the power station. Young John Gillies saw it last spring and called his father, the postman. Sween MacDonald, the boatman, saw its wake one day in August, travelling at something like 10 knots, and on at least 18 other occasions in the past 10 years people have reported a big, black beast swimming in Loch Morar. The small committee that makes up the Loch Morar Survey now, after its second year's investigation, has a dossier of 33 reports where people have seen either the head, the snake-like humps or the wake of something very big, moving fairly fast. The difference, compared with a few years ago, is that fewer people make flip jokes about it.

Only Dr George Cooper, sketching what he thought was a log, until it vanished in a swirl of water, has any permanent record of the Loch Morar monster, but for 900 years the locals have been reporting occasional appearances of "beistes" not only in Loch Morar but in innumerable Loch na Beistes up and down the Highlands. Nearly all these lochs have been at one time or another linked with the sea. When the last glacier retreated 10,000 years ago, Loch Morar was 10 ft above sea level at low spring tide, so it would not have been difficult for big sea creatures to travel up into the loch on the high spring tides, especially with a westerly gale behind them. It is deeper, at points, than the continental shelf, touching 1,000 ft in places and at 12 miles long and more than a mile wide is large enough to house the sort of long-necked creatures reported.

This is the most typical shape for the big, unidentified sea beasts that are reported with increasing frequency and growing detail. There are too many of them now to be dismissed as sailors' stories—as the giant squids were until some were actually caught. Scientists are increasingly conscious that few of them would have believed anything as huge as a blue whale could still be living if whales were not mammals obliged to come up for air. Deep-water beasts could exist that have rarely, if ever, been seen by man.

The Scots have worked to get rid of their monsters. One that inhabited a sea loch on the Isle of Skye has not been seen since a minelayer sunk there and its mines were exploded underwater. Near Loch Ewe, a monster was blamed for the sheep that disappeared at night and a load of quicklime was dumped in the water to kill it, since when the fishing has improved spectacularly; but the sheep continue to disappear. It is not a place the locals go near after dark.

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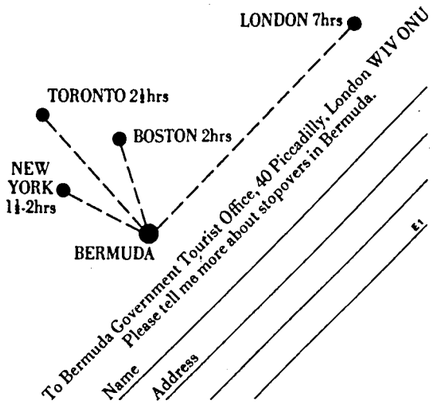
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In our latest interim reports we have expressed our concern about the economic developments that were taking place. We have also reported how we tried to ward off imminent trouble and how we sometimes managed to turn it to our advantage. The changes in economic prospects resulted in changes in our portfolio, which were greater than ever before. In 1971 our sales and purchases totalled more than fl.1,500 million.

SHIFT FROM EUROPE

The main feature of our investment policy was a shift from Europe to America and Japan. Thus in Europe sales exceeded purchases by more than fl.91 million, whereas in America our purchases were fl.236 million on balance and in Japan fl.113 million.

As at 1st January 1972 about 38% was invested in America against 32% in the previous year, and our interests in Japan rose from 10% to more than 17%. Our investments in Europe, were reduced from 44% to 38%. Great Britain, Switzerland and Belgium were the only European countries that were more prominent in our portfolio at the end of the year than at the beginning.

GREAT INTEREST IN SHARES

In the past financial year the Company has again shown a vigorous growth. At the beginning of the year 13,310,000 shares had been issued, amounting to fl.665,500,000. Following the final dividend distribution of 2½% in stock 331,723 new shares were issued. Throughout the year investors showed a great interest in ROBECO shares. In order to meet the demand 465,277 new shares were issued. In consequence the issued share capital as at the end of the year rose to fl.705,400,000, corresponding to 14,108,000 shares of fl.50 nominal.

At the end of the year under review the Company's net assets amounted to fl.3,035,981,082; the value of a ROBECO share, increased by the cost of issuing new shares, was fl.226, compared with fl.220 at the beginning of the year. By 1st March, 1972, the share price had risen to fl.245.

NEW BASIS FOR CALCULATING INCOME

Until now the income accounted for in the profit and loss account comprised income in cash (dividends and interest) and the income elements of the stock dividends received. For 1971 we have departed from this procedure by having the income in cash accounted for in the profit and loss account, whereas the value of the above stock dividends is apparent from the realised and unrealised appreciation reserve. This change in profit accounting is in compliance with the new fiscal legislation, which stipulates distribution of cash income. It is also in conformity with our dividend policy, in which cash income is distributed by way of interim dividend and in which a stock distribution from the share premium reserve will enable shareholders to take their part of the value of stock dividends received. Although shareholders hardly ever opt for a final dividend in cash, we will continue to offer them this alternative. In 1971 income amounted to fl.102·7 million. Income for 1970 calculated by the same procedure as in 1971 would have been fl.97·6 million; under the previous profit presentation it amounted to fl.158·8 million.

DIVIDEND PROPOSAL

By way of final dividend for 1971 we recommend a distribution of 2½% in stock from the premium reserve. (This distribution is free of U.K. Income Tax). For those shareholders who prefer a distribution in cash (subject to U.K. Income Tax) to one in stock, we recommend that until 27th October 1972 a final dividend of fl.4·80 be offered as an alternative. If cash is taken, the total dividend for 1971, including the interim dividend of fl.7 made payable in November 1971, has gone up to fl.11·80 (1970 fl.11·60).

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Books

A tale of two countries

WAR COMES TO LONG AN
By Jeffrey Race.
University of California Press. 322 pages. £5.70.

VIETNAM INC.
By Philip Jones Griffiths.
Collier-Macmillan. 223 pages. £1.25 paperbound.

There are two Vietnams. There is the country in south-east Asia, where two great forces are at war and where otherwise normal people do the best they can with the conditions of war, fighting or keeping their heads down, growing food in the country or camping in swollen cities, surviving or dying. And there is the Vietnam of the mind, a conveniently tidy place constructed by those who cannot or do not want to come to terms with the million pieces of the jigsaw of the real Vietnam. No map contains both these countries, and what sort of book you write about Vietnam will depend on which of them you have been living in.

These two books are about two different places. "War Comes to Long An" is by a young American who first went to Vietnam with the American army, and then went back on his own account to try to find out what had gone wrong with the campaign the Americans thought they had gone there to fight. It is about a single province, Long An, just south of Saigon, which he thinks represents in miniature the problems of South Vietnam as a whole. Between 1960 and 1965 the communist-led revolutionaries had virtually won their war in Long An. The arrival of the American army in 1965, and the creation of a stable government in Saigon, pushed them back by 1970 almost to where they were in 1959. By 1972, with the Americans gone, the outcome depends on whether the South Vietnamese government has really learned the lessons it had been ignoring through most of the 1960s.

Mr Race's theme no longer seems very novel. He argues that the Americans and the South Vietnamese army never understood, and perhaps still do not understand, the way guerrillas work among the population: that they went charging around looking for an *identifiable enemy force that declined* to identify itself; and that it took them until 1970 to recognise the one or two very simple things—above all, the reallocation of land—that gave the communists most of their support. The strength of his book is that it supports this now generally accepted argument, that the Americans were fighting the war the wrong way, with a wealth of first-hand detail. He knows almost everything that happened in Long An in the 1960s, every skirmish, every assassination, the relative efficiency measured in casualty ratios of each of the different kinds of military unit involved. He gives us extracts from the long interviews he had with men who fought on both sides. He managed to conduct a scientific study in the middle of a war, and that is quite an achievement.

It does not make pleasant reading for the supporters of American policy. Mr Race finds the Americans incompetent. He also believes that this was essentially a war between Vietnam's haves and have-nots. But he is even-handed. He destroys some of the myths of the anti-war faction, such as the belief that the revolutionary forces were not directed from Hanoi throughout. If he has a hero, it is Colonel Be, one of the few South Vietnamese officers (and an ex-Vietminh man) who understood how a guerrilla war should be fought. He found the former communists he talked to, "like their government counterparts, simply good people who had done what they believed to be right." This is a remarkably compassionate and honest book, which tells what it was like at the grass roots.



Vietnam: reality is harsh enough

"Vietnam Inc." is something else again. Mr Griffiths is a Welsh photographer who spent three years in Vietnam. He took a lot of good pictures, including some horrifying ones; there is never a lack of those in a war. But his camera seems to have got in the way of his looking. This is a book on the other Vietnam. For Mr Griffiths, Vietnam is a place where the great majority of people want a communist government, and were frustrated because the Americans sent in "2,000,000 military men," with the result that "the depopulation of the countryside is almost complete." It is a place where "the only industry . . . is the 'servicing' of Americans," and "motorcyclists are regularly victimised" by the police in Saigon and "any who try to get away are shot at." Oh, yes, and those 3,000 bodies found in mass graves near Hué after *the communists occupied it in 1968* were really killed by the Americans. Anyone who has been in Vietnam will wonder whether Mr Griffiths is talking about the same country. He is not, of course. He is talking about a country of his mind.

Pitt prop

CHARLES JAMES FOX
By John W. Derry.
Batsford. 454 pages. £5.

After having passed through an initial phase in the nineteenth century of Whig hagiography and Tory denigration, Fox's reputation with biographers and historians has stood very high. The temptation to which most students of his career succumb is to enjoy Fox: that is to say, they allow Fox to set the tone and choose the themes. The broad pattern, as old as Fox himself, is to set him up as the raffish idle apprentice by contrast with the goody-goody industrious apprentice Pitt. This in fact is all to Fox's advantage. Unbending rectitude is neither good tragedy nor good comedy: Figaro or Falstaff or Antony is always better theatre



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Fox: charm resisted

than Almaviva or Prince Hal or Octavius. Dr Derry has hit on the novel idea of producing Fox, as it were, in a role designed for Pittite classic drama adhering strictly to all the rules of the Chathamite political unities. The results, as might be expected, are curious and quite revealing.

The temptation to enjoy Fox Dr Derry most rigorously resists. This is a stern book. Its author is stiffly determined not to be charmed, cajoled, or cozened by so absolute a rogue. Even Gibbon, as starchy as a man of the polite world could readily be, confessed that in spite of everything one could not help loving the dog. Dr Derry is made of sterner stuff. In his preface he gives fair warning :

> If I have been more critical than many biographers I hope I have not been guilty of mere denigration. But it is time that Fox was portrayed for what he was, and not for what later apologists wanted him to be.

This is perfectly unexceptionable. The glib identification, stemming from the Victorian apostles of progress, of Fox with causes like free trade, democracy, and pacifism with which he had no sympathy has gone on far too long, and needs just the sort of short shrift so expertly given here by Dr Derry. But as an essential part of his procedure Dr Derry has "deliberately limited" the amount of "personal, domestic, and circumstantial detail" in a biography of perhaps the most personable, domesticated, and circumstantially directed and influenced statesman who ever lived. There are thus the elements of possible confusion here. Does one necessarily rescue Fox from his ideological apologists by denying him the means to be his true self and not some bloodless entity defined on the basis of Pittite criteria ? Dr Derry has assuredly not been the biographer of Pitt in this Batsford series for nothing.

What, precisely, was Fox ? This book, for all its solid virtues, its thoroughness and awareness of the findings of the latest research, does not satisfactorily answer the question ; but by insisting that Fox be judged on Pittite criteria it opens the issue up in a most interesting way. Dr Derry's defence of those criteria is very simple : Pitt was more often than not correct, Fox more often than not incorrect, about everything from trade to war, from Ireland to reform. Dr Derry's criticisms are formidable.

The cross-examination is remorseless and extremely damaging to Fox's reputation. It would be unfair to Dr Derry's industry and skill to urge that much of his advocacy has a touch of the "Have you stopped beating your wife ?" logic about it. Nevertheless, one cannot help feeling that Fox is being made to appear worse than he was.

The Pittite requirements for political success included calculation, cunning, subtlety, tactical skill and strategic foresight. Fox possessed none of these. For that reason he was in office only for a few months. Yet undoubtedly he deserved better. His tragedy is that it is impossible to demonstrate how or why he might have deserved better. Dr Derry does not make allowance for the very real and important element of pathos involved here. He is too busy demonstrating Fox's inadequate grasp of "realities." The qualities Fox did abundantly possess are not easily demonstrated. Like Wilde, he might have claimed that he put his genius into his life and only his talent into his career. Yet the historian's task is to do justice to the whole man, not just the political fiction. Pitt had no life outside political activity based on principles laid down by his father. He was the celibate priest of a paternal revelation. Fox had no chance. It is only fair to let him have the last word (not quoted by Dr Derry) :

> I love idleness so much and so dearly that I have hardly the heart to say a word against it ; but something is due to one's station in life, something to friendship, something to the country.

Life under Father

A BED OF FLOWERS
By Auberon Waugh.
Michael Joseph. 254 pages. £2.20.

Strange that Shakespeare never ("Henry IV, Part I" excepted) concerned himself with what must have been, even in his day, a common enough predicament, the withering into malice or dilettantism or intrigue of brilliant sons in their gifted fathers' shadows. With the Dudleys and the Cecils under his nose, he seems to have preferred the myth of Eteocles and Polyneices, brothers-at-war, to that of Phoebus and Phaeton. Of course, Don John, Antonio, Duke of Milan, and Duke Frederick are in situations analogous to that of the blighted son ; and one cannot help feeling that more than sheer laziness about plot-making lies behind Mr Waugh's choice of "As You Like It" as a framework on which to drape his modern instances. For the point of "As You Like It" is the angry brother's ultimate reconciliation with the magical or merely popular figure whose image he has tried so hard and deviously to blot out. One suspects that more meaning lies for Mr Waugh in these relationships than for the rest of us whose fathers were not Apollo.

But, perhaps, this is to import too much depth to a shallow, bright tale of the richest man in England ("The Duke"), his machinating brother Frederick, his fool Police-Sergeant Touchstone, his hippy mentor Jaques, daughter Rosalind, niece Celia, and so on. It tells, after all, no better a story than Shakespeare did, in spite of a fashionable maculation of Anglo-Saxonisms and the substitution, wherever heightened or mellow or celebratory feelings are needed, of cannabis for alcohol. The real interest of Mr Waugh's fifth novel lies not in this thin reworking but in what has been tacked on to it. One cannot believe in his dutiful identification with the drop-outs of an agricultural Arden, wittily as it is often expressed ; nor can one take very seriously the rousing plug for a kind of medieval Catholicism that justifies the existence of a couple of non-essential characters. What one can believe in, and should take seriously, are the splenetic attacks on targets that really do need the satirist's vitriol—smooth ambitious priests and journalists making headway through ecumenism and the city pages ; Commonwealth Office counsellors with hive-humming bonnets, and elected defectives who uncritically accept their advice ; everybody's complicity in the disaster of Biafra, about which Mr Waugh is still very angry.

It is no good saying these excrescences mar his story : the story is only there as a hook from which Mr Waugh can trail his coat. And very well he does it : will he believe it is meant as praise if one says that Phaeton's treatment of Mr (later Sir) Titus Burns-Oates would have done credit to Phoebus himself ?

Ugly customers

THE ANCIENT AND RIGHTFUL CUSTOMS
By Edward Carson.
Faber. 336 pages. £4.

The Customs and Excise has played Cinderella to its big ugly sister, the Inland Revenue (although many a taxpayer must be inclined to cast them both as ugly sisters with himself as Cinderella). But this will change in 1973 with the introduction of value added tax, to be administered by the Customs. So now is a good time to be reminded, by this enthusiastic history from Mr Edward Carson, its librarian, that the Customs is also the older government department. He details the collection of customs duties in Britain from Saxon times, when the King had the "custom" of "prising" a certain proportion of the wine entering the country for his own use. Payment in cash, rather than kind, started as a method of buying the right not to suffer "prisage."

Until 1671, the entire customs revenue was provided by farming out the collection to private individuals in return for a steady fee. This could be a remunerative sinecure for the "farmers" ; Chaucer managed to find time for other activities in the Customs service (and so, at a later date, did Congreve and Burns). But some aspects of Customs life must have been frustrating : Charles II, who first set up a permanent administration, ordered the direct payment of £500 a year to Mistress Eleanor Gwyn, although reserving for himself the services rendered.

There are some gaps in this account. In the discussion of tonnage and poundage under Charles I, no mention is made of the names Pym and Hampden ; nor is sufficient emphasis given to the central importance of the Customs revenue in the constitutional struggle. But worst of all, in a chapter on Scottish Customs, there is an inordinate amount of talk about brandy, and no mention at all of the fine tradition of illicit whisky stills. Some of these are in action today, and it is probably shame that prevents Mr Carson from relating the case of the still that used to reveal itself to the Customs department when the equipment was getting old and in need of replacement. The reward thus obtained was just about the sum required to equip a new still.

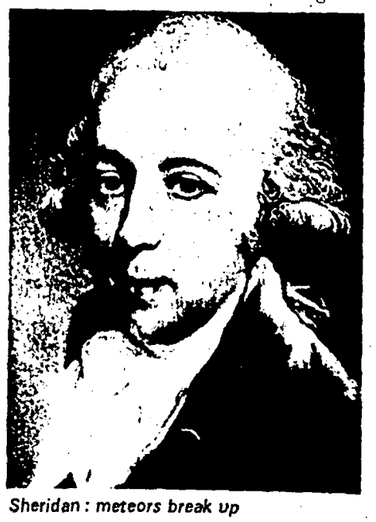
Easy pickings

SHERIDAN: THE TRACK OF A COMET
By Madeleine Bingham.
Allen and Unwin. 382 pages. £5.95.

The Right Hon. Richard Brinsley Sheridan died in squalor but was given a magnificent funeral. He was buried in Westminster Abbey, but not among the statesmen, not near his friend Fox. Instead, and appropriately enough as far as posterity is concerned, he was interred near Garrick, though he hated to think of himself as a man of the theatre. This final episode is not more bizarre than many which punctuated Sheridan's life, and its implicit irony, too, is in keeping with the general trend of his development.

His rise to fame was meteoric, first as a dramatist, then as a political orator. His parliamentary exploits have been dimmed by time, whereas his comedies are perennially fresh and amusing. He did, however, achieve front rank as a politician, living as he did in an age when the House of Commons could vie with the theatre in displays of sustained eloquence. Sheridan's irresponsibility was his undoing. As a public figure, he did not inspire trust; as a private person, his spendthrift habits and reckless self-indulgence almost ruined his marriage with Elizabeth Linley, which had begun so romantically, and finally reduced him to a bloated sot.

Obviously it is the kind of life-story to attract a not-too-serious biographer, and Mrs Bingham has made the most of the opportunities it affords. She conveys Sheridan's charm and brilliance of mind, and sets his career against



Sheridan: meteors break up

a carefully depicted family background. The world of rank and fashion and high politics into which Sheridan moved with such alacrity is also well sketched in. The book does not pretend to be more than "a rounded, colourful portrait." Other chatty studies of Sheridan exist, and this is an improvement on its predecessors. (Oddly enough, there is no mention in the select bibliography of Kenelm Foss's comparable, lightweight memoir, published in 1939.) What does seem odd is that so versatile and gifted a man, with a double claim to fame, should not yet have been accorded a far more substantial and scholarly biography. Incidentally, the number of careless misprints in this highly-priced volume is deplorable.

Library trap

HISTORICAL MEMOIRS OF THE DUC DE SAINT-SIMON: VOLUME III, 1715-1723
Edited and translated by Lucy Norton.
Hamish Hamilton. 522 pages. £6.

The French novelist M. Michel Butor is accustomed to use Saint-Simon as a test for the libraries he visits. Should Saint-Simon be placed with history or with literature? Then, should he be classified in the eighteenth or seventeenth century? (The greater part of his writing was done in the eighteenth, but some of the more famous passages refer to Louis XIV and the previous century.)

These questions are only easy to answer when we come to the last of Saint-Simon's memoirs. This is the third volume of Miss Lucy Norton's English edition and abridgement and it begins in 1715, after the death of Louis XIV. From this moment the 40-year-old Saint-Simon became politically important. He was a life-long friend of the regent, the Duc d'Orléans, and he acted both as a respected adviser and as a special emissary. The end comes after the death of the Duc d'Orléans, who fell into the arms of his mistress at a time when Versailles was deserted. It was fully half an hour before Madame de Falari could find either valet or doctor.

Here we have history written by a participant, and history as a catalogue of events, policies and weighty conversations rather than as a series of literary portraits. This is not to say that Saint-Simon has lost any of his wit or passion for anecdote. He is delighted to describe the life of the king and queen of Spain (and in most of his stories they seem to be in bed). He is determined to find out all he can about scandalous incidents, such as the occasion when the Marquis de Villena beat Cardinal Alberoni with his cane and the king (in bed) did not notice. Saint-Simon also tells how amused the king and queen were at the revelation that Cardinal de Rohan was not greatly respected in Rome because he went to such lengths to preserve his complexion: the story that he washed in asses' milk in order to make it whiter and softer shocked the pious and made everyone else laugh. Saint-Simon assures us that he has taken the greatest care in recording conversations exactly as they occurred. His only thought, he says, was for accuracy and truth and he admits to many defects of style. But it must be said that these are neither striking nor important, neither in the original nor in this translation.

Commoner cause

THE CLOSING CIRCLE
By Barry Commoner.
Cape. 336 pages. £2.50.

There is no doubt that Dr Barry Commoner is a card-carrying doomsayer but, unlike many of the others, his words deserve close reading. Dr Commoner is a serious scientist, the father of the environmental movement, to whom much of the credit for raising the alarm about the fallout from the nuclear tests, and the subsequent test ban, must be given. He was right then. Is he right now?

What Dr Commoner argues in effect is that industry and technology have made their achievements, and their profits since the second world war, at the expense of the environment. They have drawn on the planet's natural capital for their own gain, and they have introduced new products—such as agricultural fertilisers and detergents and polyvinyl plastics—that have caused harm, perhaps irreversible, to human health, the soil and the waters. Unless their practices are changed drastically, unless governments and public opinion compel industry to forgo profits and economic growth and to reorient itself in the direction of technologies which are ecologically harmless, then the natural balance of the earth will be upset, the capital will be used up and catastrophe will occur.

The most interesting, and perhaps the most important, part of Dr Commoner's book concerns population. He does not climb on the "people are pollution" bandwagon. In his view, the United States could in fact support a much larger population were its agriculture, industry and natural resources managed with greater attention to the interdependence of all elements in the environment. What is more, he is eloquent and scathing against those who would force developing countries to limit their population before they have achieved that natural drop in the birth rate that accompanies a drop in infant mortality. A basic human urge is to be survived by one's children. To Dr Commoner, those who argue that parents in poorer countries should surrender this aspiration, which they now pursue by producing a great many children in the hope that some at least will reach adulthood, are cruel and inhuman. Population is not the pollutant, he insists; modern industry is.

It is at this point that his argument becomes more polemical than reasoned. Dr Commoner seems to believe that profits are bad, the product of greed, and that the overwhelming motive for industry to offer the public synthetic substitutes for natural materials has been to rake in more money. Yet detergents, for example, owed their rapid success not only to industry's salesmanship but to the fact that women find them easier to wash with than ordinary soap—detergents leave less scum and they work better in automatic machines.

There is no doubt that governments and industries must become more alert to the infinite possibilities of disrupting the status quo presented by new compounds and new processes. But what they must not do, and Dr Commoner seems to suggest that it is possible, is to believe that there is an ultimate measuring stick for sorting out which technologies are ecologically sound and which damaging. Every potential advance will always carry some penalty. Over and over again the decision will have to be made whether a particular gain outweighs the possible losses. Sometimes hindsight will prove the decisions to have been wrong or at least the disadvantages to have been greater than anticipated. Priorities will change constantly. Dr Commoner has done a disservice, however, in suggesting that technology has been on balance inhumane. The harm done by thalidomide and thermal pollution, to take two examples, is outweighed by the social contributions made by improvements in medicine and by civilian nuclear power. It is a most old-fashioned and pernicious idea that there is a clear right way of doing things in future if evil ways can be abandoned.

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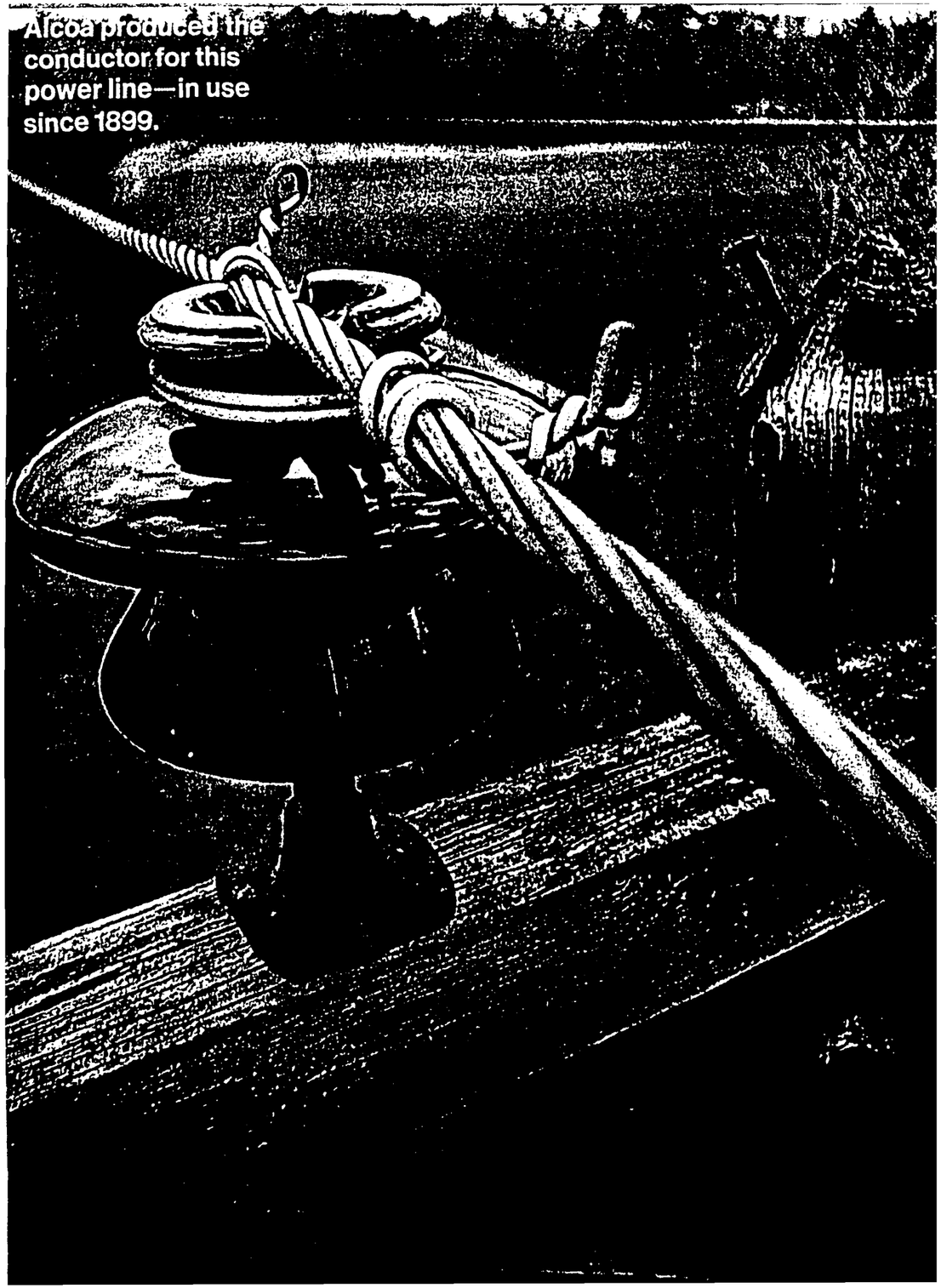
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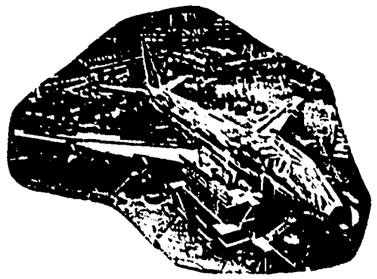
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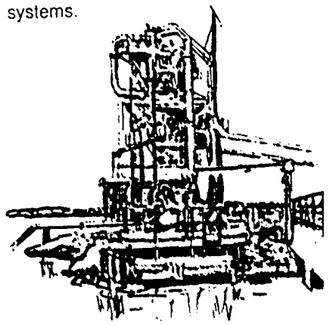
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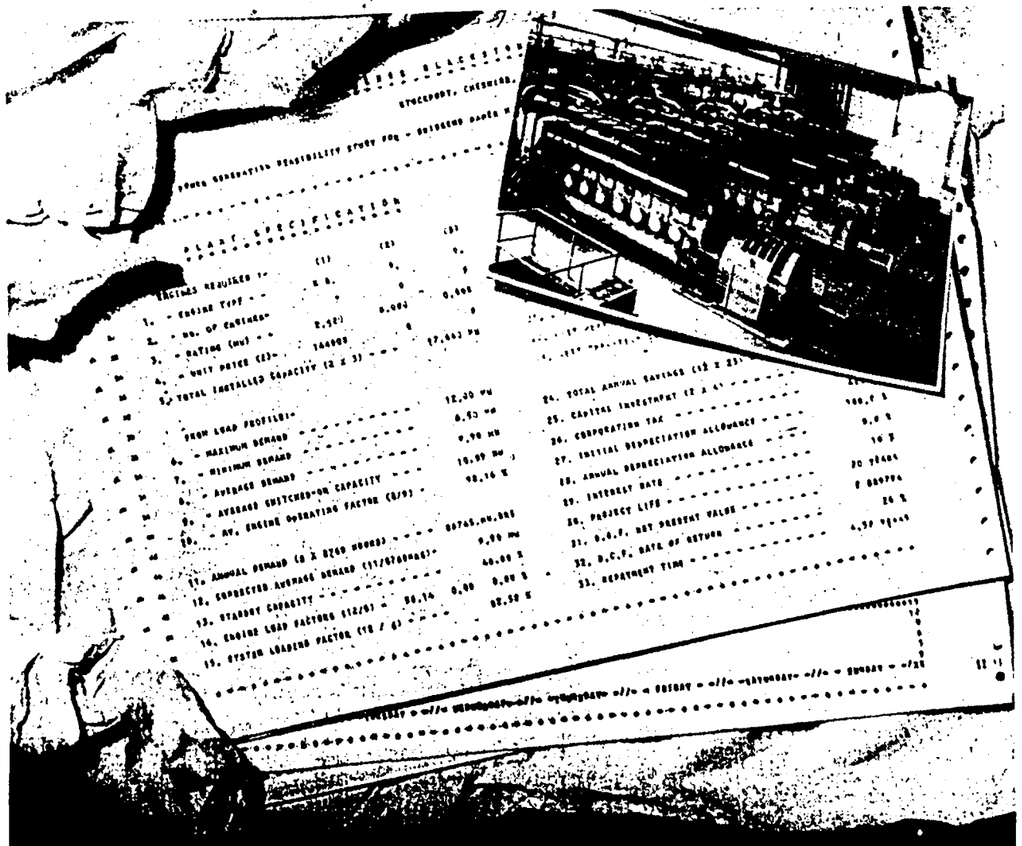
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Business Brief

Hands across the Irish Sea

A Russian delegation was in Dublin discussing trade last week, not very seriously, as it turned out, for Irish trade with the whole of Eastern Europe came to less than £30m last year. But Dublin is prepared to look almost anywhere to reduce its economic dependence on the British market. And since the Russians are determined that any trade deal must go hand in hand with full diplomatic relations with Dublin, there is the added piquancy that Russians based in Dublin, and therefore free to move in and out of Britain at will, would considerably upset the British counter-intelligence services.

Since the Londonderry shootings a month ago there has been talk in Dublin about a retaliatory boycott of British goods in Irish shops. For a short while, it was difficult to buy British newspapers because the airport workers refused to handle them, and some British biscuits were withdrawn from sale in Dublin; otherwise, the boycott seems to have found no popular support. Mr Jack Lynch, the Irish prime minister, lost no time in spelling out the reasons at the Fianna Fáil conference last month: a trade war between Britain and Ireland might produce some mild discomfort in Britain, but would mean economic and social disaster for Ireland. This is certainly what happened between 1932 and 1938 when Mr de Valera stopped paying land annuities to the British Exchequer, and London retaliated by slapping import duties and quotas on exports of Irish livestock, meat and dairy products to Britain.

Already there are ominous signs of history about to repeat itself: Britain's share of new Irish investment plummeted last year to only 3% of all grants taken up and jobs created.

The Irish economy remains inextricably bound up with Britain's. But because the Republic only has 3m people, against Britain's 56m, and because Britain's national output is 30 times greater than Ireland's £1.71 billion (in 1970), the impact of a boycott would hit Ireland incalculably harder. British exports to the Republic, worth about £350m last year, only amounted to 5% of Britain's total exports even though that made Ireland Britain's third biggest market. Most of these were manufactured goods, such as cars and trucks, machine tools and agricultural machinery. The Irish also imported £25m worth from Northern Ireland, largely livestock for fattening and storage. Together the United Kingdom's exports made up nearly half of the Republic's total imports.

On the export side Ireland's dependence on Britain is even greater. Last year its combined exports to Britain itself (£260m) and Northern Ireland (£60m) added up to around two-thirds of its total export trade. The Irish marketeers will be using this overdependence as one of their main arguments in the coming campaign over the referendum on common market entry. Mr Lynch has claimed that Irish membership should bring the country's "first real chance" since political freedom from Britain in 1922 to achieve economic independence as well.

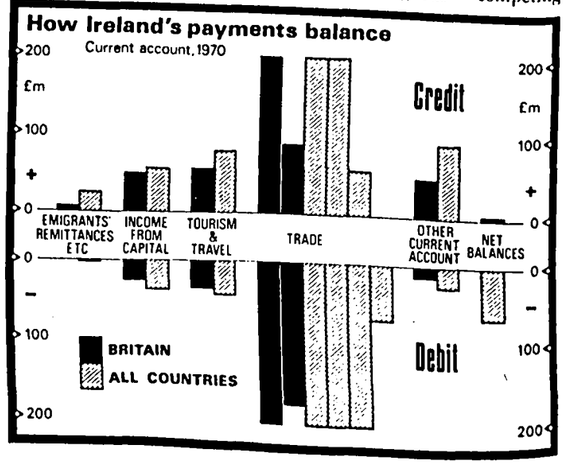
This is an attractive and a popular argument, but the facts suggest that such independence could be some time in arriving. Last year Irish exports to the common market countries were worth only £40m; imports topped £110m. Even assuming a great boost from Irish entry, it would take years to build this up to the dimensions of Ireland's trade with Britain. And some Irish economists are now suggesting that because of the common market's rules on agriculture, Ireland will become even more dependent on its agricultural exports to Britain once both have joined.

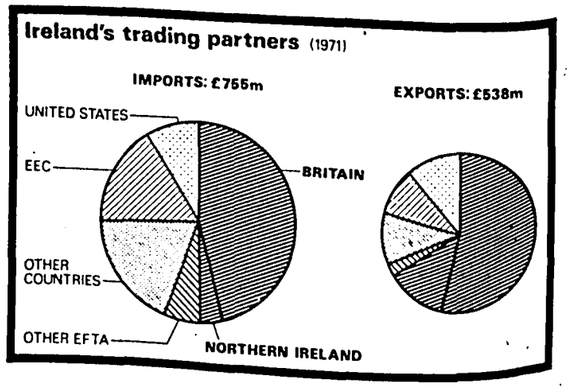
Despite Ireland's strenuous efforts at industrialisation, agriculture is still its biggest industry by a long way. It employs 27% of the country's labour force (280,000 people) and produces nearly half of its exports. Of this half, the lion's share—some 80%—goes to the British market. Britain, in effect, takes around 40% of Ireland's entire agricultural output, worth £120m last year. Irish farm exports have been helped considerably by the Anglo-Irish Free Trade Agreement of 1965. Under this agreement, Britain dropped most of its import restrictions on Irish goods, while Ireland in return committed itself to cutting its high tariffs (averaging 25% ad valorem in 1966, and built up in the protectionist 1930s) by an annual 10%, with the aim of completely free trade between the two countries by July, 1975.

Beefing about

This arrangement brought immediate unrestricted access for Irish livestock exports to Britain. These are still Ireland's biggest agricultural export earner; they brought in £60m last year, £34m of which was Irish beef that usually acquires Scottish nationality by the time it reaches the butcher's counter. Butter, too, has been helped both by the initial increase in the British butter import quota from Ireland and its final lifting in April last year. Because of last year's shortage and the way it put butter prices up in Britain, Irish dairy farmers managed to push the value of their butter exports to Britain up by a third, to £14m.

But in the Irish view there is another, less cheerful side to the 1965 agreement. About 40% of Irish industry will eventually be affected by the abolition of import controls on manufactured goods by 1975, and some of the less efficient ones are already grumbling at the thought of unrestricted competition from Britain. The shoe industry is only one example: in the past three years the removal of quota restrictions has increased shoe imports from 7% to 20% of the home market. It is estimated that between 1965 and 1970 imports of industrial goods competing





with Irish products have risen from 14% to 20% of the domestic market, whereas in the previous five years there was hardly any rise at all.

This could be very bad news for Ireland's persistent trade deficit (estimated at around £85m last year), were it not for the fact that Irish exports seem to be putting in a very buoyant performance (mostly to Britain) at the same time. While domestic industrial output went up by 35% between 1965 and 1970, the volume of Ireland's industrial exports grew by 80% over the same period. So perhaps free trade will not necessarily spell economic ruin for the Republic. All the same, the Irish economy will have to try harder to combat its high unit costs. Last year, prices rose by 9% and earnings by 13%, and there is little evidence as yet that the national wages agreement and the national price commission which started work last October have made any impact on the rate of inflation.

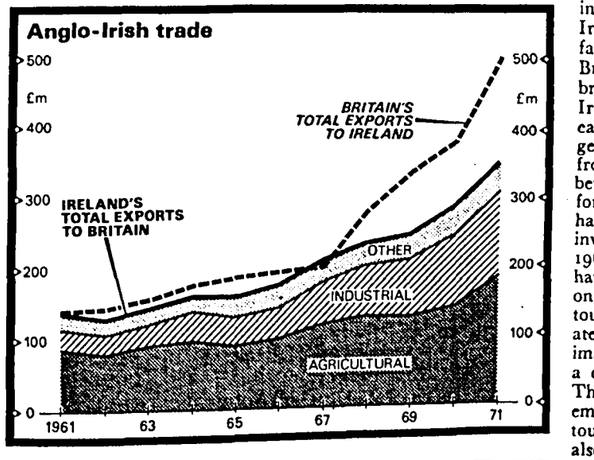
Like Britain's, Ireland's industry needs more capital investment, but again the country is heavily dependent on cash injections from abroad, and particularly from Britain. The bulk of Ireland's industrialisation since 1959, when its incentive programme for foreign investment was started, has come from British and multinational companies. Ireland offers non-repayable cash grants of up to 50% of fixed assets and extended tax holidays to foreign companies.

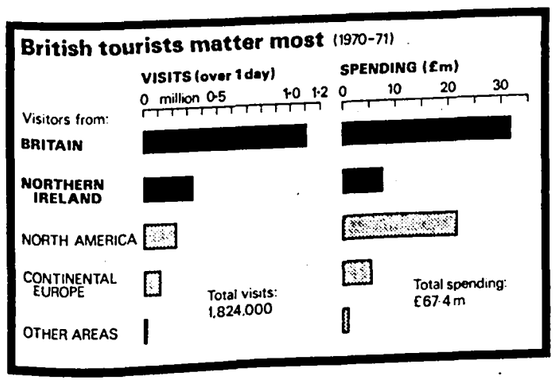
Around 40% of industry attracted to Ireland by these concessions is British. But the proportion has been falling. In the year to March, 1971, Britain accounted for only 163 out of 576 new projects (28%) and only £35m of the £161m capital employed (21%). Conversely there is a massive stock of Irish private investment in Britain, worth over £800m in stocks and shares, property, company holdings and unit trusts. This brings in an annual return of around £48m. If Ireland joins the proposed united stock exchange for the whole of the United Kingdom and the Irish Republic, British investment in Irish shares will be made easier still. Another symptom of the interlocking between the two economies is the 56% stake Britain has in Irish life assurance and the solid 86% share of the general insurance market there.

As in almost everything else, in the tourist market Britain is Ireland's biggest customer by far. Last year there were 1.1m British visitors to the Republic, bringing in £33m out of Ireland's £103m total tourist earnings. In addition, Ireland gets 13m day trippers a year from Ulster who spend £10m between them. Tourism accounts for 5½% of Ireland's gnp and had become a growing source of invisible earnings during the 1960s, but the Ulster troubles have now put a severe damper on it. Some of the overseas tourists do not readily appreciate the facts of partition and imagine bomb incidents to be a daily occurence in the south. The burning of the British embassy in Dublin has damaged tourism too. British tourists may also be staying away in protest against the IRA.

Since 1969, when the Ulster troubles erupted, tourist spending in the Republic has dropped by 12% in real terms when in normal times a healthy increase would have been expected. Last year alone saw an 8% drop. Now Bord Failte, the state tourist organisation, predicts even more gloom for this year. British Rail last week cancelled some of the cross-Channel services to Ireland this summer; on the route between Fishguard and Rosslare bookings are an estimated 70% down.

Even if there is not a fall-off among business visitors or British people going to see friends and relatives in Ireland, there seems very little chance this year of attracting new holiday visitors. On the most pessimistic assumptions, tourist earnings from Britain could drop by as much as one-third. And if there is a corresponding exodus of Irishmen in search of a little peace abroad, this could lop a full percentage point off Ireland's already unimpressive growth rate.

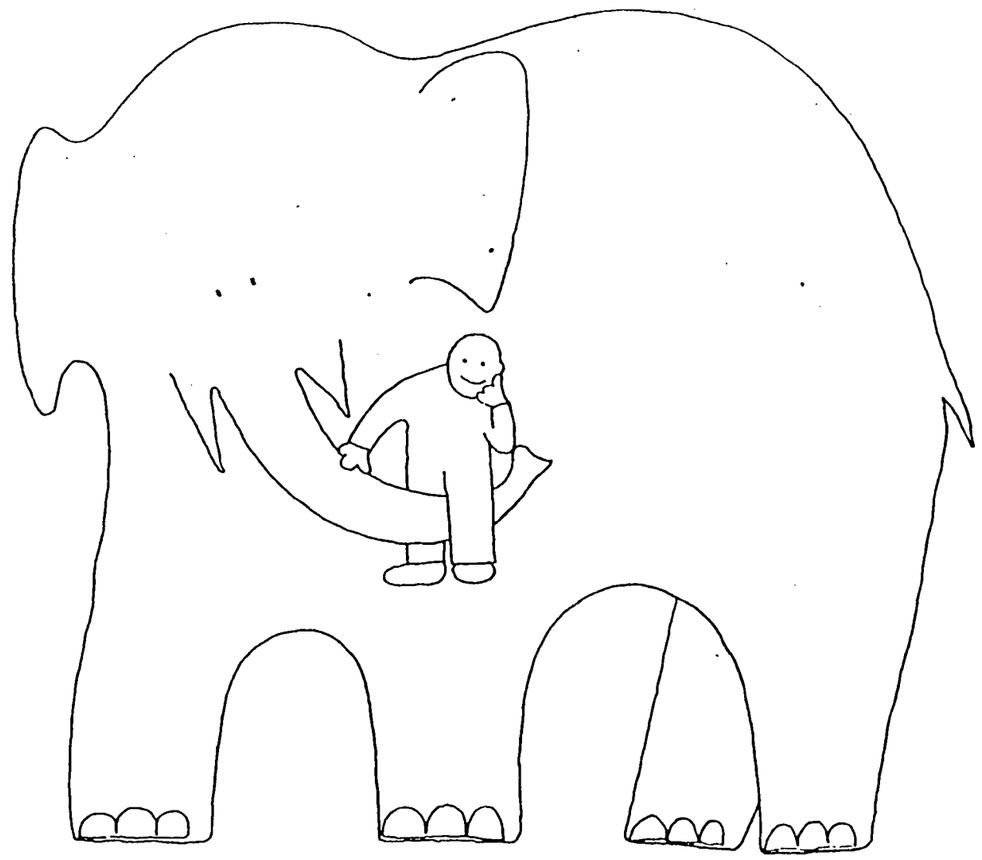





You'd be surprised where some of us end up

Emigration

Whether the present Irish setback will induce more emigration is another question. Although Britain remains an attraction for Irish emigrants, the flow had slowed to a comparative trickle in recent years. Back in the 1950s, Ireland suffered a net loss of at least 40,000 people a year; by the late 1960s the annual total had dropped to around 12,000, and in 1970 only 7,000 workers left to settle in Britain. But there are already roughly 1m Irish people working in Britain, who between them send back £8m to their families at home (remittances to Ireland from the United States and Canada are twice as high). And there is a large—although, because of the absence of immigration controls, unspecified—seasonal influx of Irish workers into Britain at harvest time. Ireland now has the highest unemployment rate in western Europe (10%), and has felt the draught, even at one remove, from Britain's relatively high unemployment. For a long time to come, whatever happens in the north, Ireland is likely to catch a heavy cold whenever Britain sneezes.



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BUSINESS

Subsidies all round, chaps

The big handout the Government gave the coal industry on Monday is going to be the first of a raft of subsidies to the nationalised industries this year. Mr Davies seems to have no other ideas about what to do

The way coal was treated has set a pattern. Within 24 hours of the news that the Government was giving the coal industry nearly £200m in various forms of cash and a further £60m in higher prices, the steel industry was letting it be known that its losses were running at £120m this year and called for special treatment too. Within 48 hours, the rail unions had turned down offers from British Rail of 8 per cent and then 10 per cent on their earnings and persisted in their own demand for 16 per cent. This, after the 25 per cent rise that the miners won, acknowledges that the railways are already receiving heavy subsidies (which the coal industry was not, at the time of the miners' strike). But it will be extraordinarily hard now for British Rail to convince the men that the cash will not be there for them in the end.

The Government is moving to a position in which it will soon be spending 1 per cent of the country's gross national product to shore the nationalised industries up, and the industries will be receiving 10 per cent of their revenues in the form of subsidies. An attempt will be made to gull the public that this is all the miners' fault, but the rot had set in long before. The nationalised industries have been prevented from putting up prices to pay for higher wages partly because demand for many of their products is waning and partly because it would have conflicted with the Government's undertaking to the Confederation of British Industry to make the nationalised industries conform to the 5 per cent price freeze. Now, to put coal prices up by much more than the 7½ per cent, or £1 a ton, just approved, would lose the National Coal Board a third of its business.

This extra 7½ per cent will bring in £60m a year at most, but the new pay scales are going to require at least £117m when all the costs are counted in. The most effective way to raise the missing £57m would be by shutting the pits making the biggest losses, so that the miners still at work would be producing coal at a rate closer to justifying their high wages. But that is not how the Government sees it. There was no hint in Mr John Davies's statement in the Commons on Monday that he was thinking of anything more constructive for the long term than another rejigging of the coal board's accounts, no hint that the Government is thinking of doing anything but set its face against rationalisations that are likely to lead to heavy redundancies, however overmanned or unprofitable the industry.

Mr Davies and the Department of Trade and Industry have had plenty of time to plan for the coal industry, and for the combination of fuels that Britain should be using in the 1970s now that there is indigenous oil and natural gas—and now that nuclear power, for all its immediate shortcomings, is emerging as a serious commercial source of electricity. There is no sign that they have used the time for any purpose other than the designing of new crutches for coal. The pits are getting an immediate grant of £100m to meet the immediate losses caused by the strike, the full cost of which will not be known with any accuracy until the extent of the damage underground is known. There is more than a hint that the figure could be increased if necessary. Then the industry's borrowing powers have been raised by £50m to £950m although it is far from the borrowing limit. Its permitted deficit has been increased, too, by £25m to £100m. In other words, the coal board is free to claim its subsidies in whatever way it finds most convenient, provided always that this does not involve loss of jobs. If the Government had the efficiency of the industry at heart, it would be encouraging Mr Derek Ezra to use his subsidies as golden handshakes large enough to make miners actually glad to close the worst pits. Then there might be some hope for the other nationalised industries.

Only a handful are still breaking even. There is the gas industry which might even marginally improve the £2m net profit that it made in its last financial year. There are the nationalised airports, whose earnings were 10 per cent down last year but are still comfortably above break-even. And there is the British Overseas Airways Corporation which is staying out of the red only by drawing heavily on reserves accumulated in past years and which will probably not be able to pay a dividend on that part of its Treasury capital not borrowed at a fixed rate. For the rest, the steel industry expects to lose £120m this year, and the electricity supply industry probably around £40m. The postal service could be running at a loss of £40m. British European Airways only



Money losers: Ezra (coal), Melchett (steel), Marsh (rail), Elliott (power), Price (waterways)

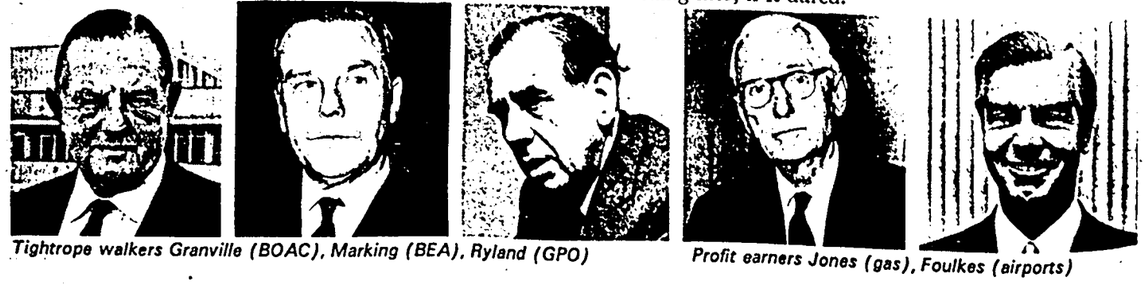
squared its accounts last year by drawing on a special government fund set up to compensate it for buying British aircraft, and that fund is nearly exhausted. Even the waterways, although their last published losses were just £2m, have costs almost exactly twice their receipts. Not so long ago, most of these industries were at least breaking even, and some of them were earning good profits. The start of their downfall was under the Wilson government, but the collapse has been precipitated under the Tories.

When the chairmen of the nationalised industries meet Mr Davies on Monday, he may ask them what they are going to do about prices, but they will ask him what he is going to do about these losses. The most anxious will be British Rail's relatively new chairman, Mr Richard Marsh, facing his first major financial showdown. The union's must be assuming now that they can get from him an offer of at least 12 per cent without having to take any very serious moves towards a strike. They know that a strike would upset commuters a great deal but have few visible effects on any of the country's freight traffic other than coal, 80 per cent of which goes by rail. And here, for the moment, the unions have the Government over a barrel. The militant train drivers might, perhaps, have one of their work-to-rules on the Southern Region just to test morale all round.

British Rail now gets £27m to compensate it for not putting up fares while the CBI's freeze was on, £40m for modernisation schemes in the London area and £60m for subsidising a batch of loss-making lines—yet it is still likely to show a £20m loss this year. The 10 per cent wage offer on Wednesday would cost £27m a year, which could point to losses of £50m next year, unless something is done. Lord Beeching started to do the necessary but was not allowed to finish. The railways are not, as it happens, the responsibility of Mr John Davies at the Department of Trade and Industry but of Mr Peter Walker at the Department of the Environment, but Mr Walker has given no indication that he will take any tougher a line. He has been even more ready with the subsidies than Mr Davies, if that were possible. Adding the losses of all the nationalised industries together comes to a sum not far short of £500m needed for subsidies this year.

The CBI's price freeze would not have got off the ground without the Government's assurance that the nationalised industries would observe it too. But the country is now beginning to see how dearly that co-operation has been bought. If it had curbed wage demands, or if it were likely even now to win effective action by the TUC in curbing them for the future, the price might seem worthwhile. But only a blind optimist would expect the TUC to give the Prime Minister such an undertaking at this juncture in time, or Mr Vic Feather to have the authority to make it stick. The mere fact that British Rail's offer to the unions was pushed so quickly above the old 8 per cent guideline shows that the miners' breakthrough will not be stopped in a hurry. The CBI will itself have the greatest difficulty in getting industry to agree to another year of 5 per cent and then only if the Chancellor makes very considerable tax concessions to industry in the budget. The CBI's decision has been postponed until after Mr Barber has uttered.

The nationalised industries now account for 10 per cent of gnp and private industry for the remaining 90 per cent. It is, however, the 10 per cent that represents some of industry's most basic services, like fuel, steel, transport and communications. The fact that industry still finds it cheaper to buy much of its fuel and transport, and at times its steel, from unsubsidised, private enterprise suppliers whenever it has the choice suggests that, in spite of their massive subsidies, there is still something basically unsatisfactory about the way these basic industries are run, and the simple justification for appointing an ex-director of industry like Mr Davies, otherwise lacking in political experience, to the hot seat in DTI was to do something about it. A restructuring of the whole policy of nationalisation is what the Government should be looking into, if it dared.



Tightrope walkers Granville (BOAC), Marking (BEA), Ryland (GPO) Profit earners Jones (gas), Foulkes (airports)

A budget for bulls?

What shares will be worth buying next week? Mr Barber seems to have given a lot of tips

There is now just over a week in which investors can rearrange their shareholdings in anticipation of the budget on March 21st. Here are some considerations, bets, hunches and guesses to bear in mind.

The market seems to be expecting tax reliefs of between £300m and £600m. In order to lift the growth rate of gross national product between the first halves of 1972 and 1973 to 5 per cent, *The Economist's* guess is that Mr Barber would have to give about £1,000m of tax reliefs. On Thursday, the National Institute of Economic and Social Research came out with the remarkable recommendation that he should give £2,500m (equivalent to halving earned income tax) instead. We do not expect that Mr Barber will go to anything like that; but obviously—compared with what was being anticipated until Thursday—there seems more chance of the market being pleasurably than unpleasantly surprised.

This is the main general bull factor. The main general bear factor is that the Government is trying to fix up a deal with the Confederation of British Industry to continue its price restraint, in return for some vague promise about wage claims which the Trades Union Congress would not keep. Any deal about price restraint announced on March 21st would keep profits down by more than it would be intended to do. Also, profits have been hit by more during the coal strike than is realised, and this will affect annual profits statements published even as late as the spring of 1973. However, any giveaway budget will presumably include some special fruits to investors. Quite a few of them were presaged in Mr Barber's budget speech last year. They deserve to be looked at closely now.

First, under the combined income-tax-cum-surtax that is due to come into effect in April, 1973, the tax deducted from dividends at source will be reduced to the earned income rate (at present fractionally over 30 per cent), and an investment income surchage will then be put on top of that in order to bring the tax on some investment income up to the unearned income rate (at present 38.75 per cent). However, Mr Barber said quite specifically in last year's budget speech:

> It will be an essential feature of the new system that this surcharge will only apply above a certain level of investment income, so that the first slice of such income will be taxed at the rate applicable to earned income. I regard the discrimination against investment income in its present form as a serious discouragement to saving, and I am sure that this must be changed.

Although this system will not come into effect until April 6, 1973, it would be logical for Mr Barber to give earned income relief on the "first slice" of investment income in this year's budget. There are some people who argue that this "first slice" could be very liberally interpreted, even up to £2,000 of investment income a year. Their argument is that age relief for retired small investors was increased in the last Finance Act so that it gave full relief for those getting less than £1,200 a year, but was simultaneously abolished as from 1973. With tapered relief above £1,200, this age relief now helps retired people with investment incomes up to well over £1,500 though below £2,000. Presumably Mr Barber in 1973 is not going to make small and aged investors worse off. We do not ourselves bet that he will grant earned income relief to all investment incomes up to £2,000 a year, but, either in 1973 or this month, he is almost certainly going to take the present 8½ per cent extra investment income tax off more peoples' investment income than the market at present realises. When this point sinks in, there will be rejoicing on the market, and the benefit should go especially towards high yielding shares and undated gilts.

The second big change promised last year was that a new system of corporation tax will be announced in this month's budget, which (to quote Mr Barber again) will end the present "substantial discrimination . . . in favour of retained as opposed to distributed profits." In other words, the new system is going to encourage dividend distributions. This new system will come into force from April, 1973, but it is not clear whether it will be for tax assessments that have to be paid on January 1, 1974, or just for assessments on profits earned in and after 1973-74. If the former, then profits earned in years ending in 1972-73 will be liable to the new system, so that dividend policies might be adjusted immediately.

We do not ourselves believe that boards of directors will pay out larger dividends to the extent that the new system might indicate that they logically should. But the market may think that they will do so, and start celebrating—with a panache that will depend on the level of corporation tax. As was argued in *The Economist* last week (page 87), a 50 per cent rate of corporation tax in the post-1973 system would increase the net income of companies by 11 per cent. It is at least conceivable that Mr Barber will want to cut corporation tax during the last year of the old system by an amount that will increase companies' net income by about that amount. But note that under the post-1973 system the gain will be higher for those that distribute more than the present company average of 65 per cent of earnings as dividends, and less for those that distribute less.

To summarise on these first two promised changes. The promised income-tax change is an argument in favour of buying high income shares this week rather than shares that have previously been supposed to promise capital gains, whereas the corporation tax change is an argument for going for companies with insecure cover for their dividends. There are quite a lot of ordinary shares in both categories, especially among small engineering firms with uncovered dividends that investors have hitherto avoided like the plague.

The third tax change that is due to come into effect in 1973 is the substitution of Vat for purchase tax. This

should be greatly to the advantage of goods now suffering the so-called luxury purchase tax rate (including cameras, records, and cosmetics) and Mr Barber could well make some preliminary tax cuts for them this year. Maybe the markets have already discounted these. If you don't think they have, possible buys are Dixon's Photographic, BSR, and the Gala cosmetics group.

Next come two tax changes that are possible because of previous Conservative political statements. In speeches while in opposition, but not in the eventual Tory election manifesto, Mr Heath expressed support for relieving capital gains tax from unit trusts and investment trusts. Junior Treasury ministers made sympathetic noises about this in last year's debates on the Finance Bill. This could actually be an immediate bear point for some shares that have made large capital gains in the past year ; because some unit trusts and investment trusts have in anticipation been delaying sales of such shares, and could celebrate the relief (if it comes) by rushing out to sell them on the first day of the new tax year. More generally, however, the granting of relief from capital gains tax to unit trusts and investment trusts might lead to a surge of investment into them, and thus a rise in the share price of investment trusts. But if Mr Barber announces that he is going on to only the "Canadian system" of giving relief to the trusts, then any large post-budget rise in investment trust prices would be wrong (and you should then probably sell). Under the Canadian system trusts wanting to escape capital gains tax must form a "capital dividend account," which blocks the main advantage.

One "reform" promised in the Conservatives' election manifesto was the repeal of Mr Jenkins's disallowance in 1969 of tax reliefs on any interest paid out on loans. There is a case for allowing this relief against unearned income (because the allowance then occurs when the person has income bearing assets which could be sold as an alternative to borrowing, and the non-allowance of tax reliefs on borrowing charges is then a distortion in the capital market). There is no case for allowing the relief against earned income, because then you are giving relief for people who buy things out of borrowed money instead of their own money. But, since it is also obviously politically impossible for the Government to give the relief against unearned income only, any relief will be given against earned income as well. This is why *The Economist*—and probably Mr Barber's advisers at the Treasury—are against giving the relief ; but the Conservative Government may feel it is politically committed. If the relief comes, it will be good for life assurance business, which is a traditional form of collateral for borrowing. Theoretically, the general effect on the stock market should be only slightly favourable. But disallowance in 1969 caused a bigger fall than expected.

Some prophets believe the Chancellor might do something about the "dollar premium," under which Britons who buy foreign shares have to buy them from other Britons at a premium which this week stood at 32 per cent. Since Britain now has exchange controls both against dollars coming into the country and against them going out, it would theoretically be logical to say that all Britons could henceforth be allowed to buy shares directly in Wall Street (especially as before the end of the 1970s Britain will have to do this under European Economic Community rules). In this event, each £132 worth of British-held foreign shares would become worth £100 on March 22nd, which would be disastrous for investment trusts and other holders of these shares. A move of this kind therefore seems very unlikely ; and an alternative, smaller and more likely step is the removal of the so-called "25 per cent surrender rule," which would actually cause British-held foreign shares to rise a bit. Under the surrender rule a quarter of each £132 worth of foreign shares that you sell has to be converted at the non-premium price of £100, so that this is the equivalent of a small indirect tax on selling foreign shares. The removal of this tax might initially cause foreign shares in Britain to be marked up by about 2-3 per cent, but in practice this would soon be lost by a fall in the premium itself. Because of the very outside chance of something being done to start to whittle away the premium regulations themselves, it would be better not to buy foreign shares this week.

Key indicators: British economy

Retail trade
Sales by food shops slipped back in January after a good December. Other sectors showed gains.

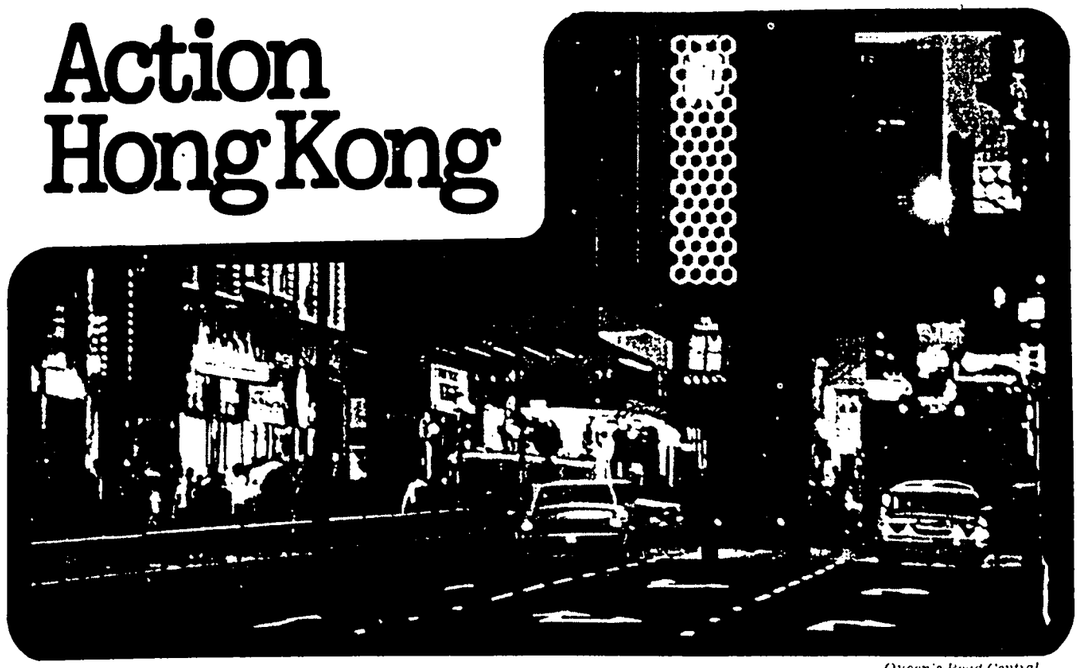
Consumer credit
New credit extended in January was £192m, continuing the average level since the July measures.

Balance of payments
Further £240m added to current account in fourth quarter giving a record surplus of £952m in 1971.

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	December	124.7	−0.3	−1.7	−0.2
employment*	December	89.9	+0.1	−1.0	−4.7
productivity*	December	138.7	−0.4	−0.7	+4.7
Export trade*‡	January	146	−6	−4	+13
Eng'g orders on hand*	November	118	+1	+1	−5½
Retail trade*	January	113.2	−0.3	−1.3	+4.1
Unemployment*	February	173.8	+0.1	+2.1	+40.2
Average earnings*	December	191.6	+1.3	+1.8	+9.4
Retail prices	January	153.5	+0.6	+1.7	+8.2
Export prices	December	148	+1½	+2	+9
Import prices	December	133	nil	−1	+4½

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.8 per cent.
**Seasonally adjusted ‡Provisional*

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KUWAIT

Balance Sheet as at 31st December 1971

1970 Kuwaiti Dinars	LIABILITIES		Kuwaiti Dinars
	Capital: Authorised, Issued and Fully Paid:		
2,250,000	330,000 shares of K.D.7.500 each		2,475,000
428,000	Statutory Reserve	485,000	
1,575,000	General Reserve	1,740,000	
2,003,000			2,225,000
28,494	Profit and Loss Account		7,860
4,281,494			4,707,860
	Current, Deposit and other Accounts including		
76,400,464	Contingencies		90,001,140
337,500	Proposed Dividend		371,250
	Liability on Confirmed Credits and Guarantees as		
12,949,435	per contra		17,767,610

The attached Notes 1 and 2 form part of these Accounts.

1970 Kuwaiti Dinars	ASSETS		Kuwaiti Dinars
2,270,332	Cash and Balances with Banks		4,529,662
14,244,741	Money at Call and Short Notice		14,850,084
11,818,193	Bankers Negotiable Certificates of Deposit		8,957,956
	Investments at or under Market Value:-		
145,089	Foreign Government Securities	77,570	
1,008,012	Other Securities quoted	1,211,352	
1,153,101			1,288,922
19,959,540	Deposits with Banks and Industrial Bankers		29,820,695
2,145,000	Loan Guaranteed by the Government of Kuwait		2,145,000
28,796,570	Advances to Customers, Bills Discounted, and other Accounts		32,725,129
372,764	Unquoted Investments at or under Cost		508,106
259,217	Bank Properties at Cost less amounts written off		254,696
12,949,435	Customers' Liability on Confirmed Credits and Guarantees as per contra		17,767,610
KD.93,968,893			KD.112,847,860

KHALED AL-YUSUF AL MOTAWA, *Chairman, Board of Directors.* A. L. FORSYTH, *General Manager.*

Profit and Loss Account for the year ended 31st December 1971

1970 Kuwaiti Dinars		Kuwaiti Dinars	1970 Kuwaiti Dinars		Kuwaiti Dinars
7,870	Balance brought forward	28,494	70,000	Statutory Reserve	57,000
	Profit after charging all expenses and writing down		275,000	General Reserve	165,000
703,124	assets	572,616		Proposed Dividend of 15% of Paid Up	
710,994		601,110	337,500	Capital (1970 15%)	371,250
			682,500		593,250
	The attached Notes 1 and 2 form part of these Accounts.		KD.28,494	Balance carried forward	KD.7,860

Notes to the Accounts for the year ended 31st December 1971

1. The Balance Sheet and Profit and Loss Account have not been drawn up in accordance with Schedule C of the Rules appertaining to Law No. 15 of the year 1960 for Commercial Companies, but in accordance with accepted banking practice.
2. Assets and Liabilities in foreign currencies have been expressed in these accounts at middle market rates of exchange ruling at 31st December 1971.

BUSINESS *Britain*

Cut all taxes by one-sixth ?

The National Institute of Economic and Social Research believes that Britain's real gross domestic product was growing at an annual rate of 4¾ per cent until very recently, but that the country is now going into an export-led recession. Partly because of an unsurprisingly gloomy forecast for exports, but also because it believes that the post-last-July boom in consumers' hire purchase expenditure will be subject to a massive fading effect, it now estimates that real gdp between the first halves of 1972 and 1973 is on track to rise by only about 1.9 per cent. Since, like *The Economist*, it believes that a rise in real gdp of 5 per cent will be needed to make any inroad into unemployment, it advocates that Mr Barber should seek to re-stimulate total demand in his budget by a full 3 per cent. After allowing for fiscal drag and a rather high estimate of the total proportion of tax cuts that might go into saving rather than spending, this leads it to say that an almost incredible tax cut of £2½ billion will be needed.

That would mean an average cut in all of Britain's tax rates of something like 15½ per cent. Although the institute believes that a continuing improvement in Britain's overseas terms of trade should at present keep a recession-hit Britain in balance of payments surplus during 1973, it agrees that reflation on the scale that it wants would cause balance of payments trouble during that first year of Britain's entry to Europe. But if "a clear conflict does emerge between maintaining employment and maintaining a fixed exchange rate, it is now widely accepted that it is no longer employment which must necessarily give way."

The publication of these recommendations is liable to be greeted in Whitehall with a manic screaming. The whole tone of recent official comment has been to emphasise how the economy was picking up in the second half of 1971 ; the Bank of England's "Quarterly Bulletin" this week twangs almost exclusively on this string. The institute does not deny this recovery in the months that are past, but it says that it will fade dramatically from now on. *The Economist* had also expected some fading, but we had frankly only been bracing ourselves to say that perhaps the Chancellor should give away up to £1 billion. It had also seemed possible to us that the Chancellor, probably with opposition from his advisors, might conceivably go as high as this. If he had decided to dare to do so, he was no doubt anticipating until this Thursday that he would be hailed on March 21st as the boldest tax-cutter of all time ; he must have had visions of a great volume of grateful cheers swelling up to meet him then.

Bolshy buyers

Now the national institute has told Mr Barber that unless he gives away two-and-a-half times as much as anybody had previously thought possible, unemployment will probably increase. And the awkward fact is that the institute, although we and others have often criticised some of its detailed views, does have the best recent record among British institutions for its macro-economic forecasts—certainly far better than the Treasury. This chastening thought might now conceivably cause the Chancellor to lift his tax reliefs above even £1 billion on March 21st. But he might then have to lift them over and above a lot of dead bodies in the Treasury and the Bank of England on the way. He would be wise to cut taxes a lot, but tell the Bank to stop reflating the money supply by the present (October through January) annual 23 per cent.

The latest retail spending figures, for January, go some way to confirm the national institute's view that the economy could be slowing. The volume of retail sales edged marginally down in January. During the latest three months, November to January, it therefore managed only a meagre ½ per cent increase over the previous three months. Last October's astonishing shopping spree turned out to be a flash in the pan.

Officialdom can parade lots of arguments why these retail figures could be misleading. Shopping takes rather less than half of all consumer spending. The main reason for January's disappointing outcome was a 3 per cent dip in the business of food shops, an erratic element at the best of times and an increasingly poor reflection of British eating habits ; this part of the index does not take account of food sales in department and chain stores, which have been growing rapidly in recent years.

Food shops apart, most other trades seemed to be holding up reasonably well. Durables picked up again after Christmas, mainly because of colour television. Clothes and shoe sales were still coasting along.

The power cuts will have cut sales in February, but not by as much as they cut production. Shops are probably restocking now, sometimes with supplies diverted from exports. During the power cuts many British businesses naturally failed to meet export deliveries on time. These are the sales that they regard as permanently lost.

Pollution

In the dumps

Strictly as a short-term measure, the bill that the Government published on Wednesday, with its tough penalties for littering the country with poisonous wastes, will do well enough. It has taken public opinion an inordinately

long time to wake up to the scale and spread of cyanide dumping. Whitehall had even been advised to dismiss some of the early reports as malicious gossip. But the more poison was found on widely separated dumps, the less could the Government allow the situation to drift until the bill for local government reform, which is Mr Peter Walker's chosen instrument for pollution control, takes effect in 1974.

With the wisdom of hindsight, it is easy to see why Parliament and the public remained in the dark for so long. On a dump one bit of rubbish looks much like another, and people who did start talking about what came out of industry's drains ran the risk of prosecution. This nonsense has persisted for more than a decade, ever since a well-intended private member's bill was introduced in 1961 to control the discharge of waste into rivers. It was one of the more complicated private member's bills to get on to the statute book ; and, while it obliged industry to give the river boards full details of what was in the waste and in what quantities, a clause was slipped in that made it illegal to pass this information on to anyone else. This ban has been held to apply to waste dumped on land too, and the Royal Commission on Environmental Pollution protested forcefully about it in its second annual report published on Tuesday (Cmnd 4894) :

> It is in the public interest that information about wastes should be available not only to the statutory bodies which have a right to demand it but to research workers and others who can make use of it to improve the environment. It is common knowledge that some industries have to dispose of . . . pollutants. Unless adequate information is available about these discharges, it is impossible to say whether or not they constitute an ecological hazard.



Children got at this lot

The gag on revelations was originally thought necessary to safeguard the secrecy of ultra-secret industrial processes. The commission dismisses this, a decade later, as eyewash. Many industries are still coy about their use of many pollutants. Imperial Chemical Industries, the main supplier of cyanide in this country, does not say how much it sells. The oil companies do not say how much lead goes into their petrol, although (or, could it be because) its use will probably be banned on health grounds. This creates an uncertainty about the size of the problem that can only encourage the ecologists' despondent belief that we are being poisoned in our beds. Sensible discussion is hardly likely while only one side knows the facts.

The Government has to legislate for two quite separate hazards. Waste can be dealt with by first deciding how much pollution nature can cope with, and banning the rest. If industry is then made to pay heavily for discharging untreated waste, it will have an overriding motive for building expensive treatment plants. The best suggestion yet for finding the right scale of charges is to put licences to pollute up to auction, and see how much industry is prepared to bid for them. But this system requires that the Government has a register of the tonnage of poisonous materials used in industry.

The bigger hazard is that industry will come up with another DDT before anyone realises it. New chemical compounds and new combinations of metals carry risks that range from the skin rashes caused by enzyme detergents to more serious and long-term side effects. The royal commission suggests in all seriousness that they should be treated and tested with the same caution applied to drugs, lest we release a new product into the environment that we could later have cause to regret. This really is a much bigger danger than cyanide on municipal tips.

Computers

Spreading it round

Government departments are going to start purchasing computer software separately from computer hardware. This is something of a revolution. The change should save the Government money as contracts flow to firms with greater software expertise than the hardware manufacturers possess. The new policy will not only bring more business directly to the independent software houses ; in some cases the independents should be able to re-sell particular knowledge gained on Government contracts.

The change is a victory for the Software Houses Association, which has been trying to educate Government about software for some time, and a defeat for International Computers as the only British-owned hardware manufacturer. ICL receives a great deal of the Government's business and automatically gets the software end of the contract passed to its software subsidiary, Dataskil, even if it is not the best available software house. The same has happened when one of the other mainframe manufacturers won a government order. The independents, some of which rank among the world's best software companies, were virtually excluded from government business.

Trade unions

Not even Lord Cooper

It is an unexpected bit of bad news for Mr Robert Carr, the Secretary for Employment, that the National Union of General and Municipal Workers has decided not to defy the Trades Union Congress. It is going to be an unregistered union under the new Industrial Relations Act. The move will be made official in the next fortnight. The NUGMW is one of the most right-wing unions in the TUC, and it is no secret that it regards the TUC line on not registering as absurd. Last year, its general secretary, Lord Cooper, openly supported registration. Many other unions, like the Transport and General Workers, led by Mr Jack Jones, privately hoped that the NUGMW would be as good as its word, stay on the register and giving them a chance to follow suit on the grounds that when one big union had sold out, the rest had no alternative.

But the NUGMW did not relish playing the scapegoat. It also realised that Mr Carr was not encouraging employers to use the act to sue strike leaders. Of course, if no employers use the act, the drawbacks of not being on the register are reduced. The NUGMW was also afraid that, if it registered, other unions might try to poach its members. This was not a very real fear. So long as it was not thrown out of the TUC, the 1939 Bridlington agreement would make this impossible.

Deregistration will cost the NUGMW around £150,000 a year in lost tax relief. The union is going to make it plain to Mr Vic Feather that it still regards the TUC policy as silly, and will go on pressing for a change. Although other unions, including Mr Clive Jenkins's Association of Scientific, Technical and Managerial Staffs, are anxious that the TUC should haul itself back from the edge of the cliff, it is hard to see how common sense will be made to prevail.

The odds now must be that the TUC will be able to uphold the deregistration policy at this summer's conference, although there may not be enough support to expel those rebel unions, like the seamen and bank staff, who have already registered. The Government does not stand to lose anything if the unions will not stay on the register, but Mr Carr is anxious that the unions should be seen to be co-operating. Predictably, his "softly, softly," approach has led unions like the NUGMW to reckon that deregistration involves less risks than it should.

Hovercraft

Why did it?

A 50 mph wind was blowing last Saturday evening against the ebb tide, raising short, steep waves of up to 6ft off Clarence Pier when the Isle of Wight to Southsea hovercraft, with 27 people on board, came in to land. Eyewitnesses say that it was attempting to turn across the tide towards the pier and, as it did so, the downwind side of the 48ft-long machine dipped sharply and the hovercraft capsized with 27 people on board. This makes it the sixth hovercraft of the SRN5/6 type known to have overturned. In an ordinary boat with an enclosed cabin there would have been few survivors. But hovercraft are built to aircraft safety standards, where windows are designed to be kicked out, and all but five of those on board on Saturday got out alive.

Inspectors sent to Southsea by the Department of Trade and Industry should have completed their report by the weekend. Hovercraft engineers have tended to discount the possibility of mechanical failure, or that routine repairs to the hovercraft skirt carried out before it left the Isle of Wight could have had to do with the accident. They also argue that this particular type of 10-ton hovercraft has made 117,000 crossings of the Solent since it went into service, many in much worse weather, and has survived 12ft high waves in the open sea.



Not the way they went before

The previous accidents have shown that hovercraft can capsize even in calm water, and two trainee pilots have capsized one (so has an experienced pilot). Another two overturned while attempting to beach through surf. The machine appears to go into a skid much as a car does, with its skirt dragging and pulling one side down until the hovercraft rolls gently on to its back. After these somersaults, and a great deal of work in test tanks to see how fast a hovercraft should manoeuvre in what height of wave, a whole new set of piloting instructions was worked out and a number of changes were made, the most important of which was to give the hovercraft a more flexible skirt that doubled as a shock-absorber and stopped the craft rattling over the waves like a tea-tray. Some American designs show rather more radical modifications to the shape of the hull.

But there are obviously gaps in knowledge about hovercraft behaviour. Last Saturday, the hovercraft did not roll over gently, as others have done, but flipped upside down almost without warning. The statement put out by the British Hovercraft Corporation immediately after the accident about

> technical investigations . . . being instituted to reproduce the precise conditions of the incident

suggests a combination of weather conditions that had not been foreseen, either in the test tanks or the pilots' operating manuals.

Nuclear power

It wasn't invented here

Round and round go the arguments over what kind of nuclear power station Britain should build next. But the issues are better defined than they were a few months ago. Almost everyone agrees that the advanced gas-cooled reactor, the kind Britain is now building, is unlikely ever to be ordered again. The AGR was probably dead anyhow, but recent suspicions that corrosion will reduce its eventual output of power have reduced its chances of surviving to virtually zero.

The main fight is now between the British-developed steam generating heavy water reactor and the American-developed pressurised water reactor. The SGHWR's advantages mostly boil down to nationalism and bureaucracy ; the PWR's to commercial profits. The SGHWR would need considerably more development work before a commercial version could be built, which may be one of its virtues in the eyes of the overmanned Atomic Energy Authority. Moreover, switching from the AGR to another British reactor would offend the AEA's sensibilities much less than adoption of the American system, after all that has been spent on developing atomic power here.

The main supporter of the American reactor is Sir Arnold Weinstock of the General Electric Company. He is well known for liking to see a return on his money. If Britain should buy PWR know-how from the Americans or the Germans, a deal would undoubtedly be made to give British industry in general, and his group in particular, an increased share of PWR component business in other countries. There are arguments over how much this business might be worth, but it would almost certainly run into hundreds of millions of pounds during the next decade. GEC's main ally is a certain faction of the Central Electricity Generating Board which is tired of constructing pioneer reactors and would like to build something tried and true for once. However, if a PWR is ever ordered, the CEGB will have to curb its tendency to swamp the construction company with suggestions for changes in its design. CEGB engineers should soon have their hands full overseeing the construction of the first commercial-size fast breeder reactor. So should the AEA, for that matter.

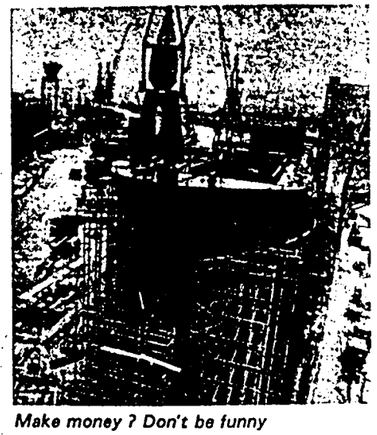
Shipbuilding

Now they all want cake

The Government's £35m handout to a selling plater like Upper Clyde has started the rest of the British shipbuilding industry racing for its share. The shipbuilders' national association put in a four-point claim on Wednesday for between £100m and £150m. No one could blame them after Hill Samuel's report to the Government made it clear just how little chance there is of the three yards on the Upper Clyde ever making money.

The queue does not end with British shipbuilders. Both the American companies that have shown an interest in picking up the fourth yard at Clydebank want comparable concessions. The Government's six-man team that arrived in Texas on Wednesday found both Marathon and Breaksea Tankers waiting with their hands out. If there is no injection of around £12m to help with capital investment (put by Breaksea at £18m in all) there will be no deal with either.

The whole basis of the Hill Samuel report turns on more than doubling productivity at Govan and Scotstoun over the next five years, with Linthouse being phased out over the first two years. Assuming that the new company will be able to persuade customers to buy double the number of ships at economic prices, this would give a marginal return by the fourth year. But, as the report makes plain, the rate of return would be far short of what would be commercially acceptable. By the fifth year, provided the market for ships had recovered from its present gloom, UCS should be producing a 10 per cent return on capital before tax and interest. At that time, says Hill Samuel, it might be possible to involve commercial interests in the company.



Make money ? Don't be funny

Even as dismal a performance as that depends on there being no increase in the wage bill, except to pay for increases in productivity. But that hope is already doomed : the unions even threw out wage rises of £6 a week over two years. There is no possibility of wages being contained even at that level. The men have had clear proof that what matters to the Government is saving jobs, nothing else. Of course the managers suffer the Government's displeasure. They get the sack, which will make it doubly difficult for UCS to meet yet another of the Hill Samuel assumptions : finding and keeping adequate middle management to run the yards.

Industrial relations

Bathgate blunder

The management of British Leyland's Bathgate plant should learn some new tactics. Threatening to close plants has had little effect on its workers' attitudes, neither in the past nor in the recent strike, which ended on Wednesday when 3,500 men agreed to go back with a 12.5 per cent wage increase in their pockets. After nine weeks on the picket line, they had gained half the £8 they sought to bring them closer to parity with the Midlands. The £4 increase lifts the basic weekly rate to £36.30 for skilled production workers, which is good going in Scotland.

Once again, it fell to BLMC's industrial relations director, Mr Pat Lowry, to straighten out the situation. Besides the cash, he had to concede better layoff pay and agree to consider the parity question yet again. One of Mr Lowry's main problems, it seems, is that he lacks authority to deal with local directors. He is not on the main board, even though industrial relations should have top priority in BLMC if any job has. It is not as if there is a problem about finding him a place : there are two vacancies following the retirements of Sir William Lyons and Mr Lewis Whyte.

The 380,000 teachers have turned down a 7 per cent offer, and their claim has gone to arbitration. The outcome of the arbitration is binding, so at least there seems to be no threat of a strike. There is also little danger of a strike on the farms, though the farmworkers' claim for an £18 minimum wage has been turned down flat. Last October, the farmworkers got a 9 per cent rise, which gave them a minimum wage of £16.20.

The farmworkers will formulate another claim in May at their annual conference in Weymouth, and this may be as high as 54 per cent. But only half are union members.

Monopolies

Wake up

The Government really must get on with its promised facelift of Whitehall's anti-monopoly machinery, because the proceedings of the present Monopolies Commission are turning into a joke. After all that has been said about the need to introduce some sense of urgency into its investigations, it is still able to report this week, without visible trace of embarrassment (House of Commons paper 149), that it has not finished investigating one industry referred to it five years ago, in 1968, or another referred to it in 1969. This is after the Government has strengthened its staff and authority.

There is no excuse for the commission to treat its work as if it was of so little public importance that it hardly matters whether a report is completed or not. The fire insurance industry, which it has apparently found so baffling ever since 1968, operates a number of well-known, and not too serious, restrictive practices, and the commission should have been able to make up its mind about them long ago. Likewise asbestos, which has been on its books since 1969. If these were isolated references, it might be argued that they present special difficulties, but the commission has taken five years to report on an industry before now and three is still about par for its course.

Mr Nicholas Ridley, of the Department of Trade and Industry, has assured the Commons that all outstanding inquiries should be completed before the end of this year. But only when a bomb is lighted beneath it does the commission act with anything approaching speed, and, even then, it can chew over mergers for months. The Government asked it last November to look into the price that the Roche company was charging the National Health Service for two widely used tranquillisers. This is the kind of urgent small-scale inquiry that the Government is increasingly likely to want the commission to carry out. Four months later, there is still no sign of its report.

BUSINESS *International*

Yes, they hatched a snake

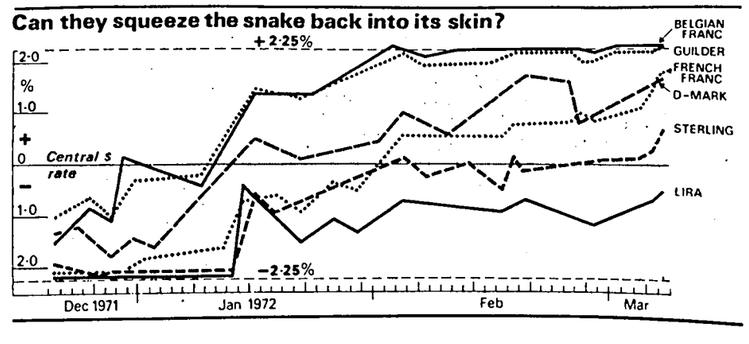
A rare current of agreement ran through Brussels on Monday and Tuesday, as the finance ministers of the Six charged towards a goal that only three months ago seemed well beyond their reach. The Six are once again about to embark on their first experimental try at narrowing the margins between their currencies, a step seen by Eurobugs as only the first towards creating a single European currency sometime during the 1980s. It is planned that a bumper session of foreign, farm and finance ministers in 10 days' time will put the official imprimatur of EEC members on it.

The Six's present intentions are :

1. The dollar rates of the five currencies of the common market (Luxemburg barely has one) plus sterling will be held by central bank intervention to within 2.25 per cent of one another, compared with the 4.5 per cent dollar spread allowed by the Washington agreement in December. This will probably start in the spring or early summer when "natural market forces" are expected to have brought these dollar rates to somewhere within the 2.25 per cent range compared with the more than 3 per cent spread which was separating the Italian lira at the bottom from the Belgian franc at the top until this agreement (see chart). What market forces mostly mean is central bank nudging. Obediently, the lira moved, in anticipation, close to its central rate on Wednesday. Disobediently, the stronger currencies tried to move over their top dollar rates. It is quite clear that the next dollar exchange rate "crisis" will come very soon indeed.
2. Europe's currencies will try to be held inside the celebrated "snake" wriggling within the overall 4.5 per cent dollar "tunnel." When the top of the snake hits the top of the tunnel, then the central bank of the top currency will intervene in dollars in the usual way to stop it going through the top. When the snake hits the floor, it will be up to the central bank of the bottom currency, with help from its mates and $4 billion worth of short- and medium-term credits, to stop it falling right through.
3. Anywhere between these extremes the Six will intervene in each other's currencies (not in the dollar) to keep the snake inside its 2.25 per cent skin. Since the market in European currencies against one another (for instance in the Belgian franc and the lira) is pretty thin, this aspect of the scheme should give rise to some nice anomalies in the dollar cross-rates.
4. A system of central bank swaps in one another's currencies will be set up by the central bankers to help this.
5. Every month the central banks will settle up with one another. First thoughts follow the British and German preference that debtor countries should settle up in gold, SDRs and hard currencies in proportion to the composition of their total reserves.
6. Members will control speculative inflows of dollar capital, in their many different ways.
7. Germany gets the European economic committee it wants, with few powers initially to vet national economic policies, but with procedures that might one day bite if some countries find themselves heavily in hock.
8. It is now agreed by one and all (even publicly by the commission) that individual states will be allowed to change their dollar parities as they wish.

The scheme is well designed for calm times. When the markets get rough it simply may not work. In typical common market style the scheme means different things to different people. Herr Schiller is only going along with it because of the pressure on him by Herr Brandt to do so. The French are only being nice to the Germans about the economic committee because Herr Schiller is toeing the line. Britain and the Scandinavians have told the Six in a private political meeting what their pound of flesh for co-operating would be. At the European summit in October they will specify that a real community regional policy (on which Signor Colombo of Italy also insisted on Tuesday with some success) and a community industrial policy should be set under way. But it remains to be seen whether even this quid pro quo will prove sufficient compensation to Britain for the unfortunate new elements of rigidity in rates which the agreement at least intends to introduce.

Can they squeeze the snake back into its skin?



French prices

Lies, and . . .

Paris

Did consumer prices in France last year rise by 5.7 per cent or 9.5 per cent? According to the Insée (Institut National de la Statistique et des Études Economiques), they rose by 5.7 per cent. But according to the communist trade union, the CGT (Confédération Générale du Travail), which has started to publish its own index, Insée's calculations—which are used in negotiating labour contracts—are rigged.

The CGT claims that the shopkeepers questioned by Insée's investigators, well aware of which 295 items go into its index, raise the prices of index items less than others; and that Insée is unduly quick to exclude price increases that are due to improvement in quality. For example, if the price of a pair of socks goes up from Fr6 to Fr7, and the manufacturer has added reinforcing in the toes and heels, Insée argues that the price has not risen, because the socks are now better. Under the CGT's calculations the price is deemed to have risen because the consumer has no choice but to pay more. The CGT bases its index on 363 articles that would be needed by a working class man with a wife and two children living in rented quarters in the Paris area. According to the official index, the French as a whole spend only 4.1 per cent of their income on their housing. The CGT's index lists the typical family as spending 16.8 per cent of its budget on housing.

Insée is indignant about the new index. Its investigators make 160,000 price-checks each month, whereas the CGT makes only 15,000. The government has been congratulating itself because the latest official figures, which showed a very low rise for January, seemed to indicate that its price control contracts, signed last autumn, have worked rather well. If the public believes the CGT rather than Insée, the economic consequences could be dire. French incomes policy, such as it is, is based on wage contracts between unions and the government and other employers that incorporate the threshold principle—under which the award is scaled up by agreed amounts if the cost of living rises by more than an agreed percentage. The government is already running into heavy weather in renegotiating the current batch of public sector contracts. Thursday's annual report on the French economy from the OECD rightly argues that "price tensions emanating from agriculture and other protected sectors of the economy like private and public services and construction have been more permanent and insidious sources of inflation" than demand pressures, rising import prices and the like. Partly because it sees no present signs of demand-pull inflation, the OECD thinks that France is well placed to achieve its growth target of 6 per cent a year over 1971-75. But a further quickening of cost-push inflation—measured by any index—would slow this down.

Pakistan

Peasants' revolution

Karachi

President Bhutto's replacement of his military chiefs has attracted most attention in Pakistan this week (see page 46); but his land reform proposals, announced two days earlier, will make a much bigger impact on the country's political and social balance in the years to come. To end "the oppressive and iniquitous agrarian system under which the people have suffered in silence for centuries," he has slapped a stiff ceiling on the extent of agricultural acreage that may be held by any one family. The maximum has been lowered from 500 to 150 irrigated acres, and from 1,000 to 300 unirrigated acres. Special indices will take account of the varying productivity of different land.

The surplus holdings of land are to be seized without compensation. Under ex-president Ayub Khan's efforts at land reform in 1959, the peasants paid for the land, got into debt and often had to sell their farms back to the former landowners in consequence.



This time the land is free

President Bhutto is also imposing more stringent rules against evasion—by preventing landholdings from being split among the numerous members of each landowning family.

The success of the reforms will hinge on the economic survival of the new farmers and the impact on total agricultural output. The land transferred will mostly be of below average quality. Landowners will naturally tend to keep the best farms for themselves, the indices notwithstanding. The new farmers will be short of working capital for seed, fertilisers, machinery and tractors, and the reservoir of know-how that the big farmers now have. Mr Bhutto has therefore promised £80om to the farmers over five years, from sources yet to be revealed.

With 45 per cent of Pakistan's gnp coming from agriculture, his political survival could be at stake. The reform will hit hard at the feudal chiefs and landlords who exert powerful influence in Pakistan, especially the tribal "sardars" in the restless provinces of the North-West Frontier region and Baluchistan. Army generals are being placated: agricultural land given to them will be exempted from the reforms, but not that belonging to government officials who own more than 100 acres; holdings of this sort have been regarded as a normal benefit of office hitherto. Tenants who are not given land under the reforms will be spared land taxes, water rates and the cost of seed. If the reforms are implemented in a silly way, they could stop the green revolution, which has depended mostly on sizeable farms hitherto. But if they are implemented intelligently then, despite their confiscatory philosophy, they could be the most valuable piece of social legislation in Pakistan's short history.

Swiss housing

Modesty first

Lugano

Swiss democracy has been in action again. The Swiss people voted down a proposal last weekend that would have compelled the federal government in Berne to set up a fund for low-cost housing, financed by a £50-a-head annual tax on the entire labour force and an 8 per cent levy on exports. This was the second referendum on housing accommodation in little over a year. The controversy induced the government to introduce infinitely more modest proposals of its own which favour the building of low-cost housing and give tenants

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March 1, 1972



Who'll get the flats at those rents ?

greater protection.

The housing shortage is most acute in the big cities like Zurich, Basle and Lausanne, and popular retirement areas like Geneva and Lugano. Despite the revaluation of the Swiss franc last May and continued price rises, the influx of wealthy foreigners, who can outbid the locals, continues. So, too, does that of less affluent ones—mainly Italian workers.

The non-Swiss population now numbers over half a million, or 17 per cent of the resident population of 6.2m. Naturally the proportion is much higher in some cantons: 1 in 3 in Geneva, for instance, where various United Nations and other international organisations have headquarters as well as many multinational companies; and 1 in 4 in the Italian-speaking region of the Ticino, which is a favourite for wealthy retired Germans and for Italians, who consider a piece of Swiss real estate a useful insurance against uncertainties at home. Even in the Ticino, where foreign residents have been generally tolerated because of the boost they give the local economy, irritation is mounting. Low-price accommodation is scarce, while new luxury apartments blossom on all sides. In a startling piece of non-Swiss behaviour, the occupants of two blocks of flats recently staged a rent-strike.

Fiat's spies

Whatever.for ?

Rome

Italians have always known that Turin is really a cover name for Fiatville. They have therefore been less surprised than many foreigners to learn that Fiat does indeed run its own secret service. What has come as a surprise is that charges have been brought against those in charge of it: 77 people are being indicted for illegal private investigations, including Signor Gaudenzio Bono (deputy chairman of Fiat), Signor Niccolo Gioia (co-director-general), Signor Umberto Cuttica (personnel director and responsible also for the counter-espionage bureau), and three top police officials. It is alleged that several policemen were on the company payroll, and corruption charges have therefore also been laid.

Fiat's troubles began when it sacked a former carabiniere who had been employed to spy on his workmates. He demanded termination pay not as a blue collar worker, but at the conspicuously generous rates that apply to white collar workers in Italy. Then, last August, a junior magistrate ordered the confiscation of Fiat's secret files on employees. These apparently revealed that dossiers were kept on employees' private lives and political convictions, as well as a list of police officials on the company payroll and their remuneration.

Past history makes this a very hot political potato. In the 1950s the American ambassador, Mrs Clare Booth Luce, threatened to take away defence contracts from Italian firms unless they weeded out their reds. Political sackings were common up to the 1960s. Only recently has Fiat learnt to live with the official communist unions. Pressure is still directed against extreme left-wing groups like Lotta Continua, whose disruptive tactics are aimed at both unions and management. Fiat could assume that the authorities would vet those working on military projects, such as the assembly of F104 fighters and the construction of Fiat's own G91 jets. But why the vast majority of Fiat workers—making lorries, cars and tractors—had to be scrutinised too is not immediately explicable, except as a survival of the class-war attitudes that still pervade Italian labour relations. The left is boiling with righteous indignation.

Suez pipeline

Fixed—nearly

Any day now, the financing agreement for the Suez-Mediterranean pipeline ought to be signed and sealed at last. The talks had run into so many technical problems four weeks ago that the consortium of European bankers, led by two French banks, were on the point of giving up the whole £100m deal, on which talks with Egypt have now dragged on for nearly a year. But a visit to Cairo by the French representatives a fortnight ago miraculously cleared up all the outstanding technicalities except one—the legal means by which the crucial contracts with the customer oil companies will be tied into the agreement with the bankers. When the banks have settled this, their weary representative will fly back to Cairo, as he was due to do last weekend, and the deal will be signed amid much fanfare. But the Egyptians will still not be out of the wood.

They will have to renegotiate the terms for using the pipe: the original contracts with the oil companies have now lapsed because of the delays. This could lose more time still if the oil companies now try to exploit their bargaining position to screw down the terms.

Key indicators: world commodity prices

Sweeter news

Sugar prices soared to £90 a ton this week after heavy Chinese buying from an already depleted world market; they fell back later. It was the highest price for eight years and has prompted the British Government to subsidise the ex refinery price.

	Index 1963=100 Mar 1	Mar 8	Percentage change on one month	one year
All items	128.5	130.5*	+ 2.8	+ 7.9
Food	142.4	145.5*	+ 3.9	+ 7.5
Fibres	99.2	99.0*	− 2.7	+26.9
Metals	185.6	188.3	+ 5.3	− 2.7
Misc.	103.0	105.3*	+ 3.3	− 0.3

**Provisional*

BUSINESS

Investment

Bully ! It's spring in Manhattan

New York

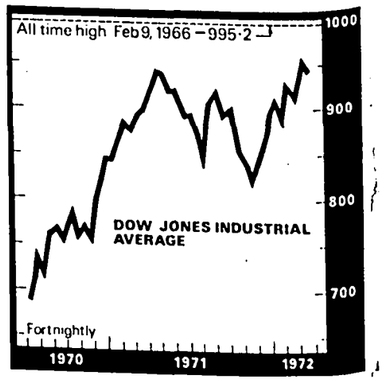
Signs have been multiplying that Wall Street is caught up in a good old fashioned bull market. In the wake of a sudden spate of encouraging reports on economic activity and the outlook for corporate profits in 1972, several indices surged to record highs in unusually heavy trading in recent days ; they included Standard and Poor's broad-gauged index of 500 industrial, utility and railroad shares, its narrower index of 425 industrials, and the New York Stock Exchange's own comprehensive industrial index. Even the more closely watched Dow Jones industrial index of 30 blue chips on the New York exchange lumbered to a close on Monday at a level just under its 1971 high of 950.82 reached last April, though falling to 945.6 by Wednesday.

The current rally in American stock prices got under way in November, when America decided that it loved its dollar crisis after all. Since then the major stock yardsticks have each risen about 20%. The only laggard until about 10 days ago was the Dow, whose sluggishness is due mainly to the large companies in it whose fortunes swoop up and down with the business cycle. The news that one of these, **Du Pont**, was investigating the possibilities for a soft contact lens helped the Dow finally to join in the rejoicing.

The latest rises have taken place against a background of towering daily volume and a late-running tape, characteristic of maturing bull markets. Turnover on the big board has been exceeding 20m shares daily, as individual investors have begun flooding the market with smaller orders. Business has picked up even faster on the American Exchange and the over-the-counter market than on the NYSE.

Since late November the American Exchange's price index has moved up more than 20%, while the Nasdaq over-the-counter composite index is 25% ahead. Volume gains have been equally impressive, with the American Exchange turnover running at more than 7m shares daily against last year's average 4.2m. Volume on the over-the-counter market, computed systematically only since late last year, has been running between 10m and 11m shares daily.

The frenetic pace has brought out the worry-mongers, digging back through past history. They reckon that a continuingly high volume of trading on the more speculative markets, and not only the more sober New York stock market, is a danger sign.



Business failures

Business may be bucking up in America, but business failures are still running strong. Indeed, in mid-February, more business casualties were recorded than in any week during the second half of 1970. Already this year two spectacular bankruptcies have jolted the American business community : those of Lennen & Newell, which for some time ranked as one of the nation's larger advertising agencies, and FAS International, formerly known as Famous Artists Schools.

Both companies petitioned federal courts for the protection of chapter 11 of the Bankruptcy Act. This provision will enable them to continue to operate while they try to work out arrangements for repayment with their creditors. In the meantime, proceedings were initiated for the liquidation of S. J. Salmon, the small New York investment banking concern accused by the regulatory authorities of operating since the start of 1972 with insufficient capital.

The privately held Lennen & Newell agency, which in the past year is said to have lost some 75% of its billings, listed assets with the court of some $6.4m and $11m of liabilities owed chiefly to advertising media. The three TV networks are the largest creditors. The agency blames its predicament for most part on the poorer economy, which resulted in a shrinkage of billings that subsequently snowballed ; and on over-expansion of its foreign and domestic operations. The last straw was its loss in February of a sizeable account with the Florida Citrus Commission.

In its petition, the long-troubled FAS International listed total liabilities of nearly $40.7m and assets of $27.8m. The diversified correspondence school operator told the court its financial difficulties could be attributed in part to its failing to recognise quickly enough a sharp drop-off in student interest in its art, photograph and writing courses, long the school's standby. FAS's simmering troubles surfaced last May when it requested suspension of trading in its shares on the New York stock exchange. The suspension continued until last December when it stock was de-listed from the Big Board and trading switched to the over-the counter market.

The fate of these companies, once much favoured by investors, shows the danger of the kind of indiscriminate speculation that a wild bull market encourages.

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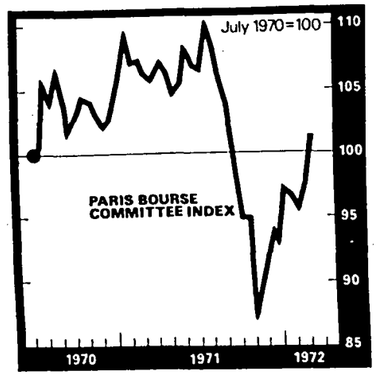
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Hon. Waldo M. Skillings, Minister

In the United Kingdom contact, Rear Admiral M. G. STIRLING, BRITISH COLUMBIA HOUSE, 1 REGENT ST., LONDON S.W.1.

Paris bourse

Breaking out



The French themselves have been taken by surprise at the spurt of interest in their formerly morose stock market. This had creaked along at its usual tortoise pace through January and most of February. Then, on February 23rd, money started flowing in from abroad : largely from Germany (as a result of the German government's restrictive measures against hot money), but also from Switzerland and Britain. Both Germany and Switzerland have a right to the "avoir fiscal," or dividend tax credit, given by the French government. Suddenly, the French stock market was worth looking at.

The two-week spurt of foreign buying has nearly wiped out last year's loss of 8.7% in equity prices. The volume of transactions has almost tripled, with well over Fr250m (£19m) a day changing hands. Chemicals have done particularly well. **Saint-Gobain-Pont-à-Mousson** shares rose by 14% in less than two weeks, and **Rhône-Poulenc** up by over 11%. A lot of foreign buying has been concentrated on the large and best-known French companies: **Pechiney-Ugine Kuhlmann, BSN, Roussel-Uclaf, L'Oréal, Suez.** Despite rather neutral forecasts about French exports and the state of the French economy for the next quarter, outsiders feel that French equities are undervalued. Rhône-Poulenc, for example, which is now selling for about Fr180, is still a long way below its 1971 high of Fr243.

Whether Paris will turn into a real bourse depends not only on whether it continues to attract overseas money, but whether the sudden interest of foreigners can shake French investors out of their long sleep.

Textiles

Not knits

Another knitter is coming to market. Simon and Coates, the stockbrokers, is offering shares in **Levex** at 53p, which will raise a total of £556,500 (of which 10% will be gobbled up by the expenses of the issue). If the issue is not a flop, then the market is looking at the knitting industry through bull-blood tinted spectacles.

The knitting industry is entering a period of substantial overcapacity. The American market, which was such a boon in 1971, will not be in 1972 ; the devaluation of the dollar is one deterrent, the build-up of capacity in the United States another. Levex's prospectus tells the story effectively: in 1971 exports to the United States made up 70% of turnover ; in 1972, they are expected to be around 10%. And in Britain fashion changes weigh slightly against the double jersey look. A more fundamental reason is the way the profit bulge has been moving down the man-made fibre route. First, the man-made fibre producers were profitable, and then came overcapacity, and they went ex-profit ; then there were the yarn texturisers, which hit the highs as glamour stocks in the last bull market, and then collapsed into losses and the arms of **Imperial Chemical Industries** ; and now come the knitters.

	Prices p				
	Issue	High/low 1971/72		Current	p/e
Fairfax Jersey	85	111	65	90	9.0
Levex	53	—	—	—	11.3*
Nova Knit	70	280	140	175	9.0
Textured Jer	62½	138	52½	84	12.0
Vita-Tex	70	110	45	106	12.6

**Prospective on issue price*

Levex's balance sheet is not one to inspire confidence. The £½m being raised is 2½ times existing net assets, but falls well short of the £900,000 worth of knitting machinery to be installed by 1974. Cash flow on the profit forecast of £235,000, after tax and dividends, is only about £100,000. Levex trades—admittedly at arm's length—to an undisclosed extent with a private company in which the chairman of Levex, Mr Bernard Levy, is a substantial shareholder. However the crossholding of shares with **Raybeck** will ensure a continuity of orders.

The signs of a downturn are not in the reported profits yet. **Fairfax Jersey** is expected to produce increases for the year. **Nova (Jersey) Knit's** profit for the half-year to last September was 62% up, though **Textured Jersey's** results were only 10% better for the six months to October last. **Vita-Tex**, with a wider range of activities, has also produced good results and is another optimist about the current year. The survival factor is design—everyone can get hold of the machinery and the yarn (at knock-down prices). But design is the most difficult factor for the shareholder to assess. He should sell, unless he can feel the quality.

The machinery suppliers have similarly benefited from the boom: **G. Stibbe** turned in better than expected profits of £1.3m, up an impressive tenfold, but now fully reflected in the share price of 162p and a p/e of 11. Now is the time to sell ; the backlog of orders was worked through double-quick, but the level of new orders has not improved much. The only share in the knitting sector to hang on to is **Nottingham Manufacturing,** which effortlessly rides through everyone else's cycles.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Mar 8	1971-72 high	low	one week	one month	one year	record high
London	502.3	519.2	305.3	− 0.9	+ 2.1	+54.6	− 3.8
New York	945.6	950.8	798.0	+ 1.0	+ 2.9	+ 5.5	− 5.0
Canada	208.2	210.4	162.6	+ 0.2	+ 4.4	+14.9	− 1.0
Australia	546.0	557.0	405.0	− 0.5	+ 8.8	+11.9	−17.7
Japan	225.8	225.8	148.3	+ 1.3	+ 6.4	+32.4	–
H'Kong	346.9	406.3	201.1	− 0.7	+ 5.4	+72.6	−14.6
Belgium	105.8	106.7	90.7	+ 1.1	+ 5.3	+ 5.5	− 1.5
France	73.0	79.2	61.6	− 0.3	+ 6.1	− 4.6	−15.2
Germany	106.5	112.7	87.6	− 4.1	+ 2.2	− 4.8	−24.1
Holland	125.3	128.0	93.0	+ 2.3	+ 6.5	+ 0.7	− 6.4
Italy	44.6	60.1	44.0	− 0.7	− 3.7	−24.7	−61.7
Sweden	320.9	326.3	245.7	+ 1.9	+ 1.3	+17.5	−14.5

New York and London zigzag. Japan reaches new high in feverish market. Canada and Australia strong. Most European bourses like the monetary union accord.

Stock prices and yields are on pages 103 and 104

Commercial Union

Promises fulfilled

Commercial Union's results were almost as good as everyone was expecting : investment income up £6m to £38.6m, and a turnaround in underwriting from a loss of £4m to a small profit of £700,000—making an overall profit rise of 31% to £33½m. Not quite so good as the **Royal Insurance's** 35%, but enough to justify the market's faith in the composite insurance sector. It has risen by 120% since May, 1970, against an increase of 85% in the Financial Times all-share index.

Is there much more to come ? CU's shares are now standing at 496p on a p/e of 19.8. The general argument for them is that insurance is still a growth industry ; the particular one is that CU is now a very good insurance company, which is getting even better. Underwriting in the United States, where CU does half its business, went from a £7m loss to a tiny profit ; now that the worst risks have been shed, its American business could start chipping in substantially. In Britain, even more massive leaps in motor premiums should eradicate the CU's £2m loss in car insurance. But Europe—where CU has just bought 25% of the Italian company Milano—turned in underwriting losses of £3.5m. The CU remains a serious European ; it has $85m in Eurodollars for further acquisitions, and has shown the necessary skills in reducing expense ratios and turning underwriting losses into profits.

North Sea oil

Several ways in

Scotland could become not just the Texas of the North but the Texas of Europe. According to Sir David Barran of Shell, the oil companies could be spending £150m a year on exploration and development and another £100m on operating expenses. At least one small part of Scotland's community has sat up and taken notice. Ivory and Sime, the investment trust advisers, and Edward Bates, the merchant bank owned by one of its trusts, **Atlantic Assets,** took just four weeks to bring **Viking Resources Trust** from conception to the market. Of the £10m being raised, 65% was placed in firm hands before the public was able, on Friday, to subscribe for the rest. The trust will probably rise rapidly to a large premium, and then fall back when it looks like just another investment trust. That will be the time to buy.

The managers are quiet about where exactly the money will be put, but a few shrewd guesses can be made. The market has not yet accorded the oil shares any of the North Sea glamour, and **Shell's** poor results last week have left them looking cheap to those who reckon that Britain's contribution to their profits could be substantial, so Shell and **British Petroleum** look like obvious choices. Since the trust is going for long term capital gains, the dull performance of oils over the next year will not be a deterrent. Participations in exploration consortia will probably account for most of the 15% of the trust in unquoted shares.

Then there are the ancillary services. **Schlumberger,** which does the measurement of the boreholes and geological surveys, is the key company in that activity. Other North American companies have been benefiting too from the offshore finds in the North Sea, as well as in the Gulf of Mexico, and off Nigeria and Indonesia. **J. Ray McDermot,** in exploration, and **Haliburton,** in engineering services, are among the better known ; **Zetco** and **Vetco Offshore Industries,** which service the offshore rigs and organise the drilling, are more speculative and are on even higher p/es—around 40 on prospective earnings. But since the world offshore boom is likely to continue for another two years at least, as companies make desperate attempts to loosen their dependence on unreliable Middle East oil, they may soon be looking cheap. Viking has a back-to-back loan of £2m to invest in any foreign companies it fancies without paying the dollar premium.

Once the oil is found, it has to be piped ashore, and some of the people who turned up at the recent Aviemore forum on oil and Scotland's future did so out of more than curiousity. **The Weir Group,** which makes pumps and valves and is involved with a lot of the specialised engineering needed, was represented, as was **John Brown,** an engineering group that could get involved in pipe construction, and **Hewden-Stuart Plant,** which is in equipment hire. All are, or were, Scottish names, all are on reasonable p/es in the mid 'teens and the Weir Group looks exceptionally cheap. **William Press** and **O. C. Summers** are two of the civil engineering companies that might do some of the pipe-laying.

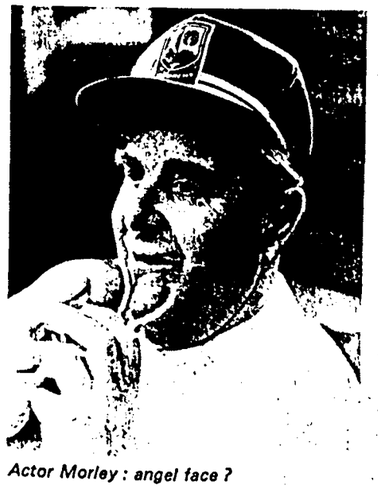
Presentangels

Fear to tread?

The latest twist in trusts is to turn the small investor into an angel—the kind that backs plays. Mr David Missen, a sort of broker between big backers and impresarios, has launched the Presentangels Ltd Collective Investment Portfolio, as a £50,000 closed-ended fund for the smaller playful punter. He is planning for 100 of them to take seats in the circle.

Unfortunately, they will not know what they are going to watch. Theatrical financial deals are highly secretive affairs, and the investors will not be told whether they are in tragedy or comedy until well after their money has been committed. Even then, the portfolio will not be public knowledge, and the investors will not get the play-by-play detailed profit and loss statement that the managements will be sending to Presentangels. Once the portfolio has recouped the £50,000, the money will be distributed back to the fundholders, together with a continuing share of the profits. So if Mr Missen finds enough hits to wipe out the flops, the angels (perhaps they had better be called cherubs) stand to make a killing. If not, their liability will be limited to what they have put up, as the fund will be keeping back the 17½% that managements can call on if things ain't what they're meant to be.

If this fund works, and the six West End productions in which it is investing most of the money produce a net profit, Mr Missen might start some others. Investors in "How the other half loves" have so far made 300% on their money.



Actor Morley : angel face ?

COMPANY STATEMENT

TRANSPORT AND CHEMICAL ENGINEERING
LIMITED

- Profits before tax for the year ended 30th September 1971 amounted to £320,000 (£283,000 for 15 months ended 30th September 1970 excluding Vending Cent.e).
- Final Dividend of 11% making total of 17% for the year (5% for 15 months ended 30th September 1970).
- Liquid position substantially improved and acquisitions now being actively sought.
- Board look forward to being able to report further progress and see no reason why the dividends of the Company should not be increased for the current year.

Annual General Meeting, 27th March, 11.15, Essex Hall, Essex Street, Strand, W.C.2. Copies of the Chairman's Statement and Annual Report available from this address.

TENDER

ABU DHABI

Refinery Project Tender

The Ministry of Petroleum & Industry invites internationally reputed companies – specialised in the construction of refineries – that are interested in participating in the Abu Dhabi Refinery Project Tender covering the engineering, procurement, construction and Test Operation of the project, to apply to the Ministry of Petroleum & Industry, PO Box 9, Abu Dhabi, Arabian Gulf, for the relevant tender documents, bearing the following points in mind:–

1. The tender documents will be obtainable with effect from the date of this notice and until the end of March, 1972.
2. The tender documents will be supplied to interested companies against a non-refundable cash payment of 500 B D (Five Hundred Bahraini Dinars) per set.
3. The tender documents will be supplied only to companies that are able to prove their technical competence and which have had previous experience in the execution of similar projects.
4. Offers should be submitted, in a sealed cover marked 'Tender – Abu Dhabi Refinery Project', to the Temporary Secretariat at the Directorate General of Planning & Co-ordination, PO Box 12, Abu Dhabi, Arabian Gulf before 11.00 a.m. on Wednesday 5th July, 1972.

(Signed) MANA SAEED AL-OTAIBA
MINISTER OF PETROLEUM & INDUSTRY
Dated 9/2/1972

CHAIRMAN'S STATEMENT

TRUST & AGENCY COMPANY OF AUSTRALASIA

SIR DENYS LOWSON
ON
A FAVOURABLE OUTLOOK

The Annual General Meeting of Trust & Agency Company of Australasia Limited, will be held on 5th April, at Estates House, Gresham Street, E.C.2. The following is the statement by the Chairman, Sir Denys Lowson, Bt., which is being circulated to shareholders.

Dividends and interest for the year ended 31st December, 1971 amounted to £464,552 compared with £465,171 in the previous year. However, with net profit on realisation of investments showing an increase from £143,347 to £279,834 the consolidated revenue has increased from £608,734 to £744,517. After deducting taxation, expenses and the preference dividend the amount available for the Ordinary shareholders is £522,140 which is equivalent to 26.1 per cent on the ordinary share capital. An interim dividend of 6 per cent has already been paid and the Directors now recommend the payment of a second interim dividend of 11¼ per cent (in lieu of a final dividend); this makes a total of 17¼ per cent which is the same as was paid last year. An amount of £172,140 has been added to the Group revenue reserve.

Following our usual policy the amount paid by the Company as dividends does not exceed the total of its net investment income and has consequently not included any part of the profits arising from the realisation of investments. Whether this austere policy can be maintained under the new tax system shortly to be introduced remains to be seen.

Disregarding taxation on the profit which would have arisen if the Group's investments had been realised at their valuation, and including the full dollar premium, the net asset value per 25p ordinary share at 31st December last was 180p, a rise of just over 24 per cent from the previous year.

The geographical distribution of the investments was as follows:— Great Britain 70.0 per cent; U.S.A. and Canada 18.4 per cent; Australasia 3.3 per cent; Europe 0.7 per cent and other countries 7.6 per cent: while as regards categories 0.4 per cent was in fixed interest stocks and shares and the balance of 99.6 per cent was in ordinary and deferred ordinary stocks and shares.

On page 13 of the Report and Accounts there appears a ten year record of the Group's affairs which shows progress both from the capital and from the income angles. In addition, shareholders will find on page 15 a list of the Group's largest holdings which represent approximately half our total investments.

Since the end of the Company's financial year there has been a marked improvement in sentiment and share prices have responded accordingly. There are however still many problems to be faced, not least the high level of unemployment which exists today. Already steps have been taken to stimulate the economy, and it may be necessary in the current year to take further action. Meanwhile we have a well spread list of investments which include both companies operating at home and others operating overseas and this should take care of any exigencies which may arise.

CHAIRMAN'S STATEMENT

Clydesdale Bank Limited

Statement by the Chairman Mr. William Thyne, O.B.E. on the Report and Accounts of the Bank for the year to 31st Dec. 1971



We welcome the freedom in lending which has been restored to the banking industry . . .

The 134th Annual General Meeting of Shareholders of Clydesdale Bank Limited will be held on Wednesday, 22nd March, 1972, at the Head Office, St. Vincent Place, Glasgow. The following is an extract from the circulated statement by Mr. William Thyne, O.B.E., the Chairman:

At £2,379,000, the year's profit after taxation was maintained at the level reached in 1970. This was achieved despite the difficult conditions under which we had to operate and ever mounting costs.

Our Current, Deposit and Other Accounts at £308,821,000 show an increase of £20,000,000, reflecting a gratifying expansion in the Bank's business over a period of particularly keen competition. The continued growth in our overseas business finds reflection in the figures for Foreign Currency Transactions and Acceptances and Engagements. Both items show a substantial increase on the year.

The total Assets of the Bank and its subsidiaries have risen to an all time high of £376,165,000 which is an increase of around £25,000,000 on the preceeding year.

Our Advances totalling £149,068,000 show a substantial and satisfactory increase of £25,920,000 on the previous year. The figure for Advances again includes considerable sums lent for exports under ECGD arrangements.

I am very pleased to say that despite a year of lower interest rates we were able to increase our income, largely as a result of the higher level of advances. Over the year, however, we had to absorb a considerable increase in overheads due mainly to the steep rise in Staff salaries. The Board recommend a Final Dividend of 9½% making a total of 16% for the year (same).

SUBSIDIARY COMPANIES

The business of Clydesdale Bank Finance Corporation Limited showed further profitable growth and Clydesdale Bank Insurance Services Limited has confirmed our assessment of it being a successful venture.

In the latter part of 1971 we set up a new computer bureau, Scottish Computer Services Limited, in association with Y-ARD Limited and McLintock Moores & Murray Limited. We have a controlling interest in this new company and we are now able to provide computer services with the widest range of commercial and technical applications.

EVER EXPANDING RANGE OF SERVICES

This new venture is, of course, in line with our policy of keeping constantly under review the range of services we provide to ensure that in scope and in nature they meet our customers' changing needs. That range is already vast and there is, for example, scarcely an aspect of company finance on which we cannot offer advice and assistance through our own resources or as a result of our membership of the Midland Bank Group. I would add that our very close association with leading Banks in all the EEC countries places us in a favourable position to help our customers in the international field.

GENERAL BANKING DEVELOPMENTS

In September last year the Bank of England announced measures designed to stimulate competition among the Banks and to control the volume of credit. We welcome the freedom which has been restored to us to judge every lending proposition solely on its merits and we have adopted a flexible attitude to advances which enables us to provide the type of loan best suited to the customer's particular needs.

THE ECONOMY

For the banking industry, 1971 can be described as an eventful year in terms of competitive freedom conferred on it. As far as the national economy is concerned it was a disappointing twelve months which, apart from yielding another handsome balance of payments surplus, only echoed the stagnation in output and investment and the steadily mounting unemployment of the preceding year despite the introduction of a succession of reflationary measures by the Government from April onwards.

On the other hand, while overshadowed by the deteriorating employment situation, there were features holding promise for the future and, more recently, industry has shown signs of returning confidence. Nevertheless, the short-term outlook in Scotland is still uncertain although there can be little doubt that the longer-term prospects are bright. But the translation of prospects into realities depends, as the Scottish Council (Development and Industry) have pointed out, on a new attitude by Government to regional development policies.

BUSINESS & PERSONAL

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APPOINTMENTS

Liverpool Polytechnic

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Planning.

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Senior Lecturer £2,920-£3,260 per annum
Principal Lecturer £3,190-£4,045 per annum.

Details available from :
Staff Officer, Department E, Liverpool Polytechnic, Clarence Street, Liverpool L3 5TP. Tel : 051-709 0571.

CHAIRMAN'S STATEMENT

THE MERCANTILE INVESTMENT TRUST LIMITED

Points from the Statement by the Chairman, Mr. J. A. V. Binny, in the Report and Accounts for the year to 31st January, 1972.

Year to 31st January	1972	1971
Gross Revenue	£4,309,786	£4,072,287
Ordinary Earnings	8.75%	8.40%
Ordinary Dividend	8¼%	8¼%
Net Assets	£119.75m	£89.98m
Assets per Ordinary Share	70½p	52½p

- The aim of the Board is to try and increase the return on the Company's investments year by year while at the same time employing a considerable proportion of its funds in areas of above-average growth.
- The U.S. dollar content has been increased through a "back-to-back" loan of U.S.$11m at 4½% over ten years.
- The modest stake in Japan has been increased as have our interests in companies involved in oil and gas exploration in the North Sea.
- The London market rose by some 45% and in the United States the Dow Jones index by only 4% during the year under review. The increase of 39% in the asset value of the Ordinary Shares (or 34% assuming full conversion of the 4½% Debenture Stock) is considered satisfactory bearing in mind that 16% of the Company's assets are in equities quoted in London and 26% overseas including those purchased with U.S. dollars where the improvement has been almost 20% after making all the necessary allowances for new money and the changes in the dollar premium and exchange rates.

Copies of the Report and Accounts may be obtained from the Secretary at Winchester House, 77 London Wall, London EC2N 1BY where the Annual General Meeting will be held on Thursday, 30th March, 1972 at noon.

University of Dundee

Applications are invited for a LECTURESHIP or SENIOR LECTURESHIP IN ACCOUNTANCY in the Department of Accountancy in the Faculty of Law. Salary scales : Lectureship £1641-£3,105 ; Senior Lectureship £3652-£4734 ; with placing according to qualifications and experience. F.S.S.U. ; grant towards removal of household effects.

Applications (6 copies, overseas 1 copy) containing the names of three referees should be lodged by March 30th 1972 with The Secretary, The University, Dundee DD1 4HN, from whom further particulars may be obtained.

The City University

DEPARTMENT OF SOCIAL SCIENCE AND HUMANITIES

Applications are invited for a post of

Lecturer in Economics

The post is a temporary one for one year commencing 1st September 1972 but there may be a prospect of a permanent vacancy thereafter.

Salary scale for lecturers ; £1491-£3417 (under review) plus London Allowance.

For application forms and further information please write to the Deputy Academic Registrar, The City University, St. John Street London EC1V 4PB quoting ref S/B113/88/E.

Closing date for applications 12th April 1972.

The University of Lancaster

International Centre for Research in Accounting

RESEARCH STUDENTSHIPS

The International Centre for Research in Accounting (ICRA) is an independently financed unit within the University of Lancaster. It has been established to engage in research into accounting principles and their application to the problems currently facing the profession.

Two research projects which are being given priority are :
(a) A comparative study of the similarities and differences between accounting reporting principles and practices in major industrial countries, with particular reference to problems which may arise when Britain becomes a member of the E.E.C.

(b) An investigation into the nature, purposes and objectives of published financial accounts, with particular reference to the needs of users and potential users. This project is aimed at defining the fundamental concepts and principles which should underlie the preparation of company financial reports.

One year and two year Studentships are available to suitably qualified persons interested in pursuing full-time research into either of the above projects. The one year Studentships will normally lead to an M.Sc. degree, while the two year Studentships will lead to the Ph.D. degree in appropriate circumstances it is possible to convert from the M.Sc. to the Ph.D. programme.

These Studentships form part of a general Ph.D. programme in accountancy within the University of Lancaster, and there will be ample opportunity for contact with other post-graduate students attached to ICRA and to the Department of Accounting and Finance.

The annual stipend of the Studentships will be set in the range £1000-£1500, depending upon a candidate's qualifications and circumstances.

For further details, and application forms, please write to the Director of ICRA, Professor Edward Stamp, Furness College, Bailrigg, Lancaster, quoting reference Number L.653/C.

COMPANY STATEMENT

BEAVERBROOK NEWSPAPERS LTD.

& Subsidiary Companies

Half Year to 31st December, 1971—Consolidated Profit Statement (unaudited)

1970		1971
£964,085	Trading Profit	£1,480,978
£564,838	*Less* Depreciation on Buildings, Plant, etc.	£539,190
£399,247		£941,788
£101,368	Investment Income	£104,220
£500,615	Group Profit before Tax	£1,046,008

Trading conditions as forecast in the six months to 31st December, 1971 showed an improvement compared with last year.

The cover price increases for all our newspapers which we were forced to make around the middle of 1971 contributed to increased earnings.

Industrial disputes took their toll, the stoppage in September costing over £400,000.

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10th March, 1972. MAX AITKEN, *Chairman.*

APPOINTMENTS

EAL

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TENDER

STATE OF ABU DHABI

Exploration and Exploitation of Oil Resources

The Government of Abu Dhabi invites hereby internationally reputed oil companies having marketing facilities and willing to participate in exploration for and development and exploitation of Oil and other hydrocarbons in areas in Abu Dhabi totalling (14,827) sq. km., to apply to the Ministry of Petroleum & Industry. (P.O. Box 9, Abu Dhabi, Arabian Gulf) for information regarding the areas in question, the terms and conditions to which applicants should conform and any other information. Documents and information will be supplied only to oil companies or to a duly authorized representative of such companies.
Bids should be submitted in a sealed envelope marked "Confidential – Bids for Oil Rights in Abu Dhabi" to the Minister of Petroleum & Industry, not later than 5th July 1972.

(Signed) Mana Saeed Al-Otaiba
Minister of Petroleum & Industry
&
Chairman of the Board of Administration
Abu Dhabi National Oil Company
Dated 13th February, 1972

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Closing date : 20th March, 1972. Ref. No. 0101/A/ECO
***Write our reference number in the top left-hand corner of your envelope and on your letter. *State how soon you would be available. *Applications should be posted to Ashby Pearce (Personnel Selection) Limited, P.O. Box 30681, Nairobi.**

APPOINTMENTS

WORLD BANK

FINANCIAL ANALYST—TOURISM

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The position entails the study, preparation and appraisal of projects involving the financing of hotel and resort development. The incumbent will be based in Washington, D.C., with frequent opportunity for international travel.
Required qualifications include a degree in Economics, Business Administration, or Finance, coupled with practical experience either in a company or with consultants operating in the field of hotel development. Age 30-45; good knowledge of English essential; French and/or Spanish desirable.
Entrance salary is normally in the $12,000 to $19,000 range depending upon qualifications and experience and, except in the case of American citizens, is usually free of income tax. The Bank reimburses any income tax payable on its salaries. There are good prospects for advancement based on merit. Fringe benefits include health and life insurance; 25 days annual leave with transportation to home country every two years; pension plan and relocation expenses on appointment.
Further particulars and forms of application in the case of British Nationals can be obtained from:
Foreign and Commonwealth Office,
Overseas Development Administration, International Recruitment Unit,
Room 304, Eland House, Stag Place, London, SW1E 1PH.

NATIONALS OF OTHER COUNTRIES SHOULD SUBMIT A DETAILED RESUME TO:
Personnel Department,
International Bank for Reconstruction and Development,
1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

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University of Glasgow

Lectureships in Sociology

Applications are invited for two Lectureships in the Department of Sociology, tenable from 1st October, 1972. The salary will be within the range £1641 to £1935 per annum of the Lecturers' scale of £1641 to £3852 per annum. Placement will be according to qualifications and experience. F.S.S.U.

Applications (six copies) should be lodged, not later than 14th April, 1972, with the undersigned from whom further particulars may be obtained.

In reply please quote Ref. No. 3165U.

ROBT. T. HUTCHESON
Secretary of the University Court.

Oxford University

Institute of Economics and Statistics

The Institute has vacancies in the grades of Research Officer and Assistant Research Officer. Candidates should have a good degree in economics or statistics, and some post-graduate experience. The salary scales (currently being revised) are: Research Officer £1,902-£2,727, Assistant Research Officer £1,446-£2,454.

Members of the research staff are permitted to do a limited amount of teaching for colleges without deduction from their stipend.

Applications, giving personal details, academic qualifications and experience, together with the names of two referees, should reach the Secretary, Institute of Economics and Statistics, Manor Road, Oxford by 15th March 1972. Telephone 49631.

University College of London

Department of Political Economy

(Economics research and pollution research)

RESEARCH FELLOW required for research project on air pollution under the direction of the Head of the Department, Professor Wilfred Beckerman, on behalf of the Royal Commission on Environmental Pollution. The post will require a sound knowledge of micro-economic theory, some training in the use of numerical data, willingness to track down primary data, and ability to deal with probable sources of primary data such as local authorities and equipment contractors. Prior interest in economic problems of pollution an advantage, but not essential, and by no means sufficient. A senior person is required, with some previous experience of research carried out independently or with minimal supervision. Salary range £2633-£3117 plus £162 London Allowance, FSSU. Appointment as soon as possible.

RESEARCH ASSISTANT to assist two or three members of staff with miscellaneous research mainly of a statistical character. Applicants should have a good first degree, some experience with simple statistical operation requiring a desk calculating machine, and a willingness to undertake work involving painstaking attention to detail and accuracy.
Salary £1641-£1935 plus £162 London Allowance. FSSU. Appointment from 1 October 1972.
Applications, indicating particular post, giving full details of qualifications and names of referees should be sent to Assistant Secretary (Personnel E/4) University College London, Gower Street, London WC1E 6BT by March 20 1972.

APPOINTMENTS

New Zealand

UNIVERSITY OF CANTERBURY, Christchurch

Chair of Economics

The Council of the University invites applications for a Chair of Economics, which is the second established in the Department. The successful applicant will be a research scholar interested in the promotion and development of research in the Department. He may have qualifications in any of the main areas of economics, but some preference will be given to applicants qualified in mathematical economics, econometrics or operations research.

At present the salary for a Professor is within the range of $NZ10,722 to $NZ13,700 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on *1 May 1972*.

The Polytechnic of North London

DEPARTMENT OF SOCIOLOGY AND LAW, 62-66 HIGHBURY GROVE, N5.

RE-ADVERTISEMENT

Principal Lecturer in Sociology

This post requires an experienced Sociologist who is capable of leading a team which has responsibility for a CNAA Degree in Sociology, already presented. The successful applicant would also be expected to develop an additional CNAA Degree for which preliminary permissions have already been given.

Salary Scale: £3,190-£3,870. London Allowance of £118.

Candidates who applied for this appointment previously will be re-considered.

Further details and application forms may be obtained from the Deputy Secretary, The Polytechnic of North London, Prince of Wales Road, N.W.5.

Applications should be returned within 14 days of the appearance of this advertisement.

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Tel: 0482 36880 (ext. 655)
Closing date: 21st March, 1972

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LECTURER

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The University of Sheffield

DIVISION OF ECONOMIC STUDIES

Lecturer in Accounting and Financial Management

Applications are invited for the above post within the Division, tenable from a date to be arranged. Applicants should have relevant experience and qualifications and an interest in accounting and financial management from one or more of several viewpoints: professional, business, quantitative, economic, behavioural, social, etc. Salary in the range £1,491-£3,417 (under review) with F.S.S.U. provision. The appointment may be made at any point on the lecturer's scale. Further particulars from the Registrar to whom applications (three copies) should be sent by 10 April 1972. Quote ref: R.2/C.

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Weekly analysis and forecast

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2. **Research executive** for Middle East Economic Consultants. Good degree, knowledge of Middle East and experience of industrial market research.

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Applicants should possess an appropriate Degree or a recognised equivalent qualification. Salary in accordance with Burnham Further Education scale, viz £2,193 to £2,875 p.a. Further details and application forms available from the Director, School of Navigation, Warsash, Southampton, SO3 6ZL, and returnable within two weeks from the appearance of this advertisement.

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UNIVERSITY OF LONDON: A lecture entitled "Welfare Economics, Liberalism and Methods of Income Redistribution" will be delivered by Professor A. T. Peacock (York) on 14th March at 5 p.m. at the London School of Economics and Political Science, Houghton Street, Aldwich, WC2A 2AE. ADMISSION FREE, WITHOUT TICKET.
Academic Registrar.

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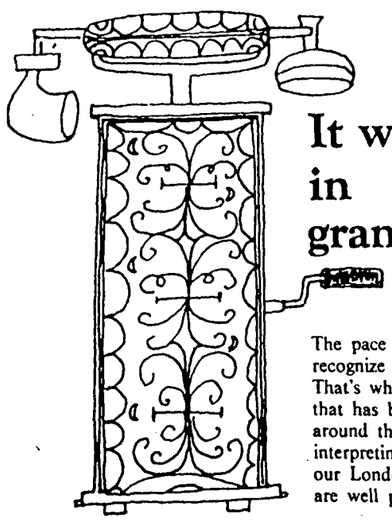
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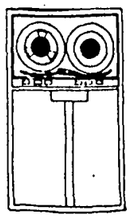
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STOCK PRICES AND YIELDS

Prices, 1971–72 High	Low	British funds		Price, Feb. 29 1972	Price, Mar. 8 1972	Net red. yield, Mar. 8 1972§ £p	Gross red. yield, Mar. 8 1972 £p
98⅛	92⅛	British Electric 3%	1968–73	98⅛	98⅛	3·510	4·655 *I*
88⅛	70⅜	British Electric 3½%	1976–79	88⅛	87⅜	4·075	5·665 *I*
111¼	92⅛	Treasury 8½%	1980–82	108¹¹⁄₁₆	108⅛	3·995	7·330 *I*
110⅝	90⅛	Treasury 8½%	1984–86	108⅛	107⅛	4·395	7·720 *I*
96	76	Funding 6½%	1985–87	95⅛	94⅛	4·555	7·390 *I*
66⅛	47⅜	British Transport 3%	1978–88	65⅜	64⅜	5·005	6·605 *I*
85⅞	66⅝	Funding 6%	1993	82⅛*	81⅝*	5·000	7·760
111	93⅞	Treasury 9%	1994	110⅛	109⅛	4·830	8·330
57⅛	41⅝	British Gas 3%	1990–95	57	56⅛	5·060	6·875 *I*
89⅛	72⅛	Treasury 6¾%	1995–98	89	88	4·975	8·080 *I*
73⅛	57⅛	Treasury 5½%	2008–12	70¼*	69⅝*	5·095	8·075 *I*
43¼	36	War Loan 3½%	after 1952	43	42⅜	5·025	8·450 *f*
30⅛	25⅛	Consols 2½%		29⅞*	29⅝*	5·090	8·460 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	105¼–6¼	105¼–6½	8·01
Barclays 8¼%	1986	102⅛–3⅛	103–4	7·62
Borg Warner 8%	1979	103–4	102⅛–3⅛	7·20
Commercial Union 8¼%	1986	103–4	103–4	7·85
Esso 8%	1986	102–3	102–3	7·50
Ford 8½%	1981	102–3	102–3	7·38
General Motors 8¼%	1986	105¼–6¼	105¼–6½	7·79
General Telephone & Electric 8¼%	1986	102⅝–3⅝	102⅝–3⅝	7·65
Shell 8%	1986	101⅛–2⅛	101⅛–2⅛	7·55
Hill Samuel 8¼%'	1986	101⅛–2⅛	101⅛–2⅛	8·03
Rank 8¼%	1986	103⅛–4⅛	103⅛–4⅛	8·02
Transocean Gulf 8%	1986	102–3	102–3	7·50
Firestone (DM) 7¾%	1986	107⅛–8	107–⅛	6·90
Prov. of Nova Scotia (DM) 7¾%	1986	106⅛–7	106⅛–7	6·96
ICI (£/DM) 8%	1986	105⅛–6⅛	105⅛–6⅛	7·25

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8, 1972	Change on week	Yield Mar. 8
		Banks, other financial			
306⅛	239	Algemene Bank	Fl 305⅛	+1	5·6
67·2	54·3	Amsterdam-Rot	Fl 66⅛	−0·7	5·1
360	240	Aust & NZ Bank	345p	−10	2·6
73¾	60⅜	Bank of America	$69⅞	−⅛	3·2
445	300	B of Ireland	390p	−40	3·9
1131¼	700	B of Montreal	1037½p	−68½	3·1
116⅜	85	B Nac de Mexico	P 92½	+2½	6·7
380	290	B of NS Wales	378p	−2	2·5
650	337½	B of Scotland	635p	−5	3·0
2625	2310	B Bruxelles	Fr B 2585	+85	4·6
259·6	222	B de Paris Pays Bas	Fr 243½	+10½	5·2
71⅛	50⅜	Bankers Trust	$58¼	−⅛	4·8
800	327½	Barclays	786p*	+21	2·4
15⅛	9⅞	Can Imp Com	£14¼	−⅛₁₆	1·9
110	48¼	Charterhouse Group	108p	−2	3·8
61¾	48¼	Chase Manhattan	$53⅞	+1⅜	3·7
70	51⅝	Chemical Bank NY	$55⅛	+1¼	5·2
267·3	196	Commerzbank	DM 244·6	−10·8	3·5
175	144½	Credit Commercial	Fr 160½	−2	4·7
414	358·2	Credit Foncier	Fr 389	+4½	5·5
4180	3035	Credit Suisse	Fr S 4115	−65	1·9
355	281	Deutsche Bank	DM 332½	−12½	2·7
285·9	215⅛	Dresdner Bank	DM 272½	−13·4	3·3
49½	33	First Nat City	$49⅛	+1⅝	2·7
404	210	Fuji	Y 395	...	1·5
397	212½	Hambros	397p	+7	1·9
164	72	Hill, Samuel	153p	−9	2·4
4⅜	1⅛	IOS Mgnt	$1⅞	...	...
15⅝	8⅛	Hongkong & Sh	£15½ll	−⅛	2·4
165	73	Kleinwort Benson	164p*	−1	2·3
6710	5300	Kredietbank	Fr B 6500	+20	2·8
395	259	Kundenkredit	DM 377	−18	2·6
1960	1680	Lambert L'ind	Fr B 1940	...	4·1
388	258	LBI	361p	−7	2·8
722	310	Lloyds	706p*	+9	2·3
39⅛	30⅛	Manuf's Hanover T'st	$32¼	+1⅛	4·8
81325	62300	Mediobanca	L 63500	−700	1·7
242	140	Mercantile Credit	228p	−13	3·3
210	102	Mercury Secs	200p	−6	1·5
654	287½	Midland	636p*	+1	2·7
284	173	Mitsui	Y 217	−3	2·3
243	113	Montagu Trust	242p	−1½	1·5
81	62⅛	Morgan J P	$81	+7¾	3·5
495	260	Nat & Grindlays	420p	−75	3·6
3·32	2·07	Nat Australasia	$A3·32	+0·12	3·6
219	91¼	Nat Com Grp	215p	+6	2·2
760	323¾	Nat West	746p*	+13	2·4
145	122⅛	Norsk Creditbk	%124½	+2	7·2
17	11⅝	Royal Canada	£16¼	−⅛	2·3
720	412½	Schroders	720p	+20	1·2
377	192½	Slater Walker Secs	352p	−18	2·4
3115	2800	Soc Gen de Banque	Fr B3050	+60	4·8
3860	2430	Soc Gen de Belgique	Fr B 2760	+60	2·4
410	200	Standard & Chart	395p	...	3·1
370	264	Suez	Fr 370	+17	4·7
402	209	Sumitomo	Y 399	+1	1·5
4170	3020	Swiss Bank Corp	Fr S 4025	−145	2·0
4210	3720	Union Bank Switz	Fr S 4210	+25	2·4
545	320	Union Discount	545p	...	4·5
275	134	United Dom Tst	253p	−19	2·5
		Insurance			
70⅛	46⅛	Aetna Life & Cas	$65⅞	+6⅛	2·4
458	335	Allianz Versich	DM 448	−10	1·3
508	320	Comm Union	496p	−12	3·4
572	271¼	Eagle Star	564p	+9	2·1
197	115	Gen Accident	179p	−8	3·1
65490	44610	Generali	L 49050	−880	0·9
312	167	Gdn Royal Exch	298p	−8	2·7
376	237½	Legal & General	368p	+3	2·5
80⅜	55⅛	Nat Nedriandn	Fl 77·8	+0·6	2·6
382	226¼	Pearl	378p	−4	2·6
302	172½	Phoenix	300p	−2	2·8
216	143	Prudential	205p	−10	2·7
434	265	Royal	430p	+6	3·5
570	301	Sun Alliance	562p	−8	2·9
413	140	Taisho Mar & F	Y 334	+9	1·6
430	281	Tokio Marine	Y 521	+17	1·1
3500	3975	Zurich Ins	Fr S 5550	+150	3·0

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8, 1972	Change on week	Yield Mar. 8
		Breweries, etc.			
110	60	Allied Breweries	o 106p	−1⅜	3·4
69	37¹¹⁄₁₆	Anheuser-Busch	$ 68⅞	+6	0·8
169	95	Bass, Charrington	165p	−1	3·0
165	117	Bols NV	Fl 154	+1	2·3
142	88⅛	Courage	134p	−2	2·8
187¼	125⅜	Distillers	179p	−5½	3·5
36⅛	24⅛	Distill Seagrams	$35¼	−⅜	2·0
465	385	Dortmund Union	DM 422	...	2·4
216	130	Guinness	213p	−1	3·4
278	194·7	Heineken	Fl 271·1	+14·6	1·3
148	57	IDV	144p	−4	2·1
265	188	Kirin Brewery	Y 253	+6	3·0
19¼	13⅛	Nat Distillers	$16⅞	−⅛	5·4
103	63¼	Scottish & Newc	101½p	+¾	2·7
92⅛	61⅛	Sth African Br	82½p	−⅛	3·7
208	90⅜	Watney, Mann	208p	+17	2·6
97⅜	51⅞	Whitbread 'A'	95p	−1¼	3·3
		Building, building materials			
455	228½	Assoc Portland	443p	−5	2·9
223	101⅞	BPB Industries	213p	−9½	3·0
48⅜	15¼	Boise Cascade	$17¼	−⅛	1·4
299	108	Bovis Holdings	286p	+10	1·7
253·3	167⅛	Ciments Lafarge	Fr 223	+14·9	6·3
2485	1795	Cimenteries Briq	Fr B 2485	+35	4·4
354	103	Costain	350p	+12½	1·6
126⅛	83	Eng China Clays	114p	−5½	2·3
25450	18530	Italcementi	L 19300	−240	2·6
198	70	Laing 'A'	195p	−3	1·2
148	53⅜	London Brick	144p	−3	2·6
212	37⅛	Marley	193p	−10	2·8
360	175	Pilkington Bros	350p	−10	2·9
144	53⅛	Redland	138p	−5	2·1
177	90⅜	Rugby Portland	161p	−5	1·9
199	114	Steetley	162p	−2½	3·3
290	143⅜	Tarmac	286p	+4½	3·0
360	132⅛	Taylor Woodrow	321p	−6	1·8
238	106	Wimpey	225p	−1½	1·0
		Catering, hotels, entertainment			
198	126⅛	ATV 'A'	157p	...	4·2
55⅛	30⅛	CBS	$55⅞	+1⅜	2·5
244	118	Granada 'A'	234p‖	−3½	2·4
275	110⅛	Grand Metropolitan	254p	−10	1·1
55⅛	35⅛	Holiday Inns	$55⅛	+3⅛	0·5
673	395	Lyons 'A'	673p	+3	2·0
203	116	Trust Houses-Forte	191p*	−7	3·9
		Chemicals			
91	56·7	AKZO	Fl 71·2	−5	5·6
1060	724	ANIC	L 753	−10	6·6
40	27	Amer Cyanamid	$40	+⅛	3·1
161	113·2	BASF	DM 151½	−5	...
164	113	Bayer	DM 137·1	−5·9	...
2930	2250	CIBA-GEIGY	Fr S 2840	−25	0·8
85⅛	48⅛	Dow	$83⅛	+2⅜	2·2
174	129⅜	Dupont	$173	+11	2·9
376	220	Fisons	338p	−7½	3·1
35⅛	25⅝	W R Grace	$27⅛	−2⅛	5·5
198½	120·2	Hoechst	DM 164·2	−6·8	...
335	230	ICI	267p*	−14	5·2
148	77	Laporte	85p	−8	2·3
53¼	37⅛	Monsanto	$49⅜	+1	3·6
904	630	Montecatini-Edison	L 682	−20½	...
1295	520	Norsk Hydro	Kr 905	+20	1·2
245	156	Rhone Poulenc	Fr 172	−3½	7·0
2875	2125	Solvay 'A'	Fr B 2590	+70	6·0
162·9	119·7	St Gobain	Fr 156	−4·8	5·4
344	180	Takeda Chemical	Y 205	−5	4·1
50	39	Union Carbide	$45⅛	+⅛	4·4
		Coal & steel			
5000	3485	Arbed	Fr B 4070	−30	9·8
32⅜	19⅜	Bethlehem	$32⅛	+⅛	3·7
14·75	9·26	Broken Hill Pty	$A 11·95	...	...
164½	124	Denain Longwy	Fr 140	...	9·6
543	291	Finsider	L 292	+1	12·8
145	130	Fried Krupp	DM 145	+4½	6·9
204	147	Granges A B	Kr 158	+7	7·6

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8, 1972	Change on week	Yield Mar. 29
84	52·3	Hoesch	DM 64½	−3·3	4·7
85·3	54⅛	Hoogoven	Fl 70·1	−2·1	5·7
172½	134½	Mannesmann	DM 162½	−4·8	7·4
64	50	Nippon Steel	Y 60	+1	8·3
102½	65·2	Rheinstahl	DM 86	−2	5·8
96½	60	Thyssen Huette	DM 75·6	−3·4	...
205	140	Ugine Kuhlman	Fr 169·1	+6·6	8·0
35¼	25	US Steel	$33	...	5·0
122·8	83·9	Usinor	Fr 93·1	+2·3	9·7
120	40	Wendel-Sidelor	Fr 44½	+½	11·0
		Electrical, electronics			
201·8	132½	AEG Telefunken	DM 161	−4·7	3·1
299	170	ASEA	Kr 276	+9	3·6
199	122	BICC	187p	−3	3·8
475	373	CGE	Fr 427	+11	4·7
180	56½	Chloride Electric	174p	−2	2·6
83¼	49⅜	Comsat	$72⅛	+1⅜	0·7
358	165	Decca	350p	+17	2·6
222	124	EMI	201p	−17	3·1
196	111	Ericsson 'B'	Kr 196	+8	4·1
295	216	LM Ericsson 'B'	Kr 276	+10	2·0
66⅛	46⅜	General Electric	$64	+3⅜	2·2
195	90	GEC	175½p	−6½	2·1
35⅜	27⅜	Gen Tel & Elec	$31⅛	+⅜	4·9
145	87	Hitachi	Y 117	−2	5·1
158⅜	82½	Honeywell	$158⅜	+8¼	0·8
69¼	39⅜	Hoover	$69¼	+7¼	1·7
383¾	286	IBM	$382	+15	1·4
175	103	Int Computers	139p	−6	8·0
102	64	Machines Bull	Fr 86·7	−3·1	...
720	346	Matsushita	o Y 720	+92	1·4
712½	426	Philips	667p	−23	3·0
167	100	Plessey	142p	−12	3·6
44⅜	26¼	RCA	$44⅜	+3⅜	2·2
122	64⅜	Rediffusion	122p	+3	3·4
178⅜	67	Reyrolle Parsons	102p	−18	(n)
242½	179	Siemens	DM 231·7	−10·8	3·0
4529	2460	Sony	Y 4529	+269	0·3
38⅜	22⅛	Sperry Rand	$38⅜	+1⅛	1·8
140	79⅜	Texas Instruments	$140	+8¼	0·6
146·4	91	Thomson-Houston	Fr 115	+9	5·2
530	257	Thorn Electrical	503p	−20	1·2
81	56	Toshiba	Y 75	+1	6·7
55	34⅛	Western Union	$55	+4⅜	2·5
48⅛	32⅜	Westinghouse	$47½	+4⅛	1·9
		Engineering, shipbuilding			
220	123½	Acrow 'A'	220p*	+4	2·2
225	163	Atlas Copco	Kr 217	+1	2·3
85	17¼	BSA	38½p	−⅛	...
360	225	Babcock & Wilcox	348p	−12	2·9
187	100	John Brown	140p	−1	7·2
1595	890	Brown Boveri 'A'	Fr S 1365	−95	3·7
98⅛	56¼	Cohen 600	89½p	+5½	5·1
70	36	Davy Ashmore	66½p	−3½	1·9
189½	143	Demag	DM 180½	−8½	4·4
50⅛	17½	B Elliott	50½p	+4½	1·2
166⅛	76	Firth Cleveland	147p	+2	4·8
428	271	GKN	385p	+1	3·3
183½	129	Gutehoffnungs	DM 160·1	−15·4	4·0
37	12⅛	Harland & Wolff	27p	−1	...
79	32½	Head Wrightson	79p	...	4·3
71	27	Alfred Herbert	55p	−6	...
100	66	IHI	Y 91	+3	6·6
25	9¼	Inter Combstn	23½p	−1⅝	...
152	81	Inter Comp Air	149p	−3	2·3
60⅛	19⅜	Laird Group	60½p	+2½	...
206½	155½	MAN	DM 174	−19	5·2
91	56	Mather & Platt	80p	−2	3·5
420	277	Metal Box	389p	−11	3·2
93	72	Mitsubishi Heavy	Y 87	+3	6·9
140	101⅞	Morgan Crucible	107p	−6	5·0
435	340	SKF 'B'	Kr 383	+18	3·1
77	31¼	Serck	75p	+3	2·7
180	97½	Simon Engng	125p	−6	6·0
77	33⅛	Stone-Platt	73p	...	3·8
65	15	Swan Hunter	59p	−5	3·4
3800	3020	Sulzer	Fr S 3510	+85	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ‖ Ex capitalisation. ¶ Ex rights. † Ex all. (*f*) Flat yield. (*I*) To latest date (a) Interim since reduced or passed. § The net redemption yields allow for tax at 40p in £.

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8, 1972	Change on week	Yield Mar. 8
500	304	Tube Investments	475p	3	4·0
29½	16⅜	US Industries	$27	1	2 3
98½	52½	Vickers	87p	2½	....
121	55	Weir Group	121p	2½	4·7
123	51½	Thos W Ward	116p	1	3·7
		Food, pharmaceuticals			
75½	42½	Assoc British Foods	75½p*	2½	2·4
82½	36½	Assoc Fisheries	79½p	2	4·1
113⅜	82½	Avon Products	$113⅜	2⅛	1·1
358	225	Beecham Group	295p*	6½	2·1
177·2	140	Beghin	Fr 149·9	2 3	6·5
82½	51½	Brooke Bond 'B'	75½p	....	3·5
96½	49	Cadbury Schweppes	95½p	1½	4·2
259	66¼	Cavenham	242p	7	1·4
66⅝	43¼	Colgate-Palmolive	$66⅝	2¼	2·2
6·32	4·05	Col Sugar Ref	$A5·32	0·16	....
132	48¾	Fitch Lovell	130p*	3	2·3
44¼	30¼	General Foods	$31⅛	⅝	4·5
49¾	31¼	*General Mills*	$48¼	4½	2·0
534	284	Glaxo	501p	6	1·6
47⅛	34	Heinz	$47	1½	2·1
200000	163000	Hoffman La Roche	Fr S 190000	500	0·5
47⅝	38¾	Krafteo	$44¼	1½	3·8
2005	1425	L'Oreal	Fr 2005	58	1·2
3231	2545	Motta	L 2635	34	....
3520	2615	Nestlé	Fr S 3290	90	2·0
42½	35¼	Pfizer	$42⅞	1¼	1·4
88⅝	56½	Procter Gamble	$88	1⅞	1·7
197	88½	Ranks-Hovis	194p*	10	4·1
327	191	Reckitt & Colman	311p	3½	2·7
4600	3810	Sandoz	Fr S 4600	190	1·4
78	26½	Spillers	77p	1	3·1
45	29¾	Swift	$36½	1⅞	1·9
203	119	Tate & Lyle	197p	2	5·1
179½	79¾	Unigate	179½p*	1¾	2·3
394	215	Unilever	386p	3¼	2·9
133·2	79·4	Unilever NV	Fl 131	2·2	4·1
305½	121½	United Biscuits	299p	2½	2·2
		Motors, aerospace			
57	30	BLMC	44½p ¶*	2½	4·5
25½	14	Boeing	$24⅝	⅛	1·6
55½	38¼	Caterpillar Tract	$50⅝	2	2·8
34½	25	Chrysler	$33	⅛	1·8
106·8	71·2	Citroen	Fr 79·9	3·2	....
379	284½	Daimler-Benz	DM 351½	18	2·4
196	124	Dunlop	188p	8	4·3
2650	1975	Fiat	L 2094	12	5·7
56	20	Firestone Tire	$26	1⅛	3·1
73½	54⅜	Ford	$72	2⅝	3·6
31	18⅝	General Dynamics	$29	⅝	....
89⅜	76¼	General Motors	$82½	2½	4·1
34½	27⅝	Goodyear	$30½	⅝	2·8
357	123	Hawker Siddeley	350p	6	3·7
379	130	Honda	Y 379	19	2·4
255	131	Komatsu	Y 174	5	4·9
14¾	8¼	Lockheed	$14⅛	⅛	....
450	156	Lucas	411p	22½	2·4
14⅜	8⅜	Massey Ferguson	$C 14⅛	⅛	....
45	21¼	McDonnell Douglas	$43¾	1⅛	0·9
1398	1084	Michelin 'B'	Fr 1329	9	1·5
365	140	Nissan Motor	Y 365	10	2·2
35⅜	19⅞	N Am Rockwell	$35⅛	⅛	4·0
283	224	Peugeot	Fr 277	....	3·8
2660	1545	Pirelli-Spa	L 1590	45	6·9
210	92½	Smiths Indust	208p	2	3·0
242	186	Steyr-Daimler-Puch	236	6	4·4
539	220	Toyota Motor	Y 539	9	1·5
44	24⅝	United Aircraft	$33¾	1⅛	5·3
212	123½	Volkswagen	DM 151	8	6·9
247	159	Volvo	Kr 244	8	1·6
73½	30	Westland	67½p	2½	4·5
109	42	Wilmot-Breeden	93p	4	3·2
		Office equipment, photographic			
309	131	Canon	Y 185	5	4·1
110½	72¼	Eastman Kodak	$108⅛	1½	1·2
675	354	Fuji Photo	Y406	21	1·8
2150	1515	Gevaert Agfa	Fr B 1740	125	3·4
207	115	Gestetner 'A'	162p	1½	1·7
515	251	Nippon Optical	Y 375	5	2·0
2768	1360	Olivetti	L 1500	61	5·7
246½	167⅜	Ozalid	244p	2½	2·6
121⅜	77⅛	Polaroid	$121⅜	2⅝	0·3
1081	667½	Rank 'A'	1003p	43	1·1
140⅝	85⅛	Xerox	$140⅝	6⅝	0·6
		Paper, publishing			
190	99	Borregaard	Kr 106	1	8·1
197	133	Bowater Paper	173p	10	5·8
124	66	Bunzl Pulp	122p	⅜	3·7
37½	27⅜	Crown Zellerbach	$28⅛	⅛	4·3
169	110	DRG	163p	1	4·4
28	20¼	MacMillan Bloedel	$C 27⅜	⅛	....
24	15⅞	McGraw Hill	$17⅜	⅛	3·4
270	108⅝	News International	270p	½	3·5
200	97½	Pearson Longman	180p	2	2·8
302	121	Reed Int	294p*	6	4·2
133	60	Thomson Org	130p	10½	5·4
		Property			
132	61	Capital & Counties	123p	6	2·1
600	274½	Hammersons 'A'	575p	10	1·1
209	121	Land Securities	202½p*	2½	2·1
125	64¼	LMS	125p	....	1·9
260	118½	MEPC	249p*	9	2·1
204	58	St Martins	204p*	....	1·1
385	293	SG Immobiliare	L297½	½	6·7
319	100⅝	Star (Gt Britain)	309p	6	1·8
815	416	Stock Conversion	770p	25	0·8
195½	68¾	Trafalgar House	193½p	2	2·1

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8 1972	Change on week	Yield Mar. 8
		Transportation			
47⅝	22½	American Airlines	$47⅜	1⅜	....
270	152	Brit & Comm	258p	2	3·1
15¼	11⅜	Canadian Pacific	$C15	⅛	....
410	262	Furness Withy	358p	3	4·2
25¼	16	Greyhound	$21¼	¼	4·6
1800	1440	Japan Air Lines	Y 1750	45	2·3
210	98	KLM	Fl 118⅛	3	....
90	60	Lufthansa	DM 75½	⅛	3·3
174	92	Ocean Steam Ship	162½p	4½	4·3
20	10¼	Pan American	$14⅛	⅛	....
250	143	P & O Defd	243p	2	4·9
760	485	Swissair (Bearer)	Fr S 675	35	4·4
54¼	13⅜	TWA	$54¼	6¼	....
50¼	21¾	UAL	$50	2¼	....
		Stores			
259	130	Boots	255p	4	2·2
315	144½	Brit Home	307p	1	2·1
290	155	Burton Group	285p	40	2·1
360	158	Debenhams	340p	3	2·9
173	119·8	Galeries Lafayette	Fr 144·7	3·3	....
390	290	Galerias Precdos	₰378½	1½	3·0
297½	191	Grattan Ware	280p	....	2·5
32¼	18	Great Atlantic	$19¾	½	6·8
297	180⅝	GUS 'A'	287p	7	2·4
278	107½	House of Fraser	278p	13	2·9
2550	1360	Innovation	Fr B 1700	40	5·3
96	68·4	KBB	Fl 91·6	4·4	3·9
392	299	Karstadt	DM 370	15	2·7
281	226	Kaufhof	DM 268	12	3·7
538	371·1	La Redoute	Fr 527	3	2·3
314½	228⅛	La Rinascente	L 228½	16½	3·5
38½	27½	Marcor	$28¼	½	2·8
331	194½	Marks & Spencer	286p	10	2·5
471	288	Mitsukoshi	Y 436	15	2·1
2·05	1·13	Myer Emporium	$A2·03	0·03	....
125	80	Neckermann	DM 118·6	6·4	2·5
174	113	Nouvelles Gals	Fr 142	20	2·6
76¾	54⅞	JC Penney	$76¼	3¼	1·3
177½	125½	Printemps	Fr 145·7	4·6	....
334	176¼	Provid Clothing	333p*	8	2·6
192	88¼	Sears 'A'	191p	4	2·6
112½	75⅛	Sears Roebuck	$112⅛	3½	1·4
734	332½	WH Smith 'A'	734p	4	1·8
81½	45¼	Tesco Stores	81p	....	1·8
154⅝	77¾	United Drapery	149½p	3½	3·7
55¼	35⅝	Woolworth	$43¼	1½	2·8
		Textiles			
49¾	27¼	Burlington	$36⅛	⅛	3·8
148	70	Carpets International	146p	5	4·5
80	45	Coats Patons	75½p	3½	4·7
150	107	Courtaulds	137p	4	5·0
102	75	Dollfus-Mieg	Fr 84	1	6·2
58½	32¼	English Calico	50p	4	5·0
4135	1280	Snia Viscosa	L 1341	26	....
38⅝	20	Stevens, JP	$31	1½	4·8
88	61	Teijin	Y 74	1	8·1
131	84	Toray Ind	Y 99	2	8·6
57½	41	Woolcombers	46p	4	....
		Tobacco			
391	265	Brit Amer Tobacco	332p	9	3·8
203	103⅛	Gallaher	203p	3	5·7
116	64½	Imperial Tobacco	107½p	7½	4·9
71½	51	RJ Reynolds	$71½	2⅝	3·4
		Utilities			
53⅞	41½	AT & T	$44⅛	⅞	5·8
843	670	Chubu	Y 843	8	5·9
840	680	Chugoku	Y 840	25	6·0
29	24¼	Cons Edison	$26	⅛	6·9
2765	2385	EBES	Fr B 2740	25	5·5
2160	1830	*Intercom*	Fr B 2140	20	5·6
835	700	Kansai Electric	Y 835	13	6·0
233½	161	RWE	DM 176½	8½	4·5
840	660	Tokyo Electric	Y 836	14	6·0
105	83	Tokyo Gas	Y 92	2	6·5
		Investment trusts			
253	172	Alliance Trust	253p	3	2·4
160	106	Atlas Electric	159p	1	2·4
158	82½	BET Deferred	156p	1	3·6
93	66	British Assets	92½p	½	1·6
163	109	Cable Trust	154p	3	2·7
176	118	Foreign & Col	176p	6	1·7
165	108	Globe Investment	162p	3	2·5
146	94½	Industrial & Gen	142p	4	3·0
63	44	Mercantile Inv	60½p*	2½	3·5
248·3	200½	Robeco	Fl 247	2·6	4·8
198	149·8	Rolinco	Fl 185	4	1·6
108½	68½	Witan Investment	108p	...	1·7
		Multi-product, miscellaneous			
423	335	Air Liquide	Fr 380	6	3·6
1280	883	BSN	Fr 1280	35	2·2
174	68¼	Bookers	170p	4	3·2
230	138	British Match	176p	11	5·4
75½	50	British Oxygen	74p	1	4·0
132	78½	British Ropes	127p	5	3·6
77	31½	Cope Allman	73p	4	4·2
263	120	Dalgety	259p	7	3·8
249	117	De La Rue	218p	1	5·1
35¼	19	Engelhard Minerals	$25¼	1½	1·6
38¾	19⅜	Gulf & Western	$38¼	3½	1·6
79	46½	Halliburton	$79¼	4½	1·3
468	220½	Hays Wharf	468p	....	1·5
1062½	735	Hudson's Bay	1000p	62½	2·2
67	46½	*IT & T*	$60⅝	2⅝	1·9
530	198½	Inchcape	530p*	18	2·3
416	128	C Itoh	Y 377	4	1·6
25⅝	7⅝	Ling-Temco-Vought	$12½	1⅛	....
33⅝	19	Litton Industries	$20⅞	⅛	....
143½	95⅞	Minnesota Mining	$143⅛	3½	1·3

Prices, 1971–72 High	Low	Ordinary stocks	Price, Mar. 8 1972	Change on week	Yield Mar. 8
214	121	Mitsubishi Shoji	Y 212	3	3·3
273	132	Mitsui	Y 273	3	2·6
283	117½	S Pearson & Son	275p	2	2·1
43¼	28⅝	TRW	$35¼	1¼	3·0
29⅝	22	Tenneco	$25⅝	1⅛	5·2
36⅜	23⅞	Textron	$35⅛	⅝	2·5
155	67½	Thomas Tilling	150p	⅝	2·4
240	127	Turner & Newall	232p*	5	4·6
		Oil			
677	467½	Aquitaine	Fr 584	16	3·1
632	403	BP	566p	40½	3⅜
477	297½	Burmah Oil	415p	17½	4·0
251·9	153·8	Cie Petroles	Fr 219·7	9·7	4·5
103·9	80½	Gelsenberg AG	DM 89	4·8	4·4
33⅞	24½	Gulf Oil	$27¼	1⅛	5·5
59⅞	47½	Mobil Oil	$55⅝	⅝	4·7
4300	3040	Petrofina	Fr B 4285	25	2·6
34⅝	26¼	Phillips Petroleum	$29⅝	⅝	4·4
153½	109	Royal Dutch	Fl 118	3·1	6·1
426	295	Shell Transport	320p	16	4·6
62⅞	50½	Standard Oil (Calif.)	$59⅝	1½	4·7
70⅝	52½	Standard Oil (Indiana)	$68⅛	⅛	3·4
81½	67½	Standard Oil (NJ)	$76⅝	1⅛	5·1
90⅝	70¼	Standard Oil (Ohio)	$84¼	1½	3·2
39	29⅛	Texaco	$32⅛	⅛	4·9
		Gold mines – finance			
360	202	Anglo-American	292p	2½	2·9
271	160	Charter Cons	268p	6½	2·6
285	159	Cons Gold Fields	228p	1½	3·2
1012½	755	General Mining	880p	30	4·6
1750	850	J'burg Cons	1200p*	25	3·6
720	460	OFSIT	685p*	27½	5·9
675	410	Rand Selection	570p*	10	3·8
223	120	Union Corp	216p	17½	3·1
		Mines, metals			
25⅛	6¼	Alcan	$C20⅞	⅝	....
70	37⅝	Alcoa	$48⅛	1¼	3·7
3800	1660	Alusuisse	Fr S 2130	65	2·8
37⅛	26	Amer Met Clim	$32½	1⅛	4·9
23½	11½	Anaconda	$19¼	....	....
273	87	CAST	165p	11½	2·7
258	165	De Beers Defd	240p	1½	3·9
141½	53	Delta Metal	136p	5½	3·7
155¼	57½	Falconbridge	$C94⅛	6¼	....
46⅝	26⅛	Inter Nickel	$35⅝	⅛	2·8
330	212	Johnson Matthey	318p	5½	3·9
56	20	Kennecott	$28⅝	⅛	6·2
113	48	Lonrho	75p	35	8·7
3·90	2·35	MIM Holdings	$A 3·50	0·21	2·8
450	270	Metallgesellschaft	DM 323	22	....
187	126	Pechiney	Fr 150½	5½	8·0
92	52·6	Penarroya	Fr 65	5·1	7·6
212	69	Potgietersrust Plat	92p	⅛	5·6
33	14⅛	Reynolds Metals	$20	⅛	3·0
270	173	RTZ	227p	3½	2·6
288	115	Roan Cons	220p	8	24·0
780	425	Selection Trust	605p*	7½	2·6
1945	1190	Union Miniere	Fr B 1550	40	6·1
5·24	2·10	Western Mining	$A3·23	....	0·4
260	148¾	Zamangio	212p	1	20·6
		Plantations, etc			
340	248	Consolidated Tea	240p	7½	9·7
296	159½	Guthrie	284p	2	5·6
46¼	26⅛	Highlands & Low	40½p	2	7·4
57½	37	Jokai	51p	2	4·9
230	130	Longbourne	148p	5	19·7
33½	17½	Plantation Hldgs	33½p	⅛	6·0

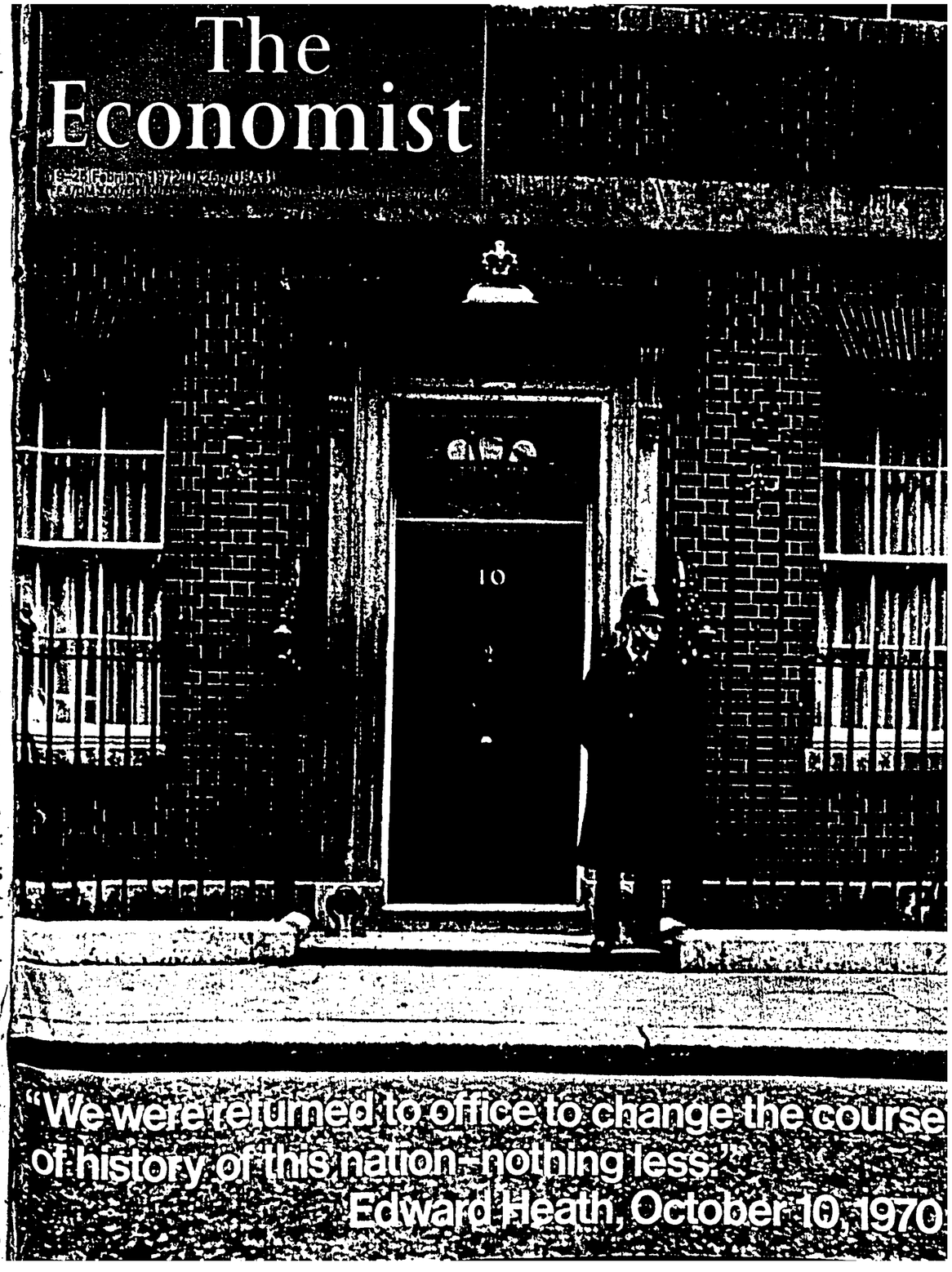
Money Market Indicators

Three-month US Treasury bill rate edged up again this week, to its highest for two months. Sterling rose sharply in the foreign exchanges.

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4½%

Deposit rates		**Eurosterling deposits** *(in Paris)*	
7 days' notice:		2 days' notice	5⅛
Clearing banks	2½	3 months'	5¼
Local authorities	5⅝	**New York**	
3 months' fixed:		Treasury bills	3·55
Local authorities	5⅛	Certs. of deposit	3·88
Finance houses	5¼	**Sterling:** Spot rate	$2·6260
Interbank rate		Forward discount	
7 days'	5¼	(3 months')	0·35 cents
Treasury bills		Forward cover (3 months'):	
3 months'	4·36	Annual int. cost	0·53%
Eurodollar deposits		**Investment currency:**	
7 days' notice	4	Investment $	30½% prem
3 months'	4⅛		

Covered arbitrage margins (3 months')	In favour of Last week %	This week %
Treasury bills	London ⅛	London ⅛
Eurodollar/UK local authority loans	London ⅛	N. York ⅛
Eurodollar/Eurosterling	London ⅛	London ⅛
Uncovered arbitrage margins (7 days')		
Eurodollar/UK local authority loans	London 1⅛	London 1⅜
Eurodollar/Interbank	London 1⅛	London 1⅛



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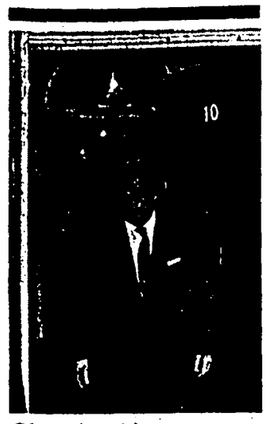
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February 19, 1972



Changing history

In a mauling week for his Government, and for the country, Mr Heath just got a majority in the Commons for going on into Europe, but public opinion had enabled the miners to use illegal methods to overrun many of his hopes for real economic expansion. Although the miners are having to be bought expensively off, Mr Heath has no option but to carry on, and to see that Mr Barber's budget still aims for 5 per cent growth. But what does the country want for itself?, page 15.

How the economy will have to live now, the damage to industry, the law on picketing, power supplies, coal imports, householders' troubles and how the miners see things, pages 61-71.

The stock market fell, but not far, page 80.

He likes Ted, anyway

President Pompidou is at Chequers this weekend to tell Mr Heath how much he depends on him, page 17.

That affair

The verdict on the V and G insurance scandal raises the right questions, which the Government should act on, page 25.



The Chinese connection

In Peking next week Mr Nixon will be hoping to win Chou En-lai round to the idea that the Russian threat makes an American presence in Asia tolerable—and Europe could benefit from the spin-off, page 19. The Tet that went quietly in Vietnam, page 33. The electronic war, page 34.



The kites fly

The Heath Government let it be known that it was considering a new political initiative in Northern Ireland, but the ideas that were fed out got the thumbs-down from orange and green alike—and not surprisingly, page 21.



Franco's Spain

A special survey on a country caught between past and present, after page 50.

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Letters

Geoffrey Crowther

SIR—Your perceptive tribute (February 12th) to Lord Crowther referred to the "Crowther report on secondary education." In fact this report (1959) dealt with education for the 15 to 18 age-group, in all its aspects. It set out what is still the best and fullest statement of the case for raising the school-leaving age to 16. It made important recommendations, accepted by the Government, for the further expansion of teacher supply. And it put forward new and important proposals for the expansion of courses in technical colleges; these proposals were the basis for the 1961 white paper, "Better Opportunities in Technical Education."

It is very doubtful whether the polytechnics, and other colleges of technology, would today be making so great a contribution to higher education, but for the "lift" given to technical education by the Crowther recommendations more than 10 years ago. In my opinion the significance of the Crowther report has been seriously underrated in comparison with that of the other major educational reports —Robbins, Newsom and Plowden—which succeeded it. Lord Crowther was a most consistent advocate of the policy of levelling-up educational opportunity—a tradition of advocacy which, happily, *The Economist* has strongly maintained—and, always the most generous-minded of men, I know he would have wished a tribute of this kind to couple with his name that of Lord Eccles who, as minister at the time, fought so hard and so successfully to match Lord Crowther's ideas with a notable rate of increase in available resources.—Yours faithfully,

University of Leeds EDWARD BOYLE

Rhodesia

SIR—Mr A. N. Goodfellow is incorrect in stating (Letters, February 5th) that the choice before the people of Rhodesia is, in effect, "Do you want this settlement?" or "Would you rather Britain continued . . . to maintain existing pressures . . . with a view to obtaining . . . a better state of affairs than that which exists at present?"

Having attended a meeting of the commission, I can assure you that the choice "in effect" and "in practice" is simply this: "Do you want this settlement?" or "Would you rather continue as you are under the 1969 constitution?"—Yours faithfully, R. ALDWORTH COWAN

Salisbury, Rhodesia

SIR—It would appear that Lord Pearce's commission has little option but to announce the rejection of the terms of settlement at the end of its mission in Rhodesia. You suggest (January 29th) that the best course of action for Britain to take then would be to forget about the black Rhodesians as quickly and as quietly as possible, and tacitly recognise Mr Smith's regime with the withdrawal of sanctions. You base this reasoning on the possibility of the use of force being ruled out because of Mr Wilson's decision in 1965. I was of the opinion that Mr Wilson ruled out the use of force in favour of sanctions in the belief that this would bring Rhodesia to its knees in the course of a few years. Sanctions have failed, and it appears that force is going to be the only way to make Mr Smith end his racist policies and enfranchise black Rhodesians. However, it is becoming increasingly evident that Britain only has the "power" to use force in dealing with a black secessionist island (Anguilla) and not when dealing with a white minority regime.—Yours faithfully,

SIMON OWENS

University of the West Indies, Kingston

SIR—Your articles on Rhodesia (January 22nd) seem completely to ignore the main issues of the, as yet, hypothetical settlement. The qualifications of the commission are quite clearly in doubt, since no realistic thinker can suggest that a body of men who are typical of the short-sighted and naive attitude that Whitehall has always displayed towards African states can truly assess the opinions of one of the most primitive peoples of the world. This fact is admitted by your special correspondent, who pointed out the difficulties of explaining modern politics to African elders. This in itself implies that if these gentlemen take nearly a whole day to comprehend uncomplicated procedures, how would they possibly cope when faced with the government of 5¼m people and 150,000 square miles?

It is widely accepted that less than 1m Africans are "economically active," and it follows that the remainder live outside urban areas. This is certainly true from my own fairly broad knowledge of urban and rural Rhodesia. How, therefore, is it possible that the rioters throughout the country in relatively densely-populated areas can be typical of the entire population? Rural Africans, and they number around 4m, are simply not concerned with who rules the country, for such matters have no possible relevance to their way of life. Any Rhodesian farmer will tell you that and assume the questioner to be very stupid if it were not already clear.

Obviously, the people must be ruled, and the form of government that has been highly successful by most criteria should surely continue, albeit with minor constitutional changes to improve the opportunity for Africans to become more competitive. There will always be a dissident minority against any government the world over, and it is absurd to suggest that the most violent and vociferous are, in this case, the majority.—Yours faithfully,

Hongkong GEORGE G. M. JUDD

The miners' strike

SIR—You perpetuate (February 12th) the mischievous piece of nonsense that a coal miner's life is dirty and dangerous.

A quick glance at the Registrar-General's returns over the past 50 years (probably 100 for all I know) shows that miners are well up in the expectancy-of-life league. Many other industries are far more dangerous, even if they attract less attention.

I can speak from experience of the medical profession and 40 years of surgery and, later, of pathology. We are well below the miners in expectancy of life and our life is passed in a milieu of a constant host of malignant germs. Here the hours worked are probably more than twice those of the miners. There is no absenteeism and we still belong to the working, rather than the striking, classes. More than 10 years of large-scale farming has shown me the constant risk to life and limb from heavy machinery in difficult conditions and health risks from animals, faced unstintingly in weather conditions never faced by miners. These workers do not share the same expectancy of life of the miner, but neither do they strike, nor absent themselves from work.

Naturally, if you compare a miner's conditions with those of the pen-pushing fraternity, an uncomfortable gap in health and working conditions will appear, but it remains true that few forms of valuable work are free from more than marginal risk or occupational hazard.—Yours faithfully, J. G. C. SPENCER BERNARD

Aylesbury, Bucks

SIR—According to the miners' leaders, they are striking as much against the Government as the coal board. Yet the strikers are getting no strike pay and it is mainly the Government that is financing the strike. This situation is worthy of "Alice in Wonderland," and has already cost the taxpayer well over £2m.

Surely, in principle, it is up to the unions concerned to finance strikes. If they can't or, as in the case of the miners, won't do so, it is clear that women and children cannot be allowed to starve. That is, however, no reason why they should get the generous payments available to people suffering hardship through no fault of their own. Any payments made should be based on proved and urgent need. These should be in the form of loans repayable by the unions. These latter could collect the money from the individual concerned or pay it out of a levy on all its members after they go back to work. The latter would appear to be the fairest method as it would not impose an undue burden on families.—Yours faithfully, THOMAS HUTTON

London, W1

more letters on page 6

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For further management appointments see page 7

When the umbrella goes

SIR—What are the essential functions of government? To create welfare? To build roads? To provide education? None of these, nor a host of others that people seem, wrongly, to regard as important—wrongly, because although there may be the resources for all these governmental activities, and although government may perform them as well as, if not better than, private organisations, they can be jeopardised in a matter of days, even hours, if government does not first attend to two functions which are more important still. These two are: the maintenance of peace within the country's territory; and its defence against attack from without.

The communist countries, incidentally, give these two functions their priority. Can one conceive an Ulster situation anywhere within the communist block? The Hungarian revolution was over in a couple of weeks; the Czechoslovak in a matter of days; the disturbances in Poland and east Germany in a matter of hours. Russia, much less developed than the United States, and with a far, far lower standard of living, can challenge the United States in defensive and offensive capacity; and I am not sure that east Germany could not hold its own against west Germany, if the two were ever allowed to fight it out.

Throughout history, rich empires have been overthrown by nations that were poorer, but that got their priorities right. We western Europeans—with the honourable exception of the Swedes and the Swiss—are luxuriating in a fools' paradise. We are entirely dependent for our safety on the American defence "umbrella," assuming, quite wrongly, that America will indefinitely have the resources and the will to provide it; and we must use the resources this dependence allows us to buy, not enforce, peace within our borders, because public opinion is so bemused that it would not allow our governments to do otherwise. I am fortunately old enough probably not to live to see the collapse of this fools' paradise; but I dread for the future of my children.—Yours faithfully, G. H. G. NORMAN
London, W14

SIR—During recent years we have become accustomed to the misuse of words, and their distortion into grotesque parodies of their original meanings. Commander Young's letter (February 5th) is, however, an extreme example.

My dictionary defines independence as "not dependent on others, not subordinate, completely self-governing, thinking or acting for oneself." It does not define security but I suggest that "the ability to pursue a state's own political, social and economic policies without outside interference" is as good a definition as most. Can anyone believe that either of these expressions applies to Czechoslovakia today?

Every current debate becomes confounded by the use of the same words, such as independence, freedom, democracy and civil rights, to imply totally differing concepts. Public information and discussion are two of the most valuable rights of our political system; both are nullified if the words used are meaningless. Can any of your readers suggest how we can halt this misuse of our language, and return to honesty in debate?—Yours faithfully, D. J. MILTON
Little Chalfont, Bucks

Nationalism and communism

SIR—I wonder whether you fully appreciate the ambivalence of some of your analogies in "The only ally" (January 22nd)? This ambivalence arises because you see clearly enough that nationalists are only incidentally liberal, but will have it that, generally speaking, nationalism does service to the liberal cause in the communist world. It would be truer to say that there, as in the west, nationalism and liberalism may be transiently linked by the circumstance of crisis, but in the longer term one nationalism merely encourages another.

Slovak nationalism may have come briefly to the aid of Czech liberalism in 1968—but was not Dr Husak also a Slovak nationalist? In the Soviet Union, the reaction to nationalism in the Ukraine and elsewhere has been a resurgence of Great Russian nationalism. In Jugoslavia, Croatian nationalism was never likely to have a liberalising effect; indeed, until it really came into the open early in 1970, support for decentralisation came from many quarters—not all of them nationalist—throughout the country.—Yours faithfully, R. K. KINDERSLEY
Oxford

The air and the sea

SIR—I trust it will not seem churlish of a recently-retired naval officer, while welcoming your support for sea power ("The unending war," January 8th), to point out a certain inconsistency in your remarks about air power. While air power has a useful generic meaning, in its functional sense it has long been considered an essential component of sea power, ie, navy, as of land power, ie, army.

You say, "It is too easy for ships to be sunk by aircraft, unless they have aircraft of their own to protect them": and this is precisely why aircraft-carriers are indispensable. For, as the Air League has made plain in commenting on the recent Royal Navy-Royal Air Force maritime exercise, "Highwood," in northern waters, four times as many fighters (not to mention airborne early-warning aircraft and air-refuelling tankers) were needed to provide the same coverage from shore bases as from a carrier. Thus, both military and economic factors support the continuing need for carriers, whether in home or overseas waters.—Yours faithfully,
Meonstoke, Hants EDWARD ARCHDALE

Multinational business

SIR—May I offer first my congratulations upon your survey of the future of international business (January 22nd) and, secondly, a few comments and reservations. The idea that the future will in general be just the opposite of what decision-influencing people are predicting is another way of saying that the world tends to overcorrect for disturbances to its economic equilibrium. This is not such a new idea. But is it even generally true? Let us take inflation. It took the London stock exchange, which many regard as the most developed and sophisticated international capital market in the world, more than a quarter of a century of constantly and significantly rising prices before it (the stock exchange) recognised the fact and consequences of inflation by quoting fixed interest stocks on a higher yield basis than ordinary shares. There was no overcorrection here. There was a persistent refusal to recognise a new situation that stood out a mile.

What of our raw materials? I remember prewar textbooks of economic geography that predicted exhaustion of the world's oil in 20 years and of the world's coal within the century. Which supports your confidence that the world will find new supplies or substitutes. But should we not distinguish between the short term and the long term? The short-term forecasts may have been wrong, hilariously wrong. But can we get around the hard facts that: (1) The world's mineral wealth is a wasting asset? (2) During the previous 10 millennia of human life on this planet, our mineral wealth was hardly scratched, whereas during the past two centuries it has been consumed at a phenomenal and rapidly increasing rate?

New sources of energy will be developed, but can we count upon their being self-regenerative?

My own feeling is that our society is constantly overcorrecting in the short-term cyclical sense but chronically under-aware of the long-term secular trends, indeed purblind to them.—Yours faithfully,
Kuala Lumpur PETER A. TOWSEY

SIR—It is a little disappointing to find, on page xxi of your survey of multinational business (January 22nd), the authority of *The Economist* in support of the idea that it is reasonable to compare the turnover of a giant multinational corporation with the gross national product of a country.

It is my belief that such comparisons mislead. But it would be meaningful to compare the value added of a corporation with the gnp of a country. The gnp of a country is essentially the sum of all the values added in the different sectors of its economy. The turnover of a corporation comprises its value added plus its purchases of materials and fuel. Let me take a simple practical example. According to "The Times 1,000 for 1971-72," the total turnover of the 1,000 largest

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industrial companies was £63 billion, which is greater than the United Kingdom's gnp for 1970 of £42 billion. There are, of course, other companies and other contributors to the gnp. Does that not suggest that your comparison, as it stands, is invalid?—Yours faithfully,

Liverpool P. G. L. PARKINSON

CAP

SIR—A few short months ago, the British public was authoritatively assured that joining the common market and embracing the CAP would lead at most to a 15 per cent increase in our food prices. A widely-fêted economist of your persuasion scored a great coup by demonstrating that it would actually be beneficial to our balance of payments on the rational assumptions that (a) world food prices went on rising, (b) EEC prices increased at no more than 1 per cent per annum and (c) our population ate less or worse, or possibly both.

Since then world grain prices have fallen like a stone, the "butter mountain" has begun rearing its greasy peak again, and Dr Sicco Mansholt has recommended immediate price increases around 7 per cent (a fact which you coyly tucked away on page 82 of your latest issue [February 5th]). On the other hand, the British people have selflessly begun their adaptation to European standards by eating less/worse already (see National Food Survey figures to date for 1971).

Only last week we had it from the horse's (ie, Dr Mansholt's) mouth that market prices for agricultural produce here would actually rise 25-30 per cent after we joined the EEC. To that will be added (or, rather, multiplied) the effects of revaluing the unit of account, probable devaluation of sterling and, ultimately, Vat on food. No wonder M. Pierre Uri wrote, in an essay much praised by your reviewer, "The community, if it applies the CAP in unmodified form to Britain, is likely to find that Britain will require sustained economic assistance" (!), and "Within the community of Six the CAP is already an embarrassment. In an enlarged community it threatens to be a disaster."

As the absurd preconceptions of the Josling school are shattered by events, as the evidence mounts of the injury that we are about to inflict on ourselves, your continuation in the bland assumption that the "debate" has been conclusively won by the Europhiles is one of the journalistic mysteries of our time: a triumph of dogma over rationality.—Yours faithfully,

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Vat

SIR—It is not generally realised that a multi-rate value-added tax system with a large range of products exempt is impossible for the taxation authority to police. It may be that HM Customs do not realise it yet.

With a single-rate system with no exemptions, such as the Danish, the Vat payable should be, in fact, the Vat rate on the gross profits. If it is not, the authorities would have reason to inquire. When, however, you have more than one rate and exemptions or zero rating, the Vat payable will bear no standard relationship to gross profits at all, and will depend primarily on the three following factors:

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Up to now we have been a reasonably law-abiding nation, not I suspect because we are born more honest than the Italians or French, but because our tax laws have been reasonably sensible and easy to administer. How long will this happy state continue?—Yours faithfully, C. J. FELL

Newport, Essex

The June war

SIR—Mr Terence Prittie (Letters, January 29th) misses the point of my question: "Was the blockade (of the Straits of Tiran) ever enforced?" No one disputes that President Nasser reoccupied Sharm-el-Sheikh. (It was, and still is, Egyptian territory.) And no one disputes that he reasserted Egypt's claim that the straits were Egyptian territorial waters. (On that Egypt has an arguable case which has never been properly heard.) But after taking these two actions, President Nasser then, at the end of May, gave to Ambassador Charles Yost (who had been sent to Cairo by President Johnson) an undertaking: (1) not to be the first to attack; (2) not physically to blockade the Gulf of Aqaba pending a decision on its status by the World Court; (3) to effect a partial withdrawal of Egyptian forces from Sinai; (4) to co-operate in the reinstatement of a military mixed armistice commission on both sides of the UAR-Israeli border; and (5) to send his Vice-President Zakaria Mohieddin to Washington on June 7th to tie up these assurances in a more formal agreement.

Vice-President Mohieddin never made the trip, because Israel attacked Egypt in the early morning hours of June 5th. Meanwhile, no Israeli ships had actually been molested or stopped in the Gulf. The authority for these statements is Mr David Nes, who was the American chargé d'affaires in Cairo at that time. There is corroborative evidence in the assurance which President Nasser gave at the same time to the Secretary-General of the United Nations that Egypt would not initiate offensive action against Israel. It was Israel who then chose to go to war, rather than to law, to assert its claim to freedom of navigation through the straits. Afterwards General Dayan himself admitted that, but for this, war could have been avoided.—Yours faithfully,

London, SE26 JOHN REDDAWAY

Eighteenth-century spelling

SIR—I should like to thank you for the reasoned review which you gave of my book, "James" (January 8th). But I think that it is only fair to point out that with regard to the "oddly spelt Scottish names" mentioned in your last paragraph, I have in most cases retained the contemporary spelling in the various letters and documents I have used. In the eighteenth century there were often considerable variations in the spelling of surnames, particularly when used in letters from the exiled Stuart court in Europe. I am probably at fault for not having stated this specifically, but I had hoped (wrongly, it seems!) that this would have been clear.—Yours faithfully,

London, W6 PEGGY MILLER

We are sorry

SIR—It is a pity that Professor Kirschen (Letters, December 25th) thinks we are a "lazy, selfish and/or inefficient lot." I seem to recall that we expended a considerable amount of effort between 1939 and 1945 rescuing his lot (and others) from such efficiency experts as Herr Hitler and Signor Mussolini.—Yours faithfully,

Charlottetown, Canada MICHAEL LANE

Racketty-Packetty House

SIR—Could I add a small correction to your review of our children's classic, "Racketty-Packetty House"? The correct price is, in fact, £1.30, not £1.70 as quoted in your review.—Yours faithfully,

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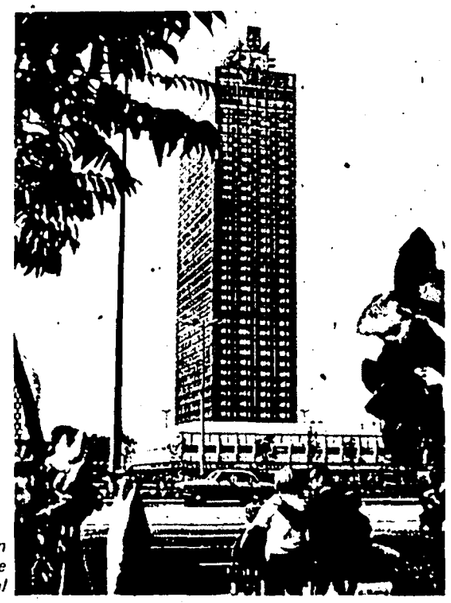
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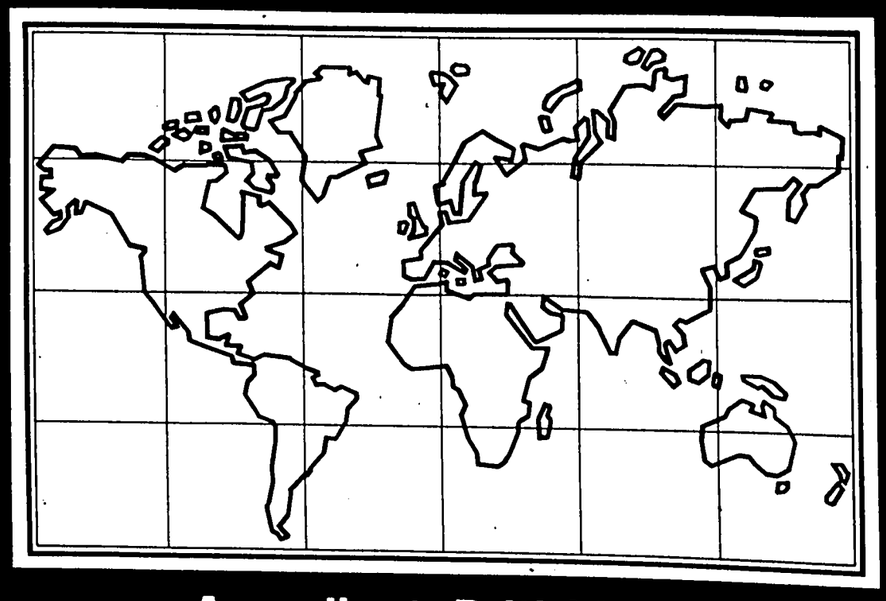


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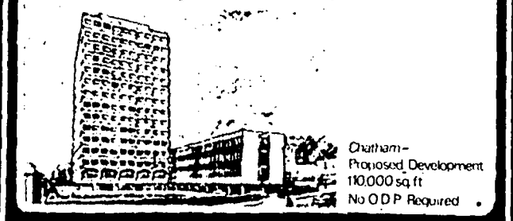
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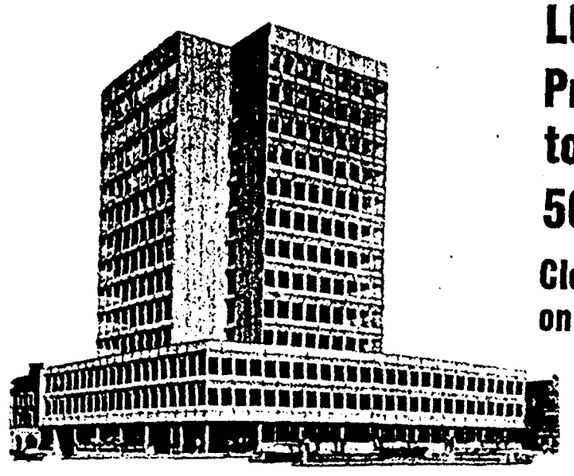
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The Economist

February 19, 1972



The land of make-believe

The Government got a grudging majority of 8 on the second reading of the European Communities Bill on Thursday night, a margin that marketeers said stoutly would be enough to carry the legislation, but which anti-marketeers greeted as confirmation of their stubborn belief that Mr Heath will never make it into Europe. It is certainly a dwindling and precarious majority for a Prime Minister who means to change the course of the country's history. But precarious majorities are sometimes the easiest to defend, if the will is there.

Mr Heath is a man for whom one vote is enough. But his Government has been mauled this week. It now has to carry its European policy through on a margin that would look very narrow indeed if there were not the little band of Liberals and Mr Gunters to call on. It will have to do this when the hopes of real economic growth have receded and with the prospect of large balance-of-payments difficulties during 1973, which the anti-marketeers will say, quite wrongly, are due to Britain's entry into the EEC next January. Mr Barber's budget next month will have to concentrate even more now on direct encouragement to capital investment; it should still go for 5 per cent growth this year, but as that will be read in the City and elsewhere as inviting balance-of-payments troubles he may decide to be too cautious. The new round of wage inflation that the miners have started will send prices up, despite the restraint the Confederation of British Industry managed to impose last summer, and, of course, will add to unemployment. And the Government will have to cope with all this while the crisis in Northern Ireland looks intractable.

The Government is fighting for its chief policy, and its life, when its reputation and its grip on the economy are slipping. Britain has been telling itself that it is foundering in a welter of political incompetence, industrial anarchy and mob violence. It is not. But there have been political mistakes, there has been a serious economic setback, and the law on picketing badly needs revision. There are many culprits, but the real start of the trouble with the miners was that a year ago Lord Wilberforce told the electricity workers that they should be rewarded with a big wage increase for their illegal action which cut off electric power across the country. This gave the miners every incentive to resort to illegal picketing to cut off electrical power again this year. On cue, Lord Wilberforce has been wheeled out once more. So it is already certain, as night follows night, that some other union will decide that it will be highly rewarded by some judge if it takes illegal action against the nation's throat next year.

Even so, much of the country has pretty well willed the miners to win from the beginning, and has been blaming the Government for not caving in much sooner. It is another chapter in the Dead Sea scroll of British make-believe. Britain, therefore, has become an unnecessarily uncomfortable place to live and work in at the moment, and is in danger of becoming an unnecessarily seedier and more selfish place in the future. It need not, of course, become seedier and more selfish, but it will if it goes on running away from its battles.

It is Mr Heath who has to face the political consequences. He is still very much in control of those consequences, which means that he is unlikely to change his mind about the need for, or workability of, a statutory incomes policy; perhaps that is why Mr Maudling has been looking so glum this week. He might be willing, however, to reconsider a proposal, which has long been in favour with senior officials at the Treasury, designed to end the state subsidy of official strikes. This could be

The strike

How the miners' strike, and the Wilberforce court, will affect the economy; the damage so far; the law on picketing; what Mr Barber should do; the next wage claims; power supplies; coal imports; how the miners see it themselves, pages 61-71.

done by making all supplementary benefits that are paid to strikers' families during an official strike (and no one is arguing that the payments should be stopped) a charge on the union's funds. If such a scheme had been in operation this year the miners' strike might never have taken place, for it gives the moderates in the unions a powerful—and badly needed—argument against their militants.

But Mr Heath has also got to do something about his Government's total political performance. Lately, it has not been so much inept as non-existent. Admittedly, the Government is short of outstanding political talent, and the miners' strike hit it at a time when he and his senior colleagues were already burdened with Europe, Northern Ireland and Rhodesia. They are problems that would test any government's political resources, and it is hardly surprising, as Mr John Davies disarmingly confessed to Tory MPs on Tuesday evening, that the Government's case went very largely by default during the whole course of the dispute. If that was the result of a deliberate policy decision not to appear to be intervening in what was obviously going to be an extremely serious strike it is a policy which ought to be changed ; as Mr Heath has spurned an incomes policy, public opinion is one of the very few weapons he has to fight the unions. If it was because ministers were too overburdened to put the Government's case then the structure of government must be reconsidered. It may be that the very job of Secretary of State for Trade and Industry is too ramshackle for any one man to maintain an adequate two-way flow of information between the Government and the country ; and certainly even Mr Maudling's immense capacities seem strained by his responsibilities for Ulster, the Home Office and the state of emergency.

The country wanted it this way

The most serious setback for the country is not the production lost, and to be lost, in the power cuts ; it is that wage inflation now looks utterly endemic. Although many people may sense that it is a setback, that it will have the most serious economic consequences on everything from the balance of payments to unemployment, and can only add to the existing hardships of the pensioned and the poor, it happens to be the country itself that has given every sign of willing this outcome. Ministers were wrong, as it turned out, not to have raised the alarm earlier. Those, like this newspaper, who were reassured by the estimates of coal stocks, were too complacent. But much of the press and the broadcasting intelligentsia was on the miners' side from the beginning anyway ; so even the behaviour of some of the pickets was excused ; much of the country felt it had a bad conscience about the miners and believed they had a special claim. So it was not until the blackouts started in earnest this week, and Mr Gormley and Mr Daly began to talk as if they insisted on unconditional surrender, that the more realistic in the Labour party and the media began to tell the miners not to go too far. If, by any chance, Lord Wilberforce were to be less than his generous self, and Mr Gormley and Mr Daly began to believe they could actually bring the Government down, then a real revulsion might begin, so that it would be popular to use troops to ensure the movement of coal and other fuel in the country and at the docks.

The Economist

Mr Evelyn de Rothschild has been appointed chairman of The Economist Newspaper Ltd in succession to the late Lord Crowther. Mr de Rothschild has been a director of the company since 1964.

It has been, of course, the practice of successive governments to treat the miners as if they really were special. That is why there are still so many uneconomic pits in operation, why power station decisions were rigged for so long to favour coal, and why coal and oil imports have been restricted. That is why, indeed, there are still as many miners as there are today, and why—although it would have been inconceivable in any other winter for industry to get by for five weeks without coal moving—they have eventually, and by breaking the law, got the upper hand. To the miners and their friends it is a great victory, a vindication of the mining community's strength and notice to Mr Heath of their contempt for him. But there will be a price for them, too, one day.

To many people, on reflection, it is going to look much less of an heroic fight for what Mr Daly calls justice, and much more an old-fashioned bit of smash and grab: the miners put their minority of face-workers and subsistence-wage earners in the forefront to pick off the public, and used the public to pick off the Government. Since the miners have used their industrial power so vigorously, they can hardly expect any government in the future to think of them as particularly deserving the special treatment they have had in the past. There will be a further switch in industry away from coal, especially as North Sea oil comes on shore. There will be more pits closed sooner than they would have been. There will be more unemployment among miners. And when that happens Mr Daly and the militants will raise the cry of the right to work and there may be stay-ins and work-ins. And many people will again feel sorry for the miners. But others may look at them rather differently.

Mr Daly told the Wilberforce tribunal that the miners wanted the rewards of their productivity (which, in fact, has been achieved by enormous capital investment, an investment that has made the miners' job much less onerous than it was), and a reassertion of their status among the best-paid workers. Any argument will do in front of a tribunal whose purpose is to buy off a strike that the country wants bought off, but Mr Daly may actually have told the country rather more than was wise about his special pay claim. Until 1957 the miners got appreciably more than the average workers in manufacturing industry ; since 1958 the miners have been slipping as coal has declined. Therefore, according to Mr Daly, the clock must be put back to 1957 and, apparently, always kept there, telling a false time. If it were a matter of adjusting productivity and shift-work payments, or even a claim based on the cost of living (although the miners' last rise was above the average), it could have been dealt with in bargaining on the basis of the coal board's original inflationary offer of 12 per cent on January 5th. But it has turned out not to be that. It is a gouging, politically-motivated claim, based on no reasoned argument that would stand up outside a miners' pub, for which governments and everyone else will do their best to be better prepared in future. It is also one that will be remembered by unions that were much weaker and poorer than the miners in 1957, and still are.

The stronger unions (that is, those whose industrial action can both kill people and cause wide economic disruption) will naturally put the miners' success beside the power workers' 22 per cent on earnings from Lord Wilberforce a year ago. So there has been created once more a predisposition to strike to secure more than bargaining or arbitration would give ; and inside unions the balance of advantage and influence has been pushed once more towards those who want strikes, and not just strikes for wages. Much well-meaning persuasion will be tried now to get other unions to accept, in more than words, that the miners are an exception. Lord Wilberforce is quite likely to say this, without realising that if his argument was accepted (that is, if there was a large and discriminate rise in wages and prices in this labour-intensive industry that is already declining anyway) then the rise in miners' unemployment would be discriminately large too. But the rise will not be a discriminate one because every union regards itself as an exception, just as every union regards itself, in one way or another, as doing a dirty or underpaid or difficult job that other people either would make a mess of or do not much care to do. It is not the disruption that the miners' strike has caused that is the total disruptive cost to the economy: it is the disruption of the strikes to come that will matter more. It is not the cost of the miners' award that will matter most to the economy or unemployment: it is the cost of the awards that are just coming along.

It now needs much faith to suppose that the country just does not connect today's price rise with yesterday's wage award, that it just does not understand that, when the Government or a tribunal or public opinion itself acquiesces in wage rises that bear no conceivable relation to the national economic performance or to that industry's own productivity, then price rises for the consumer and unemployment for the men must follow. The presumption must be that the country does understand this, and at present prefers such a state of affairs to anything that promises to be temporary hardship. Often enough, this preference is not a selfish one: the British public does still have more time for a hard-luck story than most. But this will not last if special interests insist by force that the world must be stopped for them.

He has to go on

Nothing is more certain than that many of those who voted for Mr Heath in June, 1970, did not vote to go into Europe, did not vote for change, and did not want to alter the course of history if it meant anything painful. That was why it was a surprise that the country voted for Mr Heath at all. But that, of course, is now at the root of Mr Heath's problem with the country, and its with him. It is only minorities that actively want change, so that most of Mr Heath's policies seem to many people to be only minority policies. And also starting from the upset of June, 1970, the Labour party, which is no longer a party of change and is not even very adept at talking about change, has both been nettled at being out of power and ever-hopeful of bringing the Government down at each half-opportunity it sees. So the political fight is all, and there is no prospect of any real sense of common cause between the parties on any of the great issues that face the country. Mr Heath has to go on. It is not a new experience for him. In the weeks before the last general election he had to go on campaigning although everyone thought him a loser ; now he has to go on governing although everyone tells him the country is becoming ungovernable. And he will. It just might have been worse.



The man who does like Ted

This weekend President Pompidou is talking to a British Prime Minister whose alternative he dreads

At Chequers this weekend President Pompidou of France meets again one of the only two British politicians with whom he would gladly spend two days in conversation. The French view of British politics is as brutal and as unsophisticated as that. In French eyes, Mr Heath and Mr Roy Jenkins are Britain's goodies. Mr Wilson, Mr Callaghan and Mr Healey are the other sort : they importuned General de Gaulle to let Britain into the common market, pulled the rug from under him in the Soames affair after he refused, and now, when France has spent three years standing on its head to ask Britain in, have done the same themselves in an attempt to hold Britain out.

Europe is witnessing the still uncertain early stages of a diplomatic love-affair. For Mr Heath conveniently thinks as well of M. Pompidou as the French president thinks of him. The object of the Chequers meeting is to nurture this personal respect with as much common policy as possible—for political romances usually collapse when the thinking behind them turns out to be muddled. Through all its storms, the relationship between Roosevelt and Churchill was condemned by mutual interest to endure. By contrast, those seeming friendships between de Gaulle and Macmillan, or between President Johnson and Mr Kosygin, were never likely to last long beyond the initial embrace ; the countries were not ready for them even if (which is doubtful) the men were.

The French side of the present Franco-British friend-

ship is not completely reassuring. Since M. Pompidou met Mr Heath in Paris last May, a number of his assistants and ministers have visited Downing Street. The judgment they have made of Mr Heath is uniformly like that made by their president. Mr Heath is not someone people warm to. But the dead certainty of his way of doing things is the one fact in British political life to which the French president and the men around him, who are accustomed to governing this way themselves, feel able to respond. And this is the snag. France's present foreign policy, now that the decisive change of letting Britain in has been made, rests perilously on its accord with Britain. And that accord with Britain relies perilously in turn on Mr Heath's ability not to step under a British political bus. This weekend at Chequers, as the candles are lit, there must seem to be an awful lot of buses around.

In contrast with its even-handed dealings with the political parties in Germany, the French government has no lines whatever open to an alternative British government in London—unless by some chance the leader of that alternative British government chanced to be Mr Roy Jenkins. Mr Wilson is disliked, not just at the top, but down to much lower levels in French administrative life. The political pressures which have caused him to turn his back on Europe are acknowledged by few people in Paris. Even the notably pragmatic M. Pompidou would change his view of a Mr Wilson moved suddenly back into Downing Street only if Mr Wilson were to rediscover somewhere in his baggage the commitment he once had to Europe.

What Pompidou wants

So President Pompidou has three separate aims in his meeting with Mr Heath. He is meeting, first, a British Prime Minister whom M. Pompidou implicitly trusts. He wants to cement this trust. The approach of the two men to diplomatic business is alike. For both, decisions on foreign policy are based on volumes of homework and are expected to be made, on all major matters, exclusively at the top. The right to disagree on some issues is accepted, provided there are not too many of them. All this was true last May, when the Franco-British baby was conceived. What is different this time, nine months on, is that M. Pompidou has begun to stake out the more European foreign policy for France which private observers of the French president long expected him to stake out once Britain was safely inside the market as France's ally. And he has done this at a time when Mr Wilson has been promising to renegotiate the entry terms to withdraw Britain from common market membership if he gets back into power. So M. Pompidou's second and third aims are to find out how truly Britain under Mr Heath is France's ally, and how safely Mr Heath now reckons Britain to be inside.

M. Pompidou has been accused with some justice by the communists in France of re-engaging France with the Atlantic alliance. Indeed, M. Pompidou no longer pretends, even to his gaullist audiences, that he is anti-American. And he knows that this will eventually mean some form of open reintegration of France's defence effort with that of its European partners. At the same time, M. Pompidou is coaxing his party away from the purely obstructive aspects of the rest of its policy towards Europe. In meeting Herr Brandt half way last week on plans for monetary union in the common market, President Pompidou has knowingly put the French economy on a road which might eventually lead deep into European confederal territory. In return for Herr Brandt's promise to hold the opposing views of Herr Schiller in check, M. Pompidou has also offered to open the French official mind slowly to the attractions of co-operating in Brussels, and to the possibility of more authority for the European "parliament" in Strasbourg.

Several times already this year France has staked out its usual cussed position over a whole range of common market disputes only to give way conspicuously soon afterwards. It threatened to hold up the trade agreement with America, but then fell back on merely ticking off the Brussels commission, which had done the negotiating, for getting too little out of Washington in return. In a procedural test-case, France blocked a demand to make the commission responsible for negotiating an association agreement with Mauritius, but then gave way. After a year of saying no, President Pompidou has now apparently gratified the German desire to equip the Davignon committee (which discusses foreign policy among the Six) with a permanent secretariat.

Even such cautious concessions by France are being made on the strength of having Britain next to it in Brussels and on a gut judgment that American predominance in Europe has somehow, in no very carefully quantified way, been cut down to size since last August. This last is a judgment that Mr Heath shares. But that will not prevent him pressing M. Pompidou in directions which, if M. Pompidou lost faith in Mr Heath or in his ability to survive, would quickly raise in the French mind all its old fears of Britain in Europe as an anti-French trojan horse.

What Heath will hint at

In particular, Mr Heath goes to Chequers as heavily briefed on the need to reform the international monetary system as he was briefed about the sterling balances when he set about convincing M. Pompidou in Paris last May to be rational about what to do with those balances. Fortunately, M. Pompidou is a most rational man, leagues ahead on monetary matters, for example, of his own finance minister; but this has not stopped him speaking of the need for America to put its economic house in order before France will agree to monetary reform, rather as M. Couve de Murville used to lecture Britain in 1967 to gets its economy right before it could join Europe. Mr Heath will also be saying, though at this stage in a muted voice, that there is a need for some sort of eventual reform of Europe's common agricultural policy, on Britain's own account as much as America's. Mr Heath, therefore, has to express regret about the proposed farm price increases in Europe, in an attempt to stiffen the weakening French resolve to hold these price rises down as much as possible. And Mr Heath will explore a little further than he did last May what France's attitude to Nato and nuclear co-operation might be when M. Pompidou removes M. Michel Debré from the French ministry of defence after next year's French elections.

The pressure Mr Heath can exert on France over such matters, almost a year before Britain is signed and sealed into Brussels, is not yet very great. But his patience is going to have to be great. Under pressure from his supporters and from newspapers in France, M. Pompidou is certain to raise the questions of Ireland and industrial conflict in Britain, knowing well that France can do precious little about either except make a nuisance of itself. But he will raise them not just for those reasons. In a real political way, Ireland and anything else which might bring Mr Heath down have become Europe's business. For in the year since M. Pompidou decided irrevocably to let Britain into Brussels, the question which would once have been marginal in a French president's political calculations, the survival of Mr Heath as Britain's Prime Minister, has come to loom very large.



The Chinese connection

If Mr Nixon's trip to Peking next week goes well Europe stands to benefit from it too

For a lot of people in Europe, the arrival of President Nixon in Peking on Monday will seem a remote event, of no particular concern to Europeans. After all, Mr Nixon himself has been saying over and over again that he does not expect anything spectacular to happen in his meetings next week with Chairman Mao and Chou En-lai. To one kind of European the explanation comes readily enough: Mr Nixon has gone to China for the sake of the television coverage, which may help him to get re-elected in November, and at the very most to open up some sort of diplomatic link between Washington and Peking which will probably not even go as far as a full exchange of ambassadors. That is the danger of Eurocentrism, of the failure to realise that until Europe reorganises itself the real movers of events in the world will lie outside the familiar borders of the European peninsula. The importance of next week's meeting is that it could be the beginning of a major realignment between today's three great movers of events; and that a still largely passive Europe could be one of the beneficiaries of what happens.

The great American switch

To understand what has made it possible for Mr Nixon to go to Peking it is necessary to recognise the great change of direction that American policy has taken in the past two years, which is itself the result of changes in what the Russians and the Chinese have been doing. The main reason for the switch in American policy is neither the weakness of the dollar, nor the disruption the Vietnam war has caused in America, although both of those things have added to the arguments for trying something different. It is the change in what the Americans think they can usefully do in their dealings with each of the other two superpowers.

For most of the 1960s, under President Kennedy and President Johnson alike, the United States seemed to be hoping that it could come to a wide-ranging understanding with the Soviet Union, covering as many as possible of the places where they were at loggerheads with one another, in order that they could both be freer to deal with what then looked like the explosive influence of a revolutionary China. Mr Johnson made that clear in October, 1966—five months after the cultural revolution broke out in China—when he offered the Russians the sort of settlement in Europe which has since become the basis of Herr Brandt's Ostpolitik. But the world has moved on since 1966; and two things have happened which have made the Americans turn their approach to the two communist great powers inside out.

The first is the discovery that the Russians are apparently not interested, after all, in anything more than a very limited accommodation with the United States. Of course, they want to prevent the arguments in central Europe and along the Suez canal from turning into wars. They were happy to sign the non-proliferation treaty, because neither they nor the Americans want any more countries to get hold of nuclear weapons. They may be willing to settle for nuclear equality with the United States itself; although even that is not quite clear; the Russians already have almost half as many land-based missiles again as the Americans have, and they still seem to be refusing to set a limit on their production of missile submarines, in which they will overtake the United States next year. But that seems to be about the limit of Mr Brezhnev's definition of coexistence with the United States.

The main aim of Soviet policy in Europe, it seems likely, is still to remove the protection that American troops give to western Europe, and thereby make western Europe more pliable to Soviet wishes. The expansion of Soviet power in the Mediterranean serves the same end. And the past year, culminating in the Bengal war, has seen a major extension of the Soviet sphere of influence in southern Asia. Unlike Mr Khrushchev, Mr Brezhnev is apparently not worried enough about China to call a truce with the United States. He has sent something like a quarter of his army to the Chinese border, and reckons that that will take care of that. It looks as if the Soviet Union has come to the conclusion that it is strong enough to pursue its own interests against both of its major rivals at the same time. It can go it alone, it believes, and

do well out of it.

The other development since 1966, which has gone side by side with this, is the near-reversal of Chinese policy. The universal revolution against the "cities of the world" that Lin Piao claimed to be preaching six years ago has vanished along with Lin Piao himself. The cultural revolution itself has come nearly full circle: the Red Guards purged the party, and then the army purged the Red Guards, and now the top men in the army have been removed while the old party cadres sidle back into the work for which they have been found indispensable. It will be the historians' business to say how much this return to earth from the revolutionary fervour of 1966 is due to the American government's refusal to give up the fight in Vietnam; certainly Lin Piao would have had a powerful argument on his side if Ho Chi Minh's men had fought their way into power in Saigon and Vientiane within a couple of years of the start of the cultural revolution. Anyway, it has happened. The Chinese government is now being run by chastened and practical men who do not believe either in the instant transformation of Chinese society or in the imminent convulsion of the world. They are men who are prepared to believe that, when you have two enemies, it is sometimes advisable to decide which of them presents the worse threat to you.

It is necessary to dig back that far into history, because that is where the roots of Mr Nixon's Peking trip lie. It would be wrong to believe that the United States has given up the attempt to "contain" either Russia or China, to use an unfashionable word, if containment means trying to limit the extension of Soviet or Chinese power, or the installation of politicians dependent on Soviet or Chinese power, in places outside the present boundaries of the communist world. There is no evidence that the American government, or Mr Nixon himself, have abandoned their convictions about that. But it would be a fundamental mistake to think that Mr Nixon's "era of negotiation" is the same as the end of the competition for influence in the world. The most that is happening is that the cold war, which is the struggle between political ideas fought by means short of open and general conflict, is seeing the emergence of a new alliance of convenience. In a world of three superpowers it has come to seem possible that number one and number three might usefully combine, for certain limited purposes, against number two.

The lesser of two evils

For the Americans themselves, the process that Mr Nixon's trip to Peking is hoped to set in motion is plain enough. They want Chou En-lai to recognise that the growth of Soviet power in Asia is so much the biggest problem for China that he will be prepared to tolerate a limited American sphere of influence in south-east Asia. Possibly the Chinese are already beginning to see things this way. After all, they have a nuclear-armed Soviet army standing along their northern frontier; they have just seen the advance of a Soviet sphere of influence along their southern flank into India and Bangladesh; and they know that if the North Vietnamese army creates a communist Indochina the odds are that this new power to their south will be more an ally of Russia's than of theirs. That is why the prospect of a North Vietnamese victory is no longer as attractive to China as it was in 1966. Of course, Chou En-lai is not about to throw North Vietnam overboard. The Chinese are thought to provide only about a fifth of the aid that enables the North Vietnamese to keep the war going, and they can imagine what their admirers abroad would say if they suddenly cut that off. But if the North Vietnamese can be kept bottled up in the hills until November, and if Mr Nixon is re-elected then, and if he can persuade Mr Chou that he does not want to station any American soldiers or bombers in south-east Asia when the war is over, the calculations in Peking might begin to change. It is a lot of ifs; but it may offer Mr Nixon just enough hope of easing himself off the Vietnam hook to be the one main thought he wants to leave behind in Peking.

The squeeze on Russia helps Europe

But the possibility of a Chinese-American understanding also has something to offer to the two wallflowers who have been sitting on the edge of the dance of the three superpowers. That means Japan, with its hopes of recovering some of the territory it lost to the Soviet Union in 1945, and of taking a hand in the development of Siberia. And it means western Europe, with its hopes of breaking down the barriers that have lain across Europe since 1945. It is not just that Britain and the Six do 7 per cent of their trade with the non-communist countries of southern Asia between Israel and Singapore, and that they are still overwhelmingly dependent on the oil that comes to them from the Gulf through the Indian Ocean. That gives them a powerful interest in the political stability of the region, and the probability is that a three-way balance of power is more likely to keep southern Asia stable than a two-way tug of war between Russia and China. But the Europeans stand to gain even more from what the sight of Mr Nixon and Mr Chou getting friendly with one another may do to Soviet policy in Europe itself.

For the past half-dozen years the Russians have been simultaneously engaged on a policy of expansion in Asia and of sitting tight on their half of Europe. It has stretched their army, and it has imposed an additional strain on their already very inefficient economy. If Mr Nixon's trip helps to reinforce the Chinese in their opposition to Russian policy in Asia, Mr Brezhnev will have to decide how long his country can afford to bear this strain. Who knows, he may even start to feel a little lonely; it is not pleasant to be the odd man out, even when you are a superpower. The result may be a Russia more willing to look for an accommodation with western Europe on the Europeans' terms, rather than its own. That could be important if the conference on European security meets next year, and the west Europeans insist on talking about things like freer movement of people and ideas into and out of eastern Europe. What happens in Peking next week is not an event in a far-away continent about which most Europeans need know little and care less. They have a stake in it as well.



The kites above Stormont

But is there anything that a British government can offer Ireland's nationalists except the united Ireland that they are fighting to get, and the Protestants of the north will fight to stop?

Mr Heath and his ministers seemed to be set (before the Europe vote and the miners occupied their minds) on giving the impression that another political initiative in Northern Ireland was in the offing. This, after all, was what everyone, or nearly everyone, had told them to do. Perhaps they were just trying out ideas that had been put up, but, whatever they had in mind, much of Ulster decided in advance to have nothing to do with whatever might be said. This should have been no surprise to anyone, certainly not to Mr Heath. It meant one obvious thing: that precious little in Northern Ireland is negotiable. From this there follows an equally obvious consequence: that whatever a British government does, it must be something that can be carried through against the dissent of one or other of the communities in Northern Ireland. If a British government has that sort of power in Ulster it has yet to show it.

The word was put about that the cabinet did not mean to abolish the Stormont system as an entity. Instead, there were hopes of setting up a community coalition government, presumably on the Lebanese or Cyprus models (which tend to go wrong and always start major international crises whenever they do). A Catholic deputy prime minister would apparently serve under Mr Faulkner with perhaps four other Catholics to keep him company. These men would not be nominated worthies with few political roots in the Catholic community: they would be popular representatives (which must mean men like Mr Gerry Fitt and Mr John Hume). No idea about Northern Ireland is worth turning down at sight, or half-sight. But this one has much to overcome.

The leaders of the Social Democratic and Labour party have declared that nothing will satisfy them now short of talks to bring an end to the partition of Ireland. This may be only a temporary hardening after the Derry shootings, but it is a formidable new obstacle. No Catholic politician can probably stay in business at the moment if he speaks the language of conciliation. On the Unionist side, Mr Brian Faulkner has been sceptical of community government in the past; some of his colleagues are even more openly scathing now.

The Government could observe the Catholic community's reaction to Lord Chief Justice Widgery's tribunal, which opened in Coleraine on Monday. Mr Hume promptly denounced the inquiry's terms of reference and repeated the demand for an international tribunal, which he assumed would be impartial. Catholic witnesses are clearly reluctant to give evidence. Politically, too, many Catholics who were once moderates and prepared to work at Stormont now seem almost indistinguishable from IRA Provisional sympathisers. Some SDLP leaders turned up to back the militant Northern Resistance movement's illegal march in Enniskillen last weekend. It seemed very doubtful that such men would agree to serve in a well-meaning coalition.

Most Catholic Irishmen now believe that the ultimate goal of their country's reunification is close at hand. The government in Dublin may not be ready for it, but it cannot admit that. So Irish nationalism is not going to be stilled by Whitehall thoughts of holding referendums on the border issue every decade. On the Unionist side there are now some pronounced ideas on redrawing the present border to allow predominantly Catholic districts to join up with the Irish Republic. Even the hawkish Mr Bill Craig seems ready to write off the Bogside and Creggan in Londonderry. This is certainly something that the British Government could announce unilaterally, if it dares to. But it would still leave over 120,000 Catholics hemmed into their strongholds in Belfast, and any talk of a financially-assisted passage for Catholics out of the north seems fanciful. The central fact is that Irish nationalism requires one nation, not just bits and pieces of it. Certainly the IRA Provisionals, encouraged by a republican court's release of Messrs Dutch Docherty and Martin Meehan, will settle for nothing less.

Trouble for Lynch

The Irish premier, Mr Lynch, faces an angry Fianna Fáil party conference this weekend. He and his government have a fight on their hands to survive, a fight that appears to prohibit even mild gestures towards the Protestant majority in the north. Fianna Fáil voted down Mr Noel Browne's tightly drawn bill to legalise the medical use of contraceptives in almost a jocular mood, irrespective of appeals to think of what a united Ireland would need to do (see page 37). Moreover, Mr Lynch has made it up with the alternative assembly in the north—that Catholic parliament for a Catholic people—and it looks as though he intends to provide between £50,000 and £150,000 for its financial upkeep.

The British Government's thoughts about a modification of internment which would allow the release of the small fry and the trial of the hard men would be a calculated risk, and might take some of the international pressure off. But the murder of Mr Sidney Agnew, a key witness in a recent trial in Belfast, shows that intimidation is very much more than a matter of words. It is certainly doubtful if such a change would be enough for the SDLP, which wants an unconditional end to internment.

These kites flying over Whitehall have been looked upon with natural suspicion by many Ulster Protestants, but they are not the real problem for a British government. Mr Heath said in his speech at Harrogate a fortnight ago that no initiative, however ingenious, would

force Ulster's majority out of the United Kingdom. And yet anything less is now unlikely to satisfy the Catholics. There are few takers for Mr Heath's promise that the minority should have a "real and meaningful part in the taking of decisions which shape their future." There are no panaceas for Ulster that can be written out at ease in either London or Dublin. Much of the talk of commissions, proportional representation, United Nations troops and the rest seems an exercise in escapism. The Ulster struggle still promises to be long and bitter.



Tito tries to unscramble things

Having overreacted against the Croats in December, President Tito is calling for moderation now. But the hardliners are growing stronger

President Tito has changed his tune. In December he was giving the impression that a nationalist counter-revolution in Croatia had brought the country to the brink of civil war and foreign intervention. Now he and his associates say that there has been no more than a little local difficulty, grossly exaggerated by the foreign press. But, if so, what was the December rumpus in Croatia all about? The leaders of Jugoslavia's second biggest republic and hundreds of their followers have been thrown out of their party and government posts, and the purge still goes on. What had they really tried to do?

In the orchestrated campaign of denunciation that has been launched against them, they are being branded as separatists who were conniving at a plot to form a Croat state outside Jugoslavia. But all the available evidence suggests that they were not separatists. What they disliked was the kind of centralised Jugoslav state system, federal only in outward form, that the more conservative Jugoslav communists want. Last May Mrs Dabcevic-Kucar, then president of the party in Croatia, summarised their views thus:

> The unitarists and pan-Serbian chauvinists offer us a kind of Jugoslavia we do not want. The Croatian chauvinists want to destroy the kind of Jugoslavia we do want.

The ousted Croat leaders cannot now explain what they hoped to be allowed to do, for they have been silenced. And even while they were still in office they were obliged—like all would-be reformers in communist countries—to use very guarded language. But it is clear that, if they had got their way, contending factions would now be legally and openly permitted in the Croat communist party. One group of leaders would contest another group's views publicly, almost like a government and opposition. Nothing like this has been permitted in any ruling communist party since Lenin's time (though the Jugoslavs have gone a long way towards tolerating the existence of factions in practice).

Mr Tripalo and his Croat colleagues had already made certain moves in the direction of pluralism. The conservatives in their own party's ranks particularly resented their toleration, since early 1971, of a semi-autonomous student movement that was not under the direct tutelage of the party. They planned to permit the formation of bigger farms—another move long opposed by the party's conservatives—and they would have used the new freedom provided by last summer's constitutional reforms to allow artisans to open their own small businesses with money saved during periods of work in western countries.

One reason why they sought more autonomy for their republic within the Jugoslav federation was that many of their attempts to make liberal moves had been blocked by conservatives in the other republics acting in league with those inside Croatia. Now these conservatives are levelling against them a charge of "nationalism" that is more damaging, in the eyes of Jugoslavs outside Croatia, than the charge of excessive liberalism which President Tito made against the Croat leaders at the beginning of December. But the accusation of liberalism is the true one. The Croat leaders' critics had been infuriated by their reluctance to silence "opposition" journals like Hrvatski Tjednik, published in Zagreb. The last straw was their refusal to send the police into action against the striking Zagreb students in November. When a police officer asked the student leaders to hand over a tape recording of the meeting at which the strike had been called, he was told that this would be a violation of the university's autonomy, and he gave up.

A stumble, or an about-turn?

A policeman on a similar mission would not be so easily deterred now. This does not mean that Jugoslavia, or even Croatia, has reverted to being run as a mere police state in the Russian style—though the purge in Croatia has already exceeded the one that followed the fall in 1966 of Mr Rankovic, the federal vice-president and security police chief. But the new strengthening of illiberal influences in the ruling party has gone far enough to lead the Belgrade weekly Nin to give warning against "the growing and open pressure of neo-stalinism." It meant the increasing power of the very conservative ex-partisan and reserve officers' associations.

President Tito himself has now asked the Croatian comrades not to indulge in witch hunts. If the deposed leaders are not brought to trial, and if the Croatian intellectuals and students who have been jailed are given a fair trial, there may yet be hope for moderation, and the Croat affair may prove to be only one of the kind of lapses, like the repeated arrests and trials of Mr Djilas, that need not in the end halt the march towards a more liberal form of communism. But the very fact that all this is still in doubt is a measure of the seriousness of President Tito's overreaction to the Croat challenge in December.

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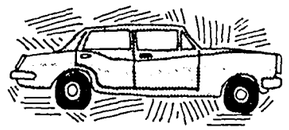
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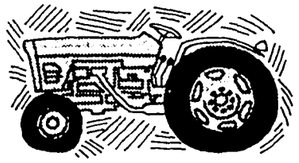
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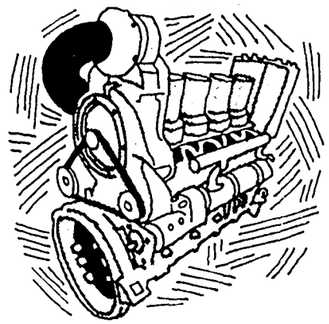
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BRITAIN

The V and G crash: why no dog barked



James: pertinent questions

On Wednesday—while the public mind was conveniently preoccupied with thoughts of miners, power cuts and the coming vote on the common market—Mr Justice James's tribunal produced its report* on the affair of the Vehicle and General Insurance Company. And a pretty flat dénouement it was too. For the pitiful and trivial affair of the leak of information on the Department of Trade and Industry's doubts about the V and G had already been fully revealed to view in the tribunal's public hearings. So had the internal workings of the Board of Trade, as it then was. What the tribunal has done is to summarise the affair in convenient form, say firmly where the blame should lie, and, with undue tentativeness, hint at necessary reforms.

Why then did V and G crash? Because the company was run with a breakneck recklessness in its early and middle years. And in its later years, say from 1967 on, it was in trouble to a degree that was only intensified by its continued growth, but which was not apparently recognised by its directors until 1970, or only a matter of months before its collapse in March, 1971—when 10 per cent of the country's motorists woke up to find themselves without motor cover. Why did the DTI let it happen?

The simple answer is this: the Board of Trade realised—in the years from 1963 to 1966—that the company had not provided enough for its outstanding claims. The extent of this shortfall was impossible to estimate largely because of the difficulty in comparing the figures of a then small and untypical company with those of the market as a whole, and because the company persistently refused to provide run-off statements. What was fairly sure was that the company was solvent, and under the rules that then applied the BoT was powerless to act further. But it was growing fast and clearly, as officials uneasily recognised, was approaching the point when the underprovision, however much it was, would be so big as to bring its solvency down below the prescribed level.

But then several things happened. First the V and G got a windfall of £1m cash from an American insurance company in exchange for a share stake. Secondly, the British Insurance Association grudgingly admitted it to membership, partly on the strength of this windfall and partly in the belief that the BoT was in fact getting run-off statements. Thirdly, new and tighter supervisory rules for insurance companies came into force.

The introduction of these rules diverted some of officials' attention temporarily. But with the growth of the V and G, the general deterioration in underwriting results everywhere, the fact that the V and G had dissipated much of its £1m in buying other companies, the board soon recognised that the V and G was in trouble. From the spring of 1968 to the eventual crash BoT officials prevaricated, waiting for the next set of half-yearly accounts, fearing that the V and G was probably insolvent, yet certain that intervention would kill it (for which they would then be blamed), hoping it would pull round. For this inactivity, the tribunal firmly lays the blame on the under-secretary in charge of the companies and insurance division, and criticises the assistant secretary in charge of the insurance branch up to 1969, and his successor.

But the real lesson here lies deeper. The procrastination did not occur because of a succession of mistaken decisions by three men, but for a complex of factors. Among these were the fear that precipitate action would spark off a row and be stigmatised as a political blunder; changes in personnel and the tendency for the more aggressive, creative type of civil servant to find his way into politically more exciting jobs. Many insurance brokers could have told the BoT quite a lot unofficially about the V and G, whether its underwriting methods were sound, whether it was paying claims promptly and so forth. They, unlike the BIA companies, could not be suspected of trying to dish a troublesome rival, yet they had no contact with the board whatever.

What this report constitutes, therefore, is a catalogue of the inadequacies of a traditional civil service department for policing fast-moving and fast-talking businessmen, whose companies are supposed to be providing the public with the crucial commodity of security. By way of remedy, the tribunal merely poses a succession of questions. But the drift is clear enough. Although the tribunal does not say so, what is needed is a semi-official regulatory body armed with wide discretionary powers, staffed by mixed teams of seconded civil servants and insurance men, outside the civil service machinery altogether and supervised only loosely by Whitehall; and a mutual guarantee system for at least some insurance companies.

*HMSO. £1.20.

Mental hospital

Rotten apples

Leaked in at least two places (how it came to be is to be a subject of a separate inquiry) the report (Cmnd 4861) of the committee of inquiry into Whittingham Hospital has few surprises now that it has been published. The pilfering of patients' money ; the ill-treatment found to have occurred on four long-stay wards ; the neglect and lack of positive treatment that characterised all the long-stay wards ; the attempts by those in authority to suppress complaints about abuses—on all these matters the public had been pretty well informed already.

For this deplorable state of affairs almost everyone is rapped by the committee : the Department of Health for the weak audit inspections that failed to discover the complete breakdown in the recording of patients' money and for permitting, without questioning, the shortage of doctors and nurses ; the regional hospital board for its lack of a positive policy for long-stay mentally ill patients ; the hospital management committee for its utter failure to manage ; the senior doctors for their virtual abdication from the care of long-stay patients, and the senior nurses for their rigidity and failure to accept modern methods of care ; the General Nursing Council for not having inspected the hospital since 1961 ; and the local authorities for the absence of any facilities for community care (nor did they, though asked to, give evidence before the committee).

As usual, once the inquiry got under way reforms began to take place, and more are promised. It should be added, too, that some parts of the hospital were found to be of a high standard and its unit for the deaf is unique. Nevertheless, Whittingham highlights the dangers inherent in basing the services for the mentally ill on general hospitals, backed up by local authority services. To some extent, the Manchester regional board has been a pioneer in this respect ; but it has tended to content itself with encouraging general hospital psychiatry, while leaving the old mental hospitals to run themselves down on their own without any guidance. Whittingham's beds have been reduced from 3,200 to under 2,000 in 20 years, but it still cares for 1,600-1,700 long-stay patients and admits large numbers of them every year. That sort of half-baked policy, as the committee points out, could lead to a two-tier system



Joseph : no mental dumps

of psychiatry : well-staffed acute units and long-stay dumps.

Sir Keith Joseph has declared that his department's plan for the future mental health services, announced last December, avoids this danger. Senior doctors and their supporting staffs will continue to work in the old mental hospitals while they are run down as well as in the general hospitals. But the whole policy will need constant monitoring and evaluation, if the "one or two rotten apples," which Whittingham's chairman at one time suspected might be found there, are not to turn up in back wards up and down the country.

Defence

A chance to quit

Under Mr Heath, the annual defence white papers are no longer the dramatic events that they were when Mr Wilson was continually chopping and changing his concept of the imperial commitment. Nor do they embody the alarming and expensive changes in nuclear weaponry which were so popular with the succession of defence ministers in the previous Tory administration. They now read as much like industrial pay and conditions agreements as blueprints of fighting services. Lord Carrington, the Secretary of State for Defence, has not even allowed Ulster to make much of a splash in his latest white paper (Cmnd 4891), which was published on Wednesday. For all the millions of words written elsewhere about the army in Ulster, it gets just a few sparse, obligatory paragraphs from Lord Carrington. Yet Ulster has coloured—and, indeed, conditioned—much of current thinking on defence matters.

It has, above all, driven home the old lesson that when it comes to the moment of action the first need is for an infantryman on patrol. That is reflected both in the earlier decision to restore four infantry battalions to the army list, and in the emphasis that the white paper gives to the problems of recruitment.

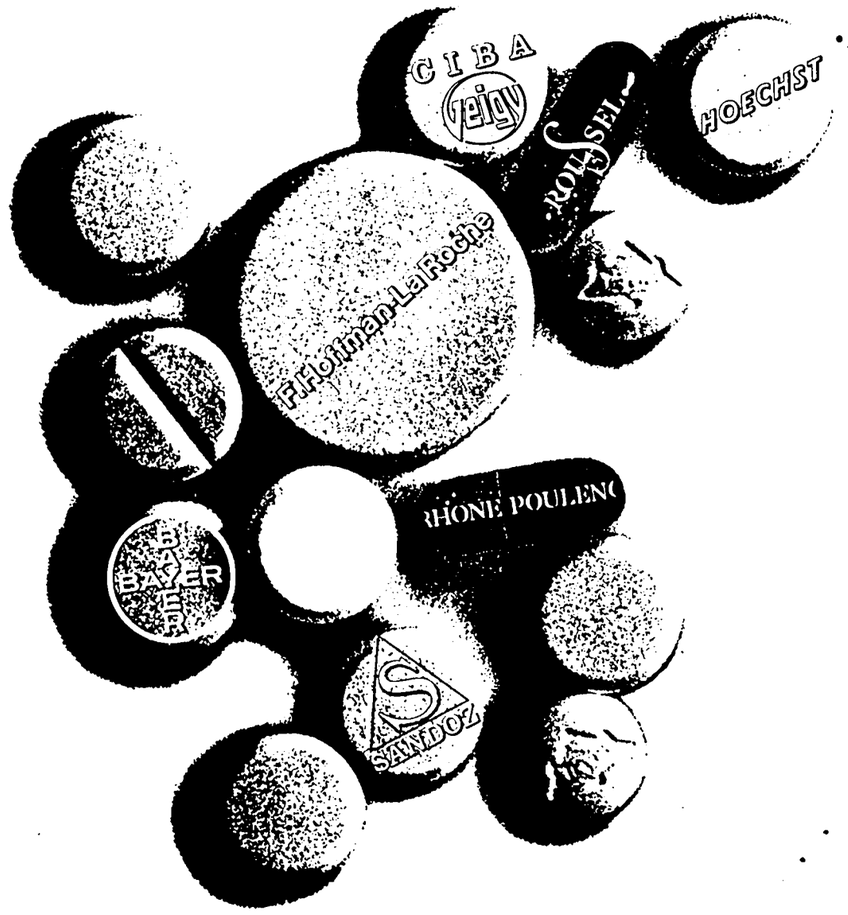
Recruiting has been going well ; last year, nearly 46,000 men joined up, the highest total for any calendar year since 1962. How much this was due to Ulster (a campaign always brings in more recruits) and how much to unemployment (which affects the attitudes of school-leavers towards job security) cannot be calculated precisely. But, plainly, the defence planners are not taking anything for granted. They recognise that the manpower pool from which recruits can be attracted has shrunk and, with the school-leaving age being raised to 16 in 1972-73, will for this decade at least remain smaller.

Young men are naturally reluctant to commit themselves irrevocably to six- or nine-year engagements. The growing popularity of three-year enlistments to the army has demonstrated this. The conclusion was unmistakable : men in the armed forces had to be given the right to quit by handing in their notice. And this, in a guarded fashion, is what the latest white paper duly proclaims.

New recruits will be given the basic right, on completion of their training and after a further 1½ years' service, to give 18 months' notice of leaving. Or, if they so wish, they can alter their contracts and, in return for higher pay, guarantee to serve for a greater number of years. At the same time, all who have served for nine years or more will be granted a similar right to leave the armed services at 18 months' notice.

Circumscribed and complicated though this scheme is, it is a step in the right direction. It reduces the disparity between the contractual obligations of a serviceman and a civilian employee. But that will encourage recruiting only if, at the same time, the pay looks reasonably comparable. There was an interim pay increase last year and pay scales will again be reviewed this April. Another increase is probably unavoidable.

On these two counts—terms of service and pay—Lord Carrington, treading a path pioneered by his predecessor, Mr Denis Healey, is acting correctly. But he needs to consider a third : the amount of time and money that should be devoted to training a serviceman for a civilian job when he

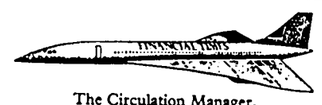


Who will cure most European headaches in 1980?

Even if you are not directly interested in the pharmaceutical industry, the prospect of intense competition within a given industry on an international basis, is a prospect of general interest to the business man. More and more, as Europe integrates, we shall see such battles, while the national giants of various industries integrate amongst themselves. And it is important for the European-minded businessman to be able to predict the outcome of such contests. They affect his future, directly or indirectly.

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SIDLAW INDUSTRIES LIMITED

(formerly Jute Industries (Holdings) Limited)

Extracts from Sir John Carmichael's Statement

Accounting Changes

The principal objectives of the changes were first to present a profit and loss account in a form which reflects the actual trading for the year excluding abnormal transactions and with a taxation charge no longer subject to large fluctuations because of the manner in which the Tax Equalisation Account was previously operated; secondly, to ensure that asset values entered in the Balance Sheet are realistic having regard to future prospects.

The main changes were the writing down of plant and machinery by £495,000 and the charging of the cost of redundancies to Reserves rather than to Profit and Loss Account. As a result of these changes, depreciation for the year was lowered by £32,000 to £375,000, the existing surplus on Tax Equalisation Account was increased to £369,000 and the charge to the Reserves for the cost of redundancies was £39,000.

With the release of the Tax Equalisation Account surplus to the Reserves, Reserves of the Company and Subsidiaries at the end of the year were still £20,000 higher than at the end of the previous year, after the charging of £534,000 for the writing-down of plant and machinery and the cost of redundancies. In other words, these changes have been effected with no diminution in the net worth of the shareholders' interest in the Company.

Because of these changes, direct comparisons with the results of the previous year are not straightforward, particularly at the taxation level. There is, however, no doubt that the performance was better.

The Past Year

The Company is in a difficult stage of transition. On the one hand, it is not easy to earn a satisfactory level of profits on jute manufacturing when competitive products are becoming increasingly penetrative because of price advantages. On the other hand, profits from the expansion of other activities and entry into new activities have to bear not only development charges but also finance charges until new installations become commissioned and profitable.

This is illustrated in the results of our associate companies for the past year for which profits overall were slightly lower than in the previous year. In fact, the profits of the associate companies, Polytape Ltd. and Synthetic Fabrics (Scotland) Ltd., would have been much higher than in the previous year had it not been for quiet heavy expense, not only in successful development work but also in the establishment of a substantial additional factory on a separate site. The associate company in the United States, Cordova Spinners Inc., improved to a break-even position while further capacity was being created. A similar situation occurred within activities which now come under the General Textiles Division: a major increase in the productive capacity for spinning man-made fibres was commissioned by the middle of the year at a time when the market had become depressed an is only now showing some modest signs of improvement.

These instances I have quoted indicate some of the inevitable brakes on the rapid expansion of profits in building up diversifications from small beginnings. I am confident, however, that the considerable sums of money invested in them in recent years will contribute an ever-increasing proportion of the Company's profits in years ahead.

I must add that trading profits from jute manufacture, while still substantial, were lower than in the previous year: the volume was also lower and this necessitated closure of plants, more intensive use of modern machinery and, inevitably, redundancies: merchanting activities achieved higher trading profits, the previous year's loss in Jute Industries Ltd, of New York Inc. having been turned into a satisfactory profit. The subsidiary, Thos. Gill & Sons Ltd., improved its position but was still not able to contribute to profits.

The Company's total Cash Inflow of £1,074,000 exceeded by £146,000 the sum required to cover £413,000 for the interest on Loan Stock and dividends to shareholders, £39,000 for the net cost of redundancies, and £591,000 (relieved to the extent of £115,000 by investment grants) on the purchase of fixed assets, together with further investments in, and loans to, associate companies, patents and goodwill. It is gratifying that the financing of this considerable expansion, almost entirely in new activities, was accommodated well within the available Cash Inflow. There was also an improvement of £1,402,000 in our liquid funds in the course of the year and this came mainly from decreases in stocks and debtors and an increase in creditors.

Summarising, there was much to be regarded with satisfaction: it was possible to continue the policy of investing further in diversifying activities within the cash flow generated; the liquid position of the Company improved substantially; the Balance Sheet values were revised so that they are realistic having regard to future prospects and this with no reduction in the net worth of the shareholders' interest; and overall profits did improve. Nevertheless, there must be a more adequate return on the capital employed in the business.

Employees and Trade Unions

I must pay tribute to the employees of the company at all levels. It was not an easy year, but they have responded well to all calls made on them in changing circumstances. I am pleased to record the continuance of good relations with Trade Unions who have been understanding of the problems which have forced a reduction in the numbers employed. We are proud of these good relations which allow consultation to take place in an objective manner.

The Current Year

The budget for the current year, prepared some months ago, had made allowance for disturbed conditions in East Bengal but had not envisaged a complete breakdown in supplies of raw jute for any lengthy period. This unfortunately, has happened and, at the time of writing, there is still no indication of when supplies will resume a normal flow: as jute manufacturing was still the major contributor to profits in the budget and as the merchanting of jute goods is also affected by the East Bengal situation, it is improbable that the budget, which showed an improvement over last year, will be achieved. Moreover, until some of the present uncertainties in regard to jute supplies are removed, there is no basis for quantifying the effect on profits overall. I intend to make a supplementary statement at the Annual General Meeting in the light of the circumstances then prevailing.

Regional Policy

I have referred on several occasions to the state of transition in which this Company and others in the Dundee and district jute industry find themselves at the present time. There is surely a case for special assistance as they endeavour to diversify within this area where their headquarters are situated and where their concern for the employment situation is deep. It has been well illustrated within the last eighteen months in various parts of the country that, when there is an economic recession, it is the peripheral factories of newcomers in development areas that suffer rather than their longer-established factories at the main bases. It seems to me that, in the particular circumstances of Dundee and district where the jute industry has been contracting progressively over a period of years, there is a special case for local companies to be given more rather than less assistance in new developments than for incomers because they are more likely to provide greater continuity of employment. I hope the Government will take such arguments into consideration in their current review of regional policy.

finally quits the armed forces. How much should this resettlement training depend on his length of service and the branch of the armed forces in which he served? For many young men, the armed forces are simply a first job. More of them might be willing to take it on if they felt certain that, at the end of their time, they would be properly trained for a second career.

Scottish assembly

United for devolution

FROM OUR SCOTTISH CORRESPONDENT

The Scottish assembly on unemployment, which the Scottish TUC sponsored in Edinburgh on Monday, decided to appoint a standing commission of 17 members to review and present to the Government an agreed programme designed to achieve Scotland's economic rehabilitation. The commission will have seven local authority nominees, four from the CBI and Scottish chambers of commerce, two each from the Scottish Council (Development and Industry) and the STUC, and one apiece from the Church of Scotland and the Roman Catholic Church.

The STUC had assembled a set of proposals which escaped serious challenge from the 1,500 delegates, who included 37 Scottish MPs of all parties. Its aim was to unite Scottish interests and represent Scotland's needs more powerfully in London by speaking with a single voice. The commission will demand still heavier Treasury spending on public works, authorisation for the Hunterston steel and Oceanspan projects, exploitation within Scotland of the North Sea oil finds, further fiscal stimulation for private industrial and research development, the creation of a Scottish development authority and a Scottish holding company, and massive manpower retraining.

But the discussion on Monday went beyond that. Its dominant message was an overwhelming consensus about Scotland's need for firm measures of economic devolution—and it did not flinch from recognising that more Scottish control of Scottish affairs might have to extend to politics as well. The Scottish Nationalists' Mrs Winifred Ewing (displaying statesmanlike qualities her party does not always possess) quietly likened the assembly to a candle lit on a long, dark night. But it was the assembly's left wing which made the most startling confessions. Mr John Body, Scotland's member on the engineering union's executive (a particularly British union hitherto) even declared his increasing, if slightly painful, conclusion that the only answer to Scotland's economic problems was a Scottish government.

Many, perhaps most, on the left will still feel this is pitching things a bit high, and Conservative reaction could be much the same. But if some Tories at the assembly were roughed up, there was a hearing for the constructive contributions from others like Sir William McEwan Younger, the Tories' Scottish chairman, and Mr Teddy Taylor. Sir William thought Scotland's endless quest for foreign investment was splendid, but that the real need was to encourage native industry.

Voluntary workers

All together now

Mr Heath's appointment last week of a special minister, Lord Windlesham, Minister of State at the Home Office, to co-ordinate the Government's interests in voluntary social service, is a shot in the arm to the voluntary movement. The Tory manifesto committed the Government to creating more opportunities for co-operation between local authorities and volunteers and, only last December, Mr Heath announced that by 1975-76 an extra £1m would be added to the £2.5m the Government reckons to spend via various departments in grants to voluntary organisations. He also said that over and above this another £3.5m would be available over the next four years.

Three years ago, the Seebohm committee stressed that volunteers should play an important part in the work of the new social services departments. While some socialists may be wary of such strong emphasis being placed on using free labour, last week's House of Lords debate showed there is substantial bipartisan agreement that a great deal more use could be made of volunteers to supplement and complement the existing social services.

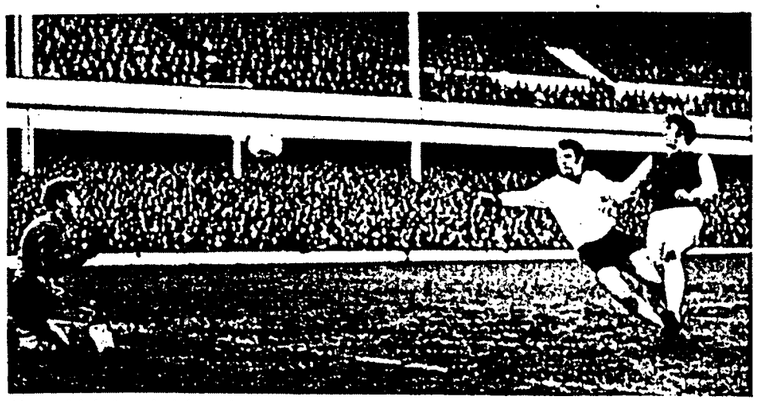


Windlesham: organising volunteers

A lot of voluntary work goes on already. Hundreds of thousands of people—nobody knows just how many—regularly give up time to help in hospitals, bring meals-on-wheels, work with old people and former prisoners and, more recently, to become involved in community action groups. The Women's Royal Voluntary Service alone provides meals to 91,500 people two or three times a week and has 27,000 workers in hospitals. But the voluntary movement is, almost by definition, rather chaotic and uncentralised, and it is high time that more was known about it in order to make more effective use of all resources.

In 1969, a committee, set up by the National Council of Social Service (itself an umbrella organisation for numerous groups including the Citizens Advice Bureaus) and the National Institute for Social Work Training to study volunteers in the social services, recommended that a Volunteer Foundation be set up "to be a focus for all aspects of the work of volunteers." Lord Windlesham's appointment is plainly a step in that centralised direction. The committee also recommended a network of volunteer bureaus to provide advice and information to volunteers.

This more professional approach is being encouraged by the Government. Recently, the Department of Health sent a circular to all hospitals suggesting that as part of a drive to get more voluntary help they should employ a voluntary help organiser—two years ago, 40 hospitals employed such organisers; now 120 do so. The Government also wishes to encourage more people to take up voluntary work on retirement. There is ample evidence to show that many retired people would like to do full or part-time voluntary work if they knew where it was needed. The Institute of Directors latched on to this five years ago when it set up a retirement advisory bureau to place retiring directors—all with useful business and financial experience—in positions of responsibility in charities and voluntary organisations. Last year about 60 appointments were made this way.



Hurst (right) ends fairy tale

Football

Westward, oh!

A fairy tale of sport ended on Monday with the death of the hero—but no one went into mourning. Hereford, this year's giant-killers in the Football Association Cup, went down at last, defeated by West Ham, a first division side of superior experience, style and skill, a team containing both England's captain and centre-forward.

For the football fan the special attraction of the FA Cup is that, in theory, it could be won by the team that plays in the local park, because the competition is an open one. For a club like Hereford United the attraction is not only the honour and the glory of toppling its big brothers; more important is the cash it can pick up on the way. Hereford played 10 cup games before being beaten, knocking out one first division team, Newcastle, and forcing West Ham to a replay: its aggregate earnings were around £25,000.

Yet even the money was only a supplementary reward. What Hereford really wants is to be elected to the fourth division of the Football League. That might seem a small enough ambition, for the quality of play in the game's bottom division is generally shabby and dispiriting, attended by crowds amounting to a few thousand at best. But Hereford, with prosperous support and a wide catchment area, wants to get into that fourth division, because that is the foot of the long ladder.

Pessimists say that even if Hereford did get in, the glamour would soon wear off and the crowds would fall away when confronted with the realities of playing teams like Barrow and Crewe. The recent precedent of Oxford United, however, who climbed to the second division within seven seasons of being elected to division four, is more to Hereford's taste. The one obstacle is that of election. Curiously enough, the teams already in the fourth division do not want to leave it to make room for newcomers. At the end of this season, as of last, Hereford will have to hope to get a majority of votes cast by the league sides. Up for re-election will be the sides ending up at the deep end of the fourth division. League sides have a habit of looking after their own. Hartlepool, the team that has scraped back in the past two years and has been trailing division four again much of the season, has just recorded a pop disc with the title, "Never Say Die." No doubt the 11 men of Hartlepool make a beautiful noise and are full of courage, but only their mothers could love the way they play football. Those at Hereford have rather more to commend them.

European studies

Continental drift

The British education system has been clearing its throat at the prospect of entry into Europe, but no one could pretend that it is ready to burst into multicultural speech. Increasing language studies (see *The Economist*, May 29, 1971) is a comparatively simple matter of swimming with the tide and training more good teachers: but encouraging European studies—which means dragging history, geography, social studies and literature out of national boxes—is a different matter. Periodic meetings do take place now of EEC education ministers. The rather propagandist exercise to establish a "Euroversity" came further down to earth last week, with the presentation of a report to the European Parliament which recommended that it should be modestly established as a university institute at Florence. But the moving spirit in the education field has been the Council of Europe.

In December, the council, which has linked up with the Oxford School of Education Studies to encourage study of the upper secondary school curriculum, passed a resolution calling for the creation of working parties and of five experimental syllabuses in European studies. This is likely to have rather earlier repercussions in countries such as France, where a ministerial fiat can cause an entirely centralised schools system to change gear, than in Britain. But there is not all that much agreement anyway on what European studies should consist of, or even whether they are a good thing. The Scandinavians (as against the British, French and Germans) tend to argue that any framework for general studies which is less than worldwide must be parochial. Discussion in Britain has tended to polarise on the issue of European studies for the past few months, but is really only the smallest part of an upheaval of curriculum reappraisal which has been going on since the early 1960s.

There is, so far, not much to show for it in European terms. Sussex university is doing a lot of the essential preliminary donkeywork, on book lists and source materials, at its Centre for European Studies. There are some Europe-flavoured courses for the Certificate of Secondary Education, the General Certificate of Education "O" level, and even in sixth forms: and general studies for the less able 13-to 16-year-olds are quite likely to get more European-minded. But teachers are loth to risk their able pupils on experimental courses—supposing they have had the initiative to ask the examining boards to provide suitable exams. Even in the universities, though traditional course straitjackets have been considerably unbuttoned, some topics (notably European law) get woefully short shrift.

Essex County Council has made the most spectacular step in the schools arena, with its proposal to set up a new comprehensive at Ingatestone (halfway between Chelmsford and Brentwood) specifically dedicated to European studies. If all goes well, this will open in September, 1973.

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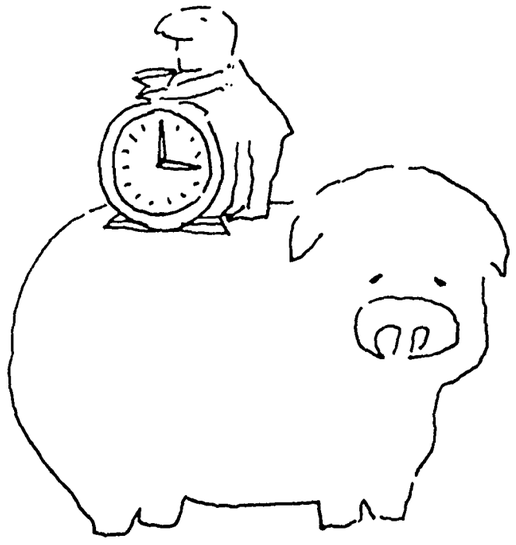
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THE WORLD *International Report*

They had a holiday while they waited

FROM OUR SAIGON CORRESPONDENT

A volley of fireworks lit up the Saigon sky on Monday night, but it was not the much-rumoured Tet offensive. People were just trying to frighten away evil spirits at the start of the Year of the Rat. With both sides having declared a ceasefire for the lunar new year—the communists for four days, and the South Vietnamese and the Americans for 24 hours—the fighting had stopped.

Well, not quite. A few minor guerrilla attacks were reported in various parts of South Vietnam, and the Americans' B-52 bombers were diverted to Laos for an intensified bombardment of the Ho Chi Minh trails. But despite all the recent speculation about a major communist offensive, officials in Saigon were not expecting trouble before the end of the week. The phrase "Tet offensive" has stuck in people's minds ever since the bloody events of 1968, but the hopeful guess is that the communists have little to gain from an onslaught during Vietnam's main family reunion of the year except the element of surprise. And this year, unlike 1968, South Vietnam's army was on full alert all week.

At the beginning of the week American and South Vietnamese officers were picking Sunday, February 20th, as the likelier date for an attack; that is the day before President Nixon's arrival in Peking. North Vietnam has not concealed its anxiety about the shift of Chinese policy towards the United States last year, and the uneasiness persists in Hanoi despite assurances of undiminished support from Peking. It is now becoming quite clear that China considers Russia, not the United States, as the greatest threat to its security. And Russia is the chief arms supplier to North Vietnam, and currently the most active supporter of its persistent search for total military victory.

The fear in Hanoi is that Chinese suspicions of Soviet intentions in Indo-china could provide the ground for a narrowing of the gap between Chinese and American ideas about how to end the war. So it is highly desirable for North Vietnam to provide an unfavourable backdrop for Mr Nixon's talks in Peking: an offensive that calls into question the success of Vietnamisation, sets off a new wave of breast-beating and defeatism in America, and tells Chou En-lai that victory is close and therefore not to be compromised.

An offensive which coincides with the Nixon visit might achieve these aims, and also spoil some of Mr Nixon's favourable publicity at home. But if it started too early the Saigon government might have time to get on top of it while Mr Nixon is still in Peking, thus proving his contention that vietnamisation is working. At any rate, that is the reasoning used in Saigon to explain the fact that things were still so quiet on Thursday morning.

North Vietnam's other main target, of course, is vietnamisation itself. The communists' concern over this programme is revealed in their policy statements, including their refusal to negotiate a political settlement unless vietnamisation is stopped. A really successful attack now could have a decisive demoralising effect on Saigon's forces before what is expected to be a final all-out communist campaign a year from now.

As the Tet holiday drew towards its close this week, the men in the military planning offices conceded that the North Vietnamese might be strong enough to launch spectacular assaults in three regions: just south of the demilitarised zone, in the central highlands around Pleiku and Kontum, and in the provinces around Saigon. But they were still waiting, with fingers crossed, to see when it would start, how rough it would be—and even whether the big thing might be put off until the autumn.



Ready for every contingency in Kontum

The electronic war

The gadgets take over

Ever since the 1968 Tet offensive the Americans have got anxious at about this time of year. But this year their precautions have gone to unusual lengths. They have brought another aircraft-carrier to the Vietnam coast ; more B-52s have been put into Guam ; and the bombing of what are believed to be jumping-off points for the predicted communist offensive has been uncommonly well advertised. Above all, the American command now has more sophisticated methods of assessing enemy activities than relying on hunches and anniversaries. The electronic war along the Ho Chi Minh trails is in full swing.

Since 1968 the Americans have laid a $3,000m electronic network along the communists' supply route from North Vietnam. The development of electronic warfare for Vietnam began earlier, under Mr McNamara. But it was the successful use of electronic sensors to detect enemy troops during the siege of Khe Sanh in 1968 that converted General Westmoreland to the idea of their wider use.

The most common form of sensor is shaped like a torpedo, with antennae made of green plastic which blend in with the Laotian jungle. When dropped from the air, the torpedo part of the sensor is buried and then records the movement of men or vehicles passing by. There are also acoustic sensors, which pick up noises above ground, and a host of other devices implanted on the trail : metal detectors to distinguish people carrying guns, magnetic devices to tell whether a truck is coming or going, gadgets which pick up trucks' ignition, and the notorious "people-sniffers." These eerie devices are said to detect the ammonia in human urine.

The sensors and their like are laid in patterns parallel with the Ho Chi Minh trails. Their signals are relayed back to computers in Thailand which can then calculate the number of men or vehicles, their speed, distance apart and direction. The patterns of signals built up by the computers can reveal other subtleties. For instance, a convoy which takes an unexpectedly long time to pass a set of sensors may reveal that there is a truck park in the area ; a southbound convoy which stops and then heads back towards the north may indicate a dump ; and silence from the sensors may mean that the North Vietnamese have constructed another bypass.

Once the targets are identified, it is up to the bombers from the four American bases in Thailand and the jets flying off the Seventh Fleet's aircraft-carriers to attack them. The most common bomb is the 750 lb blockbuster. But there are other bombs, as ingenious as the sensors : bombs with radar, TV, and laser guidance built in. There is also the particularly destructive "mother" bomb which rains smaller bombs over a wide area. One form of bombing is "geological bombing." Geological faults are surveyed and then bombed in the hope of causing landslides across part of the trails.

Airborne gunships have been fitted up with computers which relate automatic-sighting devices, such as infra-red radar for night work, to the actual firing. In all, it makes up a much more precise system of bombing than anything the Americans had four years ago. As General Westmoreland once mused, "I see combat areas under 24-hour surveillance where we can destroy anything we locate through instant communications and almost instantaneous application of firepower."

That, at least, is the theory. Whether it works in practice is another matter. The United States Air Force claims that it destroys almost 85 per cent of all war material coming down from North Vietnam. Even more impartial observers estimate that the flow along the Ho Chi Minh trails is 40 per cent less than in previous years. But there is a cost.

Probably the number of non-combatants killed and wounded is small ; there have never been many people living in the tangled hills through which the trails run, and most of them fled from the fighting some time ago. But the damage to the countryside is great. Large parts of eastern Laos, north-eastern Cambodia and the north-west of South Vietnam are now virtually free-fire zones. The days when targets in Laos and Cambodia had to be carefully checked out with the authorities in Phnom Penh and Vientiane have pretty well gone. Now the computers in Thailand do it all.

Yet it seems likely that the new capital-intensive war will go on for some time. The Americans' casualties in this aerial war are tiny. And is any politician going to campaign on a "bring back the sensors" platform in the United States ?

North Vietnam's allies

We're right behind you

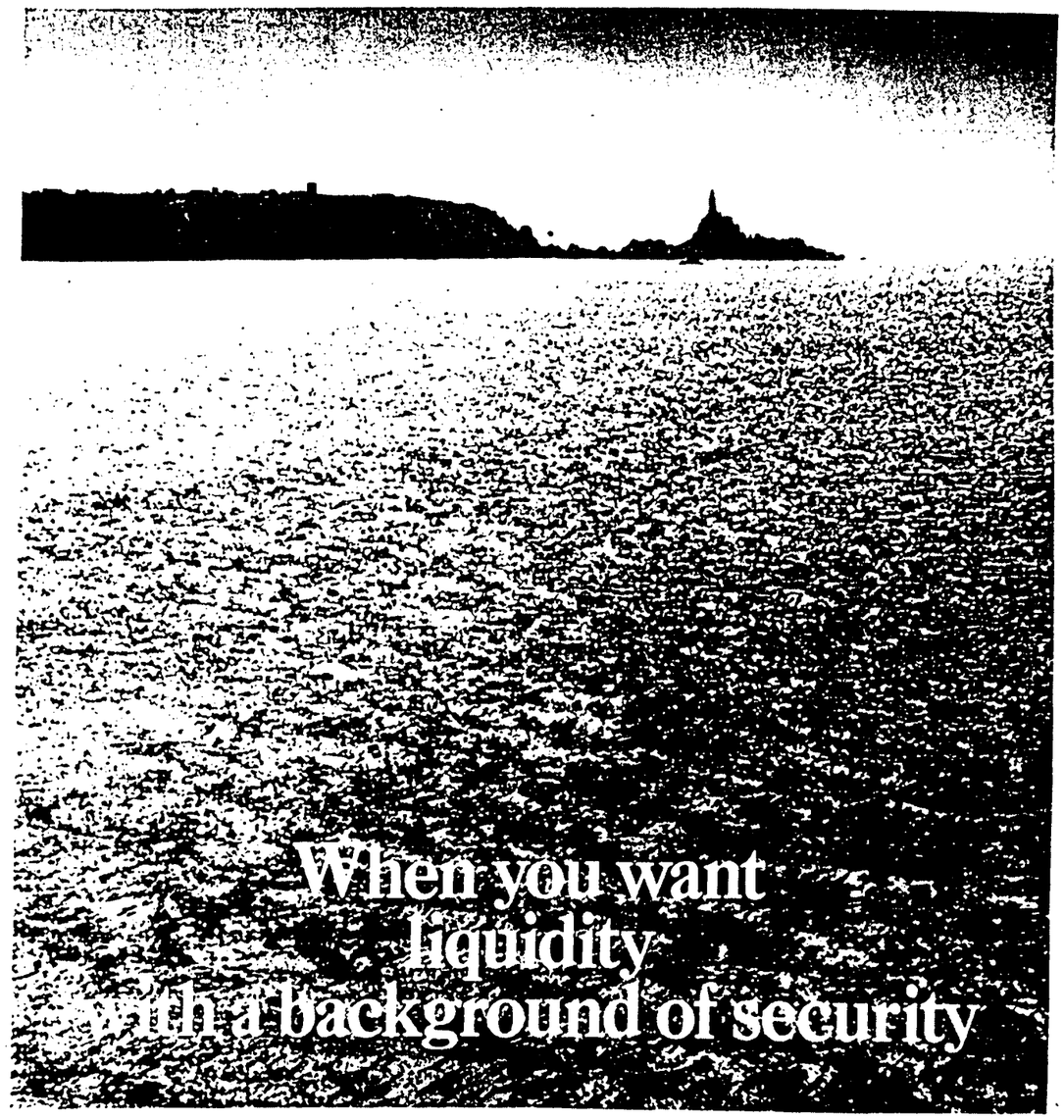
FROM OUR EAST EUROPE CORRESPONDENT

The Hungarian prime minister, Mr Fock, had barely touched down in Budapest last weekend after a long trip to North Vietnam when his party leader, Mr Kadar, was taking off for Moscow to report on the result of the mission. Like many similar recent visits by east Europeans to Hanoi, this Hungarian one was intended to keep up the North Vietnamese leaders' morale on the eve of President Nixon's visit to China. Since President Podgorny dropped in on Hanoi in October to tell North Vietnam's leaders that they will not be left out in the cold, almost all the east Europeans have followed suit.

The press in various east European countries has become increasingly hostile towards the Chinese. Clearly Russia is trying to mobilise support for Hanoi just in case there is a measure of agreement in Peking between Mr Nixon and Chou En-lai. And the east Europeans continue to help North Vietnam with economic aid and arms. All the recent visitors to Hanoi have renewed their agreements for trade and military assistance.

This aid has been costing eastern Europe a good deal. Poland, which had run up credits of £30m in its trade with North Vietnam between 1966 and 1970, was allowed to cut its shipments there by 30 per cent in 1970 to help it with its own economic difficulties. Czechoslovakia built up credits of £28m with North Vietnam over 15 years, but this figure does not include non-repayable economic and military assistance. Czechoslovakia and east Germany are Hanoi's main arms suppliers, but Poland, Hungary and Bulgaria also make an important defence contribution. People in all these countries are asked to donate substantial "voluntary" contributions. East German trade unionists are said to have contributed no less than £43m. But all this is small stuff compared with Russia's estimated annual aid bill of £208m.

North Vietnam is still getting Chinese aid ; an agreement for new—and free—deliveries of military equipment and economic materials was signed in Peking on January 22nd. But Le Duan and his colleagues are clearly determined not to be caught out by anything that happens in Peking next week.



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Germany and Poland

They'd hoped for more than that

FROM OUR BONN CORRESPONDENT

At a carnival in Cologne this week an accordion player answered questions with the opening bars of some appropriate song. Whenever he was asked who was going to pay for something or other he raised the roof with the merest hint of *Deutschland, Deutschland, über Alles*. The clown asking the questions was too tactful to allude to the bill for Herr Brandt's Ostpolitik. Had he done so the response would have been the same. West Germans feel they have been given little in return for their own contribution towards a detente in Europe. The Russians and the east Germans have been slow to demonstrate their genuine intention to "normalise" relations with west Germany ; so too have been the Poles.

With this default in mind, Herr Brandt sent Herr Herbert Wehner (the Social Democrats' leader in the Bundestag and probably the chancellor's closest political colleague) to Poland in the hope of discovering how some of the persisting chilliness and disparagement might be overcome. Herr Wehner was in Poland from February 5th to 10th ; he had a series of talks with senior officials, including Mr Gierek, and was shown the restoration of Gdansk on lines that would be approved by all who knew the city when it was called Danzig.

But when he reported back to Herr Brandt last Saturday, Herr Wehner could not promise any substantial improvement in German-Polish dealings in the near future. He had found much mutual suspicion still alive, particularly concerning economic collaboration and the resettlement of Polish subjects of German origin who want to join their relatives in west Germany. Yet he did have one bit of encouraging news. Mr Gierek had intimated that he would like to discuss these matters with Herr Brandt himself, either in Bonn or Warsaw, if possible this year. It had been suggested, too, that it was high time that the two foreign ministers, Herr Walter Scheel and Mr Stefan Olszowski, should get to know each other and a meeting may be arranged after the Bundestag ratifies the Bonn-Warsaw treaty. The Bundestag is due to begin its first readings of the Moscow and Warsaw treaties next Wednesday.

The Germans are particularly disappointed by the delay in resettling would-be emigrants from Poland. Herr Wehner received only the vaguest assurances from Mr Gierek that the process would be expedited. The Germans are unsure whether the delay is deliberate or merely bureaucratic. Last year nearly 16,000 immigrants arrived ; over the previous 12 years they came at an average rate of just under 10,000 a year. According to the Polish authorities only 10,000 candidates are left. But officials at the Hamburg headquarters of the Red Cross say they know of some 300,000 pending applications. A Christian Democrat deputy reproached the government this week for not having specified numbers and a timetable in the Warsaw treaty.

Herr Wehner received the impression that Germany's acceptance of the permanence of the Oder-Neisse frontier is considered by the Poles to be too low a price to ensure favours. Everywhere he sensed disappointment that west Germany had not yet begun the promised intensification of trade and economic and technical collaboration, on the basis, naturally, of generous credits. But in Bonn it is held that west Germany is already doing a good deal to help Poland commercially; for instance, it takes 45 per cent of all Polish exports to the European Economic Community. Possibly when the two leaders meet they will be able to reduce the friction generated by unfulfilled expectation.





Amid the mutual suspicion Wehner got some encouragement from Gierek

France and Germany

It doesn't reach far enough

If President Pompidou and Herr Brandt had strayed off economic and monetary matters into defence, their meeting in Paris last week might have been less happy. The unhappiness is about the positioning of the new French tactical nuclear missile, Pluton. The French have recently been putting out feelers about equipping their two divisions in west Germany with Pluton ; the Germans, not surprisingly, have stamped rather heavily on those feelers.

The French divisions are based just over the frontier, with headquarters at Baden-Baden ; from there Pluton, even if fired to its maximum range of 75 miles, could not possibly make it over into eastern Europe. The west Germans are touchy enough about becoming a nuclear battlefield even when they have a measure of control, as they do over American and British weapons, through Nato's Nuclear Planning Group. They would want this sort of control over French weapons—as, indeed, they had over the Honest John missiles with which French troops in Germany were equipped before they were withdrawn from Nato supervision in 1966.

Possibly all this could be settled by a bilateral French-German agreement which gave the Germans a say in their targeting and use without exposing President Pompidou to domestic criticism about reinvolving himself with Nato. But the problems would not end there. The French are becoming aware of the need to make their tactical weapons look credible by putting their troops in the front line. So even if Pluton were deployed in the Baden area, French troops would have to go farther forward, nearer the British, American and German troops. This raises the old French fear that being in the Nato front line might mean automatic involvement of French troops in Nato operations and the loss of control over what would happen to French troops if fighting broke out.

Another difficulty is Russian hostility to the idea of French control over nuclear weapons on German territory. The Russians have already complained to the Americans, and may raise the matter in the Salt talks—thereby further entangling the already complicated question of "forward-based systems" in Europe. Nor, in all probability, would the Russians accept a shared system of French-German control as a solution.

The talks between France and Germany about Pluton have so far been very private. The French do not like to ask publicly for something unless they are sure they will get it. Now the matter remains stuck, with the Germans being unco-operative. But then perhaps there is no need for an immediate decision; problems with the miniaturisation of Pluton's warhead mean that the weapon will probably not be operational until 1974.

France

Yes, but should it be like that?

FROM OUR PARIS CORRESPONDENT

Six weeks ago, Jacques Chaban-Delmas was a happy prime minister. This week, as he went on television to defend himself in the great tax—or rather no-tax—scandal, he was fighting for his political life. The latest opinion poll showed that his standing had taken a nose-dive since the Canard Enchaîné last month published his income tax returns showing that he had, quite legally, paid no income tax for several years while he was president of the national assembly. Although President Pompidou and his party, the Union of Democrats for the Republic, were standing by the prime minister, they were doing so with no visible enthusiasm.

Their zeal was hardly increased by some documents more recently published by the Canard: a letter to a tax inspector now awaiting trial, and another letter, 11 years old, signed by an ambitious young man called Valéry Giscard d'Estaing, revealing that the finance ministry had been happy to accede to M. Chaban-Delmas's pleas on behalf of a company charged with "grave" tax frauds. Yet the prime minister and his party have been right in thinking that it is essentially the system, not the man, that has been under attack. The accident of M. Chaban-Delmas's tax returns has focused attention on that most basic of political questions : who gets what ?



Not much enthusiasm for Chaban

The avoir-fiscal system which enabled M. Chaban-Delmas not actually to write a cheque to his tax collector can perfectly well be defended —M. Giscard d'Estaing did the job admirably on television last week—as a form of tax deduction at source. But it has become the symbol of a tax structure, and therefore of a society, which favours the influential and the rich. The split between direct and indirect taxes in total government revenue suggests the nineteenth century more than a modern industrial state. And France is within a year or so of elections. Little wonder that the prime minister on Tuesday found it necessary to follow his defence of his personal probity with one of the social ideals of his government.

Neither attempt was strikingly effective. But the task might have been easier if he had first gagged the zealots of his party. For its general secretary, M. René Tomasini, the Spiro Agnew of French politics, the whole affair has been got up "by the communists and their accomplices." Other UDR members and the party propaganda sheet have spoken of deliberate subversion, of attempts to discredit democratic politicians such as those used by Hitler and Mussolini. Not the tax system, in short, but the republic in danger.

Possibly: but, if so, from whom ? No reaction—and M. Chaban-Delmas, to his discredit, reflected these charges in a muted form on Tuesday—could have done more to confirm the suggestion of the Canard and other critics that there is something dangerous in having a ruling party which has exercised 14 uninterrupted years of gaullist power. One small detail of this affair is worth recording. When the government, which has an ample pro-government press at its disposal, decided that its defence required extensive television time as well, it appears to have occurred to no one, not even in the opposition, that its critics might conceivably be given a similar privilege.

Ireland

Durex politics

FROM OUR DUBLIN CORRESPONDENT

If sex is a subject for sniggers in Ireland (a typical joke defines an Irish queer as a man who prefers women to drink) contraception is practically unmentionable. But it is a matter which is forcing itself into discussion as the republic considers the implications of a reunification of the whole island, a possibility which to Irishmen south of the border no longer seems so remote.

Last week in the Dáil the curtain of the future was for a brief moment pulled aside—and then speedily pulled back again. The view of a secular united Ireland had no appeal for the Dáil's deputies. The occasion was the introduction of the first stage of a private members' bill in the name of two Labour MPs, Mr Noel Browne and Mr John O'Connell. The bill would have permitted the sale of contraceptives by chemists and doctors in clinics and in other places decided by the minister, as well as the circulation of advice on family planning.

It was not the first time an attempt had been made to introduce such legislation in Ireland. On two previous occasions similar bills were refused a reading in the senate. Mr Browne said his bill was an attempt to establish the rights of a religious minority in a secular state whose constitution, laws and statutes on education and child adoption all betrayed the Dáil's hostility to such rights. But the minister for transport and power, Mr Brian Lenihan (standing in for the minister for justice), was insistent that the bill was outside the ambit of sectarianism and Irish unity. He argued that to permit the free availability of contraceptives would have "significant social implications." He did not spell

out what these would be, but the clear reference was to the dangers of a permissive society with divorce, abortion and all the other horrors calculated to affright the average Irish voter. Anyway, the minister said, the government hoped "ultimately" to devise a bill that would meet the concepts of private morality and at the same time avoid the difficulty of unrestricted availability of contraceptives (which, of course, was not what Mr Browne's bill envisaged).

Mr O'Connell pointed out that the bill merely upheld the right to private family planning granted by the United Nations convention of 1958 to which Ireland had given its support. Few other speakers made any contribution to the debate. The house divided with 75 members against the motion and 44 in favour, the government benches being solidly against the bill. But the two opposition parties split. Clearly the majority of the members were thinking of their own safety and not of the rights of minorities. "Durex politics," as it is called in Ireland, is simply not a serious issue, at least at present.

Cyprus

Ulster in the Mediterranean

If a flurry of twelfth-hour diplomatic activity can resolve an international crisis, Cyprus should be safely defused once again in the next few days. But the island is not given to such happy and speedy consummations, and at midweek President Makarios seemed to be bent on giving the world another cliff-hanger as he pondered his formal reply to the Greek government's virtual ultimatum of February 11th: to hand over the recently imported consignment of Czech arms either to the custody of Greek officers on the island or to the United Nations peacekeeping force, and to form a government of "national unity."

Archbishop Makarios has always relished brinkmanship; this time the Czech arms might just carry him over the edge. In angry exchanges in Nicosia with the Greek ambassador, Mr Panayotakos, he flatly rejected the Greek government's demands—and the majority of Greek Cypriots certainly support him. He does not want to surrender the arms to the Greek officers of the National Guard, for some of them are almost certainly involved in plans for his own overthrow. Handing the weapons over to the United



Papadopoulos has his eye on Makarios

Nations might be a different matter. But as head of a sovereign state he can argue that it is his business, and his alone, whom he includes in his cabinet or uses as advisers.

In fact, most of his ministers are politically colourless figures and at least one, Mr Komodromos, the minister of the interior, has long been depicted as an enotist—that is, a supporter of union with Greece—at heart. The archbishop can also cite the fact that, a few months ago, he invited the flamboyant General Grivas to become minister of defence, and the elusive former leader of the Cypriot rebellion against British rule, who is believed to be staying with Greek officers on the outskirts of Nicosia, failed to respond. President Makarios therefore seems bound to say no to the Greeks' demands, but he will probably do so in characteristically byzantine terms.

When the formal reply comes, what will the Greek government do? Everything depends on whether its objective is to carry through a final solution of the Cyprus question, or merely to halt the growing left-wing influence in the island, which Archbishop Makarios has wittingly or unwittingly fostered. If that is all the Greeks are after, some formula which provided for the surrender of the arms to the United Nations might allow the crisis to simmer down. But the peremptory manner in which the Greeks have handled the affair (despite a slightly mollifying statement by Mr Panayotakos on Tuesday) has increased the belief that Mr Papadopoulos's government has come to some understanding with the Turks.

Behind the scenes the Turkish government has been making furious diplomatic protests. It argues that, although the Czech arms may on the face of it be primarily intended to protect President Makarios against an attempted coup by General Grivas, they could be equally handy one day in suppressing the Turkish Cypriots. The Turks (both in Ankara and Nicosia) have long argued that the removal of the archbishop would ensure a settlement; the Czech arms episode has made the Greek government more inclined to see their point.

So far both Greece and Turkey have agreed in principle that Cyprus should continue to be an independent sovereign state. The question now is whether the arms imports have persuaded the Greek and Turkish governments to force a settlement along the lines of "double enosis," which the Turks would call partition. This would find favour with the American government, which is increasingly worried about the growth of Soviet power in the Mediterranean.

From the Greek standpoint, the obvious instrument to cut through the knot would seem to be General Grivas, who wants to go down in history as the man who united his native island with Greece. But it is hard to see the Turks really trusting the general, even though he has given indications that he would be prepared to allow them to take over some small sector of the island under the double enosis formula. Equally uncertain is the exact relationship between General Grivas and Mr Papadopoulos. There is little evidence to suggest that General Grivas returned to the island secretly as Mr Papadopoulos's man; but there is a lot of evidence that six months ago the Greek prime minister knew of the general's plans—and let them unfold, in the expectation that General Grivas would put pressure on the archbishop.

At 73, the general is said to be as volatile as ever, and with armed groups of his loyal followers deployed around the island he is quite capable of striking out on his own. Reports from Nicosia this week suggest that President Makarios may make the removal of General Grivas the quid pro quo for some deal with the Greeks on the Czech weapons. From the archbishop's point of view this would make some sense; but ejecting General Grivas at this juncture will be a hazardous operation, to say the least.

It is a situation of considerable complexity, and one which augurs ill for the five-sided talks which are still





Protests in London, if not in Iran

extracted during months of imprisonment. The defence lawyers provided for the accused are elderly and, for the most part, retired military officers clearly lacking the confidence of those they represent. The tribunal gives the defendants the opportunity to state their case. They have all stuck to their beliefs.

But the charges are couched in such general language—for instance, plotting to overthrow the government—that on occasion even the timid defence lawyers have protested at the lack of concrete charges or evidence. No firm distinction is made between those who actually carried out guerrilla operations and those who participated in the planning or were members of the same group or held the same beliefs. In each trial, so far, the pattern has been to include some guerrillas together with others whose offence is being a member of an outlawed political party or professing communist ideology. Not unintentionally, they are tarred with the same brush.

The sentences in the first two trials are an indicator of the balance between active guerrillas and those the government would prefer to tuck out of the way. Of the 43 people sentenced, six were condemned to death and 13 to life imprisonment; two got 15 years' imprisonment and 22 got 3-10 years. In Iran membership of the communist party or propagating communist ideology (which in effect means any ideology the government finds unpalatable) risks 3 to 10 years.

A new departure is the amount of publicity given to the trials in the local press. Iranians have been able to read, for instance, of the attacks made by Mr Abbas Meftahi, one of those sentenced to death, on the "fraudulent" character of land reform and profit-sharing schemes in industry—both major parts of the Shah's white revolution. Although the trials are officially described as open, and relatives of the accused attend them, no other Iranians apparently dare risk Savak's displeasure by going to the court. The increase in publicity probably reflects both the government's belief in the growing mood of public antagonism towards the guerrillas and Savak's confidence that it has broken the movement's back. But the guerrillas, to show they have not been cowed, have mounted several fresh incidents in the past few weeks.

Rumania

Lest they forget

Unless General Ion Serb shows his face in public very soon most of his fellow-Rumanians will assume that western rumours about his death by firing squad are true. General Serb, who was a deputy chief of staff of the Rumanian army, is said to have been shot last December for giving away Rumania's military secrets to the Russians. What gives the rumours some basis is the news of the demotion of General Serb's political boss, Mr Vasile Patilinet. Mr Patilinet, who was a central committee secretary in charge of the army and security services, has just been made minister of forests and building materials—a result, perhaps, of his failure to control the general.

In theory Rumania should not have any military secrets from Russia, a fellow-member of the Warsaw pact. In practice, the Rumanians have been trying to keep the Russians at arm's length ever since Russian troops left Rumania in 1958. Rumania's refusal to allow Warsaw pact manoeuvres on its soil last summer led to a slanging match with other Warsaw pact countries, though President Ceausescu in fact carried the day. More recently Rumania has given the impression of moving closer towards its old allies, who have refrained from open criticism of President Ceausescu's policy of friendship with China.

But trenchant criticisms of Rumania made in a secret speech last October (just leaked to the western press) by the ultra-conservative Czechoslovak leader, Mr Vasil Bilak, suggest that Rumania's relations with the rest of the Soviet block in fact remain at a low ebb. Perhaps Mr Ceausescu is now shooting Soviet spies to show that he is not budging from his position of independence.

Austria

Karli is their darling

FROM OUR VIENNA CORRESPONDENT

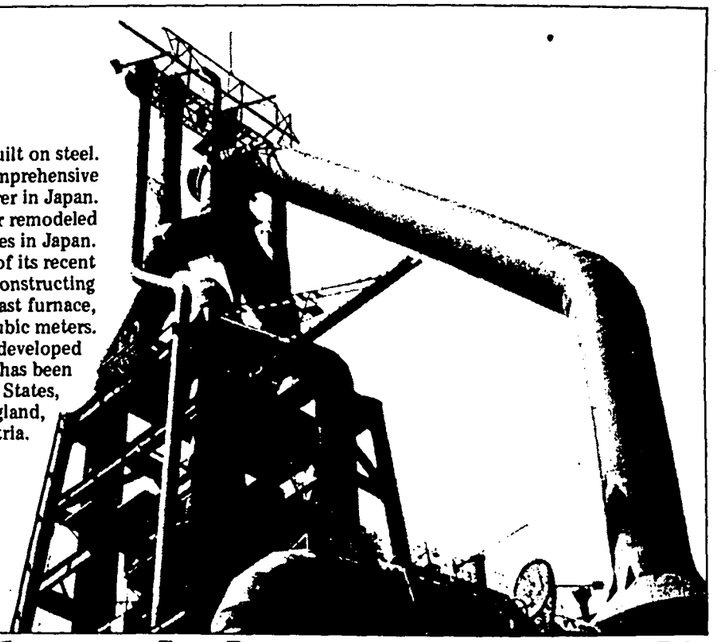
The Austrians have just given themselves a nasty turn. Disqualified from the winter Olympics in Japan for compromising his amateur status, Herr Karl Schranz, the embodiment of injured national pride, has come home to face a "Schranz-psychosis" which rated a column and a half of close analysis in neighbouring Switzerland's Neue Zürcher Zeitung.

Some of the symptoms are unpleasant. The grandchildren of Herr Mauthner-Markhof, the chairman of a family-owned brewery, were beaten up by their schoolmates because their grandfather, a well-known patron of sport and the arts, had sent a congratulatory telegram to Mr Avery Brundage, the man who excluded Herr Schranz from the games. Although the telegram had been sent before Mr Brundage had acted, sales of Schwechat beer are rumoured to have plummeted, and Mauthner-Markhof mustard is being spurned at hot dog stands.

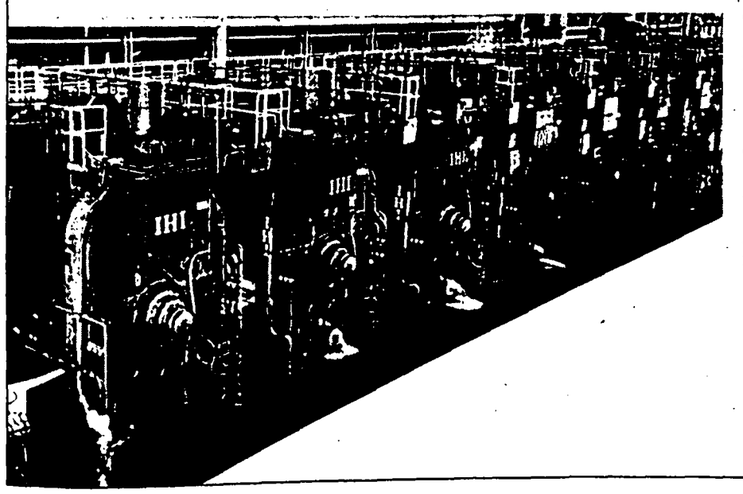
Not since the signing of the treaty that got the Russians out of Austria in 1955 has emotion run so high. And not since 1938 have there been such scenes of welcome. Herr Schranz stepped out of the aeroplane which took him from Japan to find thousands of people lining the streets of Vienna, just to welcome a man who had not won a medal because he had not been in the race. A photograph captured him on the balcony of the chancellery, his right arm raised in greeting, a sea of faces below. The roar of the crowd—"Karli! Karli!"—sounded unnervingly like "Heil! Heil!"

Serious leader-writers and commentators have thought the comparison worth making, but the similarity with 1938 should not be exaggerated. The bewildered Herr Schranz, assailed by reporters, is certainly innocent. Less so are the members of the press, radio and television who have delivered a casebook example of rabble-rousing. But the chancellor, Herr Bruno Kreisky, summed up the situation well. He said, "So long as it's a sportsman they're yelling for and not a politician, all is well."

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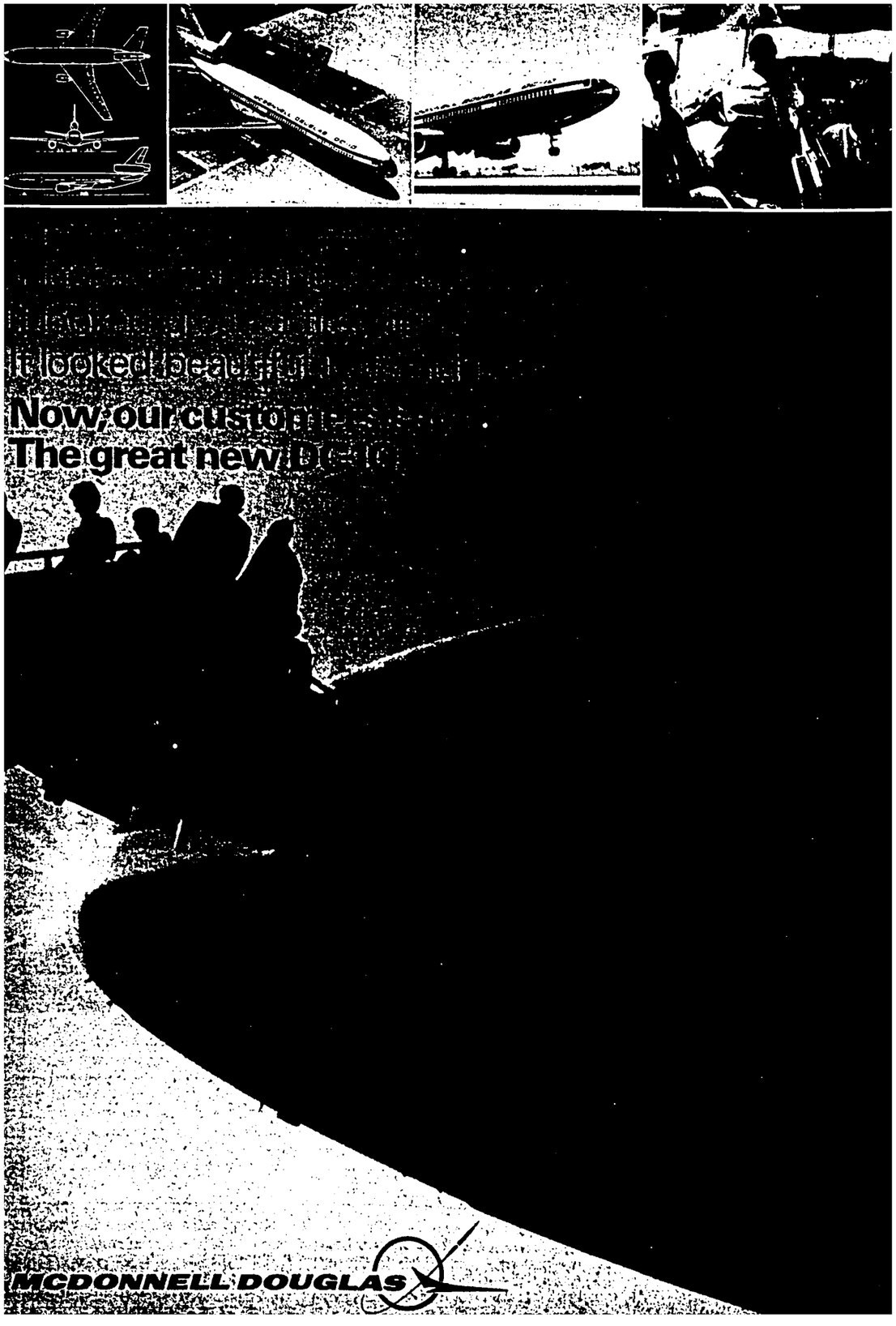


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THE WORLD

American Survey



A pat on the shoulder for Haack of the NYSE from Casey of the SEC

Towards a twentieth-century stock market

FROM A CORRESPONDENT IN WASHINGTON, DC

The Securities and Exchange Commission has made known its programme for restructuring the markets in which stocks are traded. The plan, while short of revolutionary, is radical enough ; like President Nixon's trip to China, it could probably not have been attempted under the Democrats. For the SEC's plan will modify drastically the old procedures for trading stocks, the places where the trading is done and the identity of the participants in the trading. What is more important, or in any event more politically sensitive, it will change the arithmetic of the securities business—who makes what money out of buying and selling shares for others.

Since there is little that shakes the stock markets more than uncertainty on the part of professional traders concerning the future profitability of their own business, it was probably necessary, if a major decline in the market was to be avoided on the heels of the announcement of the scheme for reorganisation, that the plan come from a Republican-led SEC, supposed to be sympathetic to business.

The need for some restructuring of the securities markets has been undisputed for several years. It has arisen mainly from the simple fact that proportionately less and less stock is owned and traded in small amounts by individual investors and more and more is owned and traded in large blocks by institutional investors—mutual funds, banks, insurance companies and pension funds. This "institutionalisation" of the stock markets has brought with it complex consequences which were made the more so by the system of fixing prices for the fees charged for trading securities, which has existed for more than 200 years. Since huge profits for stockbrokers were not only possible on large institutional orders but actually mandatory under the price-fixing rules, a number of subterfuges grew up over the years aimed at spreading the profit around.

These subterfuges led to changes in the fundamental structure of the stock markets—basically, to their fragmentation. For example, a major technique for rebating a part of the fixed-price fees involved the trading of large blocks of shares on the smaller stock exchanges located in places like Chicago, Los Angeles, Philadelphia and Boston, where the public at large never knew of the trade, or of the price at which the block was sold. Most of these regional stock exchanges had little business other than that which arose from the need for subterfuge, to provide a legal means for splitting the high fixed brokerage fees.

Now the SEC has said that much of this has got to stop. The fragmented markets, which kept the ordinary investor in the dark concerning where he might actually get the best price for his shares, will have to be unified. A consolidated stock tape, which will show all trades instantly, wherever they are made, is to be set up. What is actually more important, a unified system of information that will show all the bids and offers for a given stock that any dealer in the country is making will also be set up. Thus any broker, by pushing a button, will be able to determine for his customer where in the country the best price is to be had for a given security. No longer will this knowledge be the exclusive possession of the professional traders and the institutional investors. The technology for the creation of such a market—unified through a communications system though still scattered geographically—is said to exist already.

Among the commission's many other major plans for reform was a proposal to continue reducing the incentives for subterfuges and fee-splitting by moving further toward competition as the force that sets the fees. Price-fixing had previously been outlawed on that portion of any trade that exceeded $500,000 in value and the commission is going to move that figure down to $300,000 in April. There has been considerable support, in Congress and in a few places in the securities industry, for eliminating price-fixing entirely. But the commission chose to go slow on this point, waiting to see whether the dire consequences predicted by the opponents actually materialise.

In another area, the consequences of the fixed-fee system are to be outlawed by fiat. Mutual funds (unit trusts in Britain) have been in the habit of directing their portfolio transactions —their sales and purchases—to brokers who are also selling shares in the funds themselves; the fat fixed fees constituted additional compensation for the sale of fund shares. Now mutual funds will be forbidden to continue this practice. There are some who believe that this will reduce salesmen's efforts and the sales of shares in mutual funds by one-third or more. It will certainly increase the pressure on the SEC to allow mutual funds to advertise and sell their wares more directly.

Mutual funds themselves and other institutional investors are to be permitted to have brokerage firms as affiliates, however, and these affiliates will be permitted to be members of stock exchanges, provided that they live up to one very stringent rule. The vast majority of the business of the brokerage firm, perhaps as much as 80 per cent, will have to be done for customers other than its affiliates. This is the issue of "institutional membership" on the New York Stock Exchange, which has terrified so many of the exchange's members; they feared a disastrous loss of their own business if institutions could come on to the exchange and do their own trading and pocket the profit.

The commission decided to admit institutions because of the strength that they would bring to exchange memberships through their large resources of capital which could be used to back up their brokerage affiliates. The commission also decided that it simply could not yield to the entreaties of those who wanted to keep the New York Stock Exchange a private preserve of their own. Among those who wanted the private club continued and institutions barred from membership was Mr William McChesney Martin, the former chairman of the Federal Reserve Board, who did a study last spring and summer of many of the same problems that are covered by the SEC's new report.

Mr Martin undertook the study at the request of the New York Stock Exchange and, though he refused any pay for his work, his conclusions could hardly have been more to the liking of the most change-resistant elements of the exchange's membership. He flatly opposed institutional membership, for example, and also opposed any further reduction in the $500,000 cut-off point for fee-fixing. But his report, which saddened many who had admired his stewardship of the Federal Reserve, is only history now. The SEC has been considerably bolder.

The present ignorance of most investors of what is happening on the regional stock exchanges brings with it an insulation from the consequences. If a huge block of stock is dumped in Chicago at a significantly depressed price, neither the trader nor the ordinary investor in New York is affected by that price reduction. The insulation will no longer exist when all the markets are tied into one. Should some degree of insulation continue? If so, how? Should the size of a block that can be sold at one time be limited? Or does not the individual investor, who might want to buy a stock, have a right to take advantage of the fall in price that results from the sale of a big block? The SEC's report raised all of these questions but answered none of them.

How rapidly the SEC will be able to implement its major proposals remains to be seen. The small stock exchange in Philadelphia has announced that it will undertake a legal fight against the commission's plan to bar from membership on any exchange any broker affiliated with an institution who does not do the bulk of his business with non-affiliates. The exchange has many such members, who do nothing but trade shares for their parent corporations, including such giants as the Prudential Insurance Company. Such a legal challenge, if actually undertaken, could delay implementation of the rules for institutional membership for two years or more.

There are many elsewhere who would be happy enough to see such delay. Their number includes key Democrats in Congress with responsibility for legislation involving the securities industry. In spite of the complaints from those who wanted no change at all, these men, along with a scattering of individuals in the industry itself, believe that the commission's reform programme is really a palliative that will thwart the fundamental change which they would like to see. For this reason they may launch their own delaying actions.

Hoax unravelled

The hoax of the century at least made a good "man of the year" cover story for Time magazine. This is little enough to rescue from the shaming discovery that Life, Time, Inc's picture

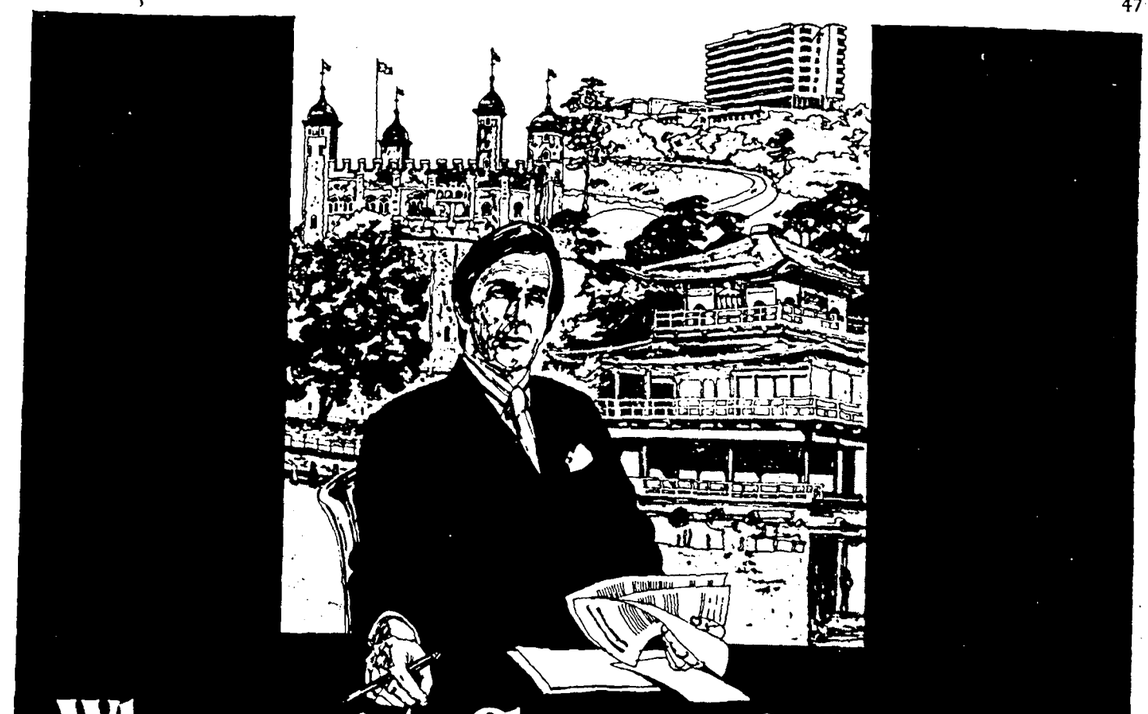


The Irvings: two innocent, at least

magazine, had been taken for such a ride (along with the hard-headed publishers, McGraw-Hill, Inc), by the ingenious Mr Irving and his alleged autobiography of the billionaire recluse, Mr Howard Hughes. Life may have lost face, but at least it has not lost any money: McGraw-Hill has returned an instalment of $100,000, paid for the first serial rights. McGraw-Hill, however, may suffer in its pocket as well as in its pride. Not all of the $700,000 which it gave to Mr Irving has been recovered. Of this, $650,000 was supposed to go to Mr Hughes. Impudently, Mr Irving, who agreed originally to settle for $500,000, pushed the price up, saying that Mr Hughes wanted more.

Mr Irving, it is reported, has now admitted to the federal authorities that his tale of meetings with the elusive Mr Hughes was pure fabrication. He will tell the whole story if his wife Edith (who deposited the cheques in a Swiss bank and then withdrew the money) is guaranteed immunity from prosecution. Perhaps Mr Irving is thinking of his two small sons; perhaps, some speculate, he is afraid of what might be said by a wife angered by the testimony of the Ninas and Annes who accompanied him on his supposed trips to see Mr Hughes. There are two obstacles to immunity for Mrs Irving. One is the Swiss demand that she be extradited; a warrant for her arrest has been issued. (She is a Swiss subject.) The other is the state inquiry which has been started because, it is said, the state disapproves of offers of immunity. The possible charges include grand larceny, perjury and fraud.

Mr Irving maintains that there is



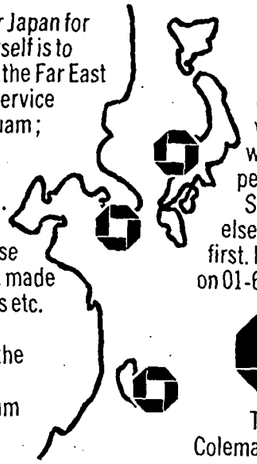
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a surprise ending yet to come. But the real puzzle which remains is how such sophisticated businessmen were taken in. It was weeks after denials came from the Hughes organisation before they got on the trail. Mr Irving, of course, excelled himself in telling them that Mr Hughes demanded complete secrecy and would back out if any attempt was made to check the book's authenticity with him. Another factor must have been the skill with which Mr Hughes's handwriting was forged ; it took in, for quite a time, highly skilled analysts in this field. Time's explanation is that the internal evidence of the Irving manuscript was so strong: there was a wealth of detail about a complex life which lent a " smack of authenticity." That convincing detail, it now appears, owed something to a draft of a book prepared by a ghost-writer, Mr Bob Phelan, for Mr Noah Dietrich, Mr Hughes's right-hand man for over 30 years. So there is some excuse. But if Life and McGraw-Hill had not been so excessively secretive about their hoped-for scoop—keeping any hint from their well-informed staffs—they might not have had so hard a fall.

Democrats against Nixon : 6

ELECTION '72

Modest McGovern



Washington, DC

Probably the American Senate does not contain a better senator than Mr George McGovern of South Dakota. He is thoughtful, well informed, enlightened, quick and orderly of mind and speech, hard-working, free of self-seeking or self-indulgence, intellectually and morally consistent, and yet possessed of the habit of moderation that a politician needs if he is to be effective in a system that works by alliance and compromise. Besides being an estimable senator he is a sound man whose life has been well organised and whose first intuitive reactions to an event are usually right for him: thus he is spared the need to mumble, temporise, back away or revise his position after second thoughts. Put together, his characteristics make up something close to the picture of an ideal President.

When other politicians acknowledge this fact, as they sometimes do, they shake their heads or murmur that it is a pity, as if to say that nomination, let alone election, is naturally not for such as he. And indeed the course of Mr McGovern's presidential effort up to the moment does seem to confirm that this is so. Having announced his candidacy first of the Democratic contenders, he has been campaigning fairly hard for a full year (and is campaigning really hard now). But measured by the opinion polls his advance has been small, from 3 or 4 per cent to 5 or 6 per of Democratic voters.

There are some mundane political explanations for this relative and, as yet, inconclusive failure, such as lack of money or of any big organised source of political strength. South Dakota does not count for much: but then, neither does Senator Muskie's state, Maine, and Senator Muskie is far away in the lead in the race for the Democratic nomination. More weighty is the fact that Senator McGovern was an insurgent in 1968 and therefore the support of the regular party notables in the states and localities does not come to him naturally. Nor does the support of organised labour, which is dividing between Mr Humphrey and Mr Muskie.

Something lacking in Mr McGovern's visible personality is the explanation most commonly encountered for his failure to make more of an impact. He does not dominate, he does not suggest strength or radiate a sense of power. His voice, though not weak, is soft, his manner is unassuming, quiet and civilised. He is a former professor of political science at a small university in the great plains and the son of a Methodist preacher in a small town, and he is completely authentic. He is not showy.

The other explanation is that Mr McGovern is still generally thought of as a one-issue candidate. He was a consistent opponent of President Johnson's policy in Vietnam and was briefly a presidential contender in 1968 as an opponent of the war. He refuses now to believe President Nixon's assurances that the present policy on Vietnam is aimed at a negotiated peace. Mr McGovern's speeches often include a pledge to resign the presidency if, having been elected, he fails to bring the war to an end within a few months.

Whatever the truth of the matter may be, there is manifestly no simple issue of peace or war that is perceived clearly enough, or is the subject of feelings deep and widespread enough, to unite a party around a candidate at present. Senator McGovern knows this. He has other policies to talk about. His small organisation has produced a workmanlike study of defence problems, on the basis of which he proposes selective cuts in the defence budget. He has an interesting programme for a combined reform of direct taxation and the welfare system and another for relieving the schools of their reliance on local property taxes. But it is probably true that most of the voters (those who have heard of him at all, that is) still think of him as an anti-war candidate.

Although some rival candidates for the support of the liberal wing of the Democratic party dropped out last year, the gap was filled quickly by Mr Eugene McCarthy and by Mr John Lindsay. The Democrats' new rules for selecting delegates to the nominating convention give Mr McGovern chances to win support where four years ago the entrenched local party officials would have prevented it. But in each case he encounters liberal competitors for these newly liberated sources of convention strength.

The liberal wing, in short, has not yet united conclusively around Senator McGovern and he is aware that this fact may prevent him arriving at the party's national convention in July with the volume of delegate support that would make him a force to be reckoned with. The party's wounds of 1968 are also not fully healed. Mr McGovern, as a decided liberal but also a loyal party man curiously innocent of factionalism, might be the natural beneficiary of a reconciliation between the party's liberals and its centre ; but this also has not happened yet.

Off to China

Experts on China have been much in demand in the past weeks before President Nixon and his party departed for Peking on Thursday. The President has been doing a crash course on the politics, economics, history and geography of the People's Republic of China. Even M. André Malraux, a former French minister of culture who has known Mao Tse-tung for years, has been called in to give advice. Newsmen—in all, 87 will go to Peking—have also been very diligent with their homework. Judging by the elaborate preparations some journalists have made, China would appear to be as remote and strange to them as the moon. They at least should benefit from the expedition.

Whether anyone else will is less certain: the occasional announcements that have come from the White House have been cautious. President Nixon has hopes of establishing some sort of high level diplomatic contact. He also wants more trade between the two countries. This week he relaxed restrictions on American exports to China still further ; last June he had lifted the embargo on trade with China which had been in force for 21 years. But the optimistic American exporters now pouring into Hongkong may have to wait a long time for much business.

The administrative preparations for the visit of the first incumbent President to China have gone very smoothly considering that there is no American diplomatic corps in Peking to deal with the chores of a state visit. The President's party has been kept to a minimum ; only 300 people will go to China, about half his usual entourage. Thanks to the co-operation and the efficiency of the Chinese the American security and medical services are satisfied with the arrangements that have been made to protect the health and safety of the President. The rudimentary communications system in China was also a worry, but a new station to broadcast by satellite has been set up with such speed that over 600m people, almost all of them outside China, will be able to see the historic event on television.

So far the only grumbles have come from newsmen. The newspapers and magazines complain of unfair treatment, but the television people are also unhappy: because of the time difference (Peking is 13 hours ahead of New York) only one live transmission—that of the President's arrival—will be seen in America at a peak viewing time. Correspondents may also find that they have to battle for the news. A combination of White House secrecy and Chinese inscrutability has kept all but the most rudimentary agenda of the visit under lock and key.

ELECTION '72

Cold candidates

FROM A CORRESPONDENT IN NEW HAMPSHIRE

Of the more than 73m votes cast in the 1968 presidential election, fewer than 300,000 came from New Hampshire. The proportion did not vary greatly from earlier voting patterns, nor is there any reason to suspect that it will this year. But it has always been true that candidates flood the state during the winter months of the quadrennial presidential election years, to be photographed striding about in arctic clothing, patting cows and greeting the oldest inhabitant of some snowbanked village or the white-haired postmistress who was inevitably appointed by President Coolidge or by President Wilson, depending on whether the candidate is a Republican or a Democrat.

The reason for these frozen rites of spring is obviously not the Granite State's direct influence in choosing party nominees or electing Presidents. Rather it is that New Hampshire, one of the 13 original colonies, represents something still important in American politics—the last glimmer of the yeoman dream. New Hampshiremen are said to be " rugged individualists," citizens of " native wit and shrewdness," hard workers made thrifty by long winters and a New England way of life that admits neither frolic nor defeat.

If much of this is belied by a proliferation of the trappings of suburbia, particularly in the populated south-eastern quadrant where most of the voters live, it is still good copy for the news media. By the time the late intraparty elections—primaries—roll around in June, news editors and the public will be tired of the stock stories and pictures but, for the moment, New Hampshire is a place of pilgrimage for those on the quest for election stories and will remain so until March 7th—primary day.

The major Democratic contenders for the presidency have been in and out for some time, but the state is far from neglected by those with less chance to win the nomination. Mr Sam Yorty, the mayor of Los Angeles, for example, is far from his native heath as he visits the farms and grimy mill towns, trying to make his name familiar. He is little known in the United States outside of Los Angeles, where he has been the target of criticism for a lackadaisical attitude in dealing with urban problems, particularly as they affect the poor and the black and the Mexican Chicanos. But in New Hampshire and other early testing grounds, he has won some support for his expressed opinions on expanded social legislation (he is against it) and the war in Indochina (" We should get in there and win ").

These and other views have won for him the support of Mr William Loeb, the fractious owner of the state's most powerful newspaper, the Manchester Union Leader. But its plaudits are not expected to carry Mr Yorty very far. He is not regarded as a serious candidate by the Democratic hierarchy, but apparently he hopes to make enough of a name for himself in primaries so that he and his views will be taken seriously at the party's national convention. As the comedian, Mr Bob Hope, put it when Mr Yorty announced his candidacy: " What's he running for President for ? He hasn't even been mayor of Los Angeles yet."

Another Democrat who has hit the early campaign trail in an effort to build national recognition is Senator Vance Hartke of Indiana. His views on the war in Vietnam are in direct contrast to Mr Yorty's " bomb-'em-into-the-stone-age " approach. But Mr Hartke has a few more credentials. He is a protectionist on foreign trade, which appeals to New Hampshire's factory workers constantly under the threat of competition from Europe and Japan. Mr Hartke has sat in the Senate for 13 years and won his three election victories by attracting votes from Indiana's smallholder farmers and small businessmen, with a healthy dollop of trade union support thrown in. It is this kind of campaign which could help him in New Hampshire, but he is not regarded as a serious threat either to Senator Edmund Muskie of neighbouring Maine or to Senator George McGovern, who has been wooing votes among university people and young professional men and women.



Yorty tries to make his name

Germ of a plot

FROM A CORRESPONDENT IN CHICAGO

For two giddy midwinter days last month Chicagoans fully believed that they were in on the greatest story since the St Valentine's Day massacre. All the elements seemed to be there—political extremists who were seeking to create a "master race," millions threatened with imminent death, Mayor Daley urging calm in the midst of crisis, teenage "freaks" and, last but by no means least, a fearless prosecuting attorney.

Over their breakfast coffee on January 18th citizens learned that two filtration plants which supply drinkable water to the city had been put under heavy guard following the arrest of two youths, in an alleged "plot" to introduce cultures of botulism, typhoid, anthrax, cholera and meningitis into the water supply. During the day details of the plot continued to unfold, thanks to breathless reporting on the air and in part of the press.



Mrs Byrne shows it's safe

The culprits were said to have conspired to poison the water supply after they and other members of an "extremist" group called Rise had inoculated themselves against all the diseases that, they hoped, others would catch. In this way, they would ensure their own survival and the genesis of their "master race." Mayor Daley and other city officials held press conferences and issued statements, assuring the community that nothing had happened and that the water was perfectly safe to drink. Mrs Jane Byrne, the blonde, well-proportioned commissioner of weights and measures, was even photographed drinking a glass of it, demonstrating that when Mayor Daley calls everyone rallies to the colours.

By the next day, there were stories that the "plot" was only the beginning of an attempt to poison the world. But the journalistic cultures were already developing anaemia. It was pointed out, for example, that the announcement of the arrests and the deployment of police to guard the filtration plants had come from the state's attorney, Mr Edward Hanrahan, who is seeking re-election over such obstacles as criminal charges of malfeasance in office. It was also pointed out that no one had actually done anything to poison the water. Indeed, one investigator said that Rise was having recruiting difficulties and that some potential postulants withdrew when they were told that they would have to be inoculated.

Limited Scope

FROM A CORRESPONDENT IN CALIFORNIA

This week the banking industry in California plans to take a somewhat fearful step into the electronic future, by opening the country's first automated clearing houses comparable with the Interbank Computer Bureau in London. These will make it possible for banks to exchange entries and to balance accounts with each other by means of magnetic tape, rather than by sorting and distributing cheques and other paper documents.

The technology has long been available, since American banks are well supplied with computers and the practice of automatic deposits and debits is established abroad. But because of the problems of organisation in the fragmented American banking industry, automation has almost all been internal. And while the benefits of further computerisation—indeed, the necessity for it—are clear enough to the banks, they are not clear to the banking public which is suspicious of computers and disinclined to change its money-handling habits.

It has taken almost four years for California's joint-bank Special Committee on Paperless Entries (whose acronym Scope is, unhappily, also the name of a widely advertised mouthwash) to organise its pilot project for San Francisco and Los Angeles. Similar groups have been organised in 18 other centres in the United States, but will await the results of the Californian experiment—especially the public reaction—before going ahead. The group has obtained promises of participation from almost all of California's 150 banking firms and has worked closely with the Federal Reserve Bank of San Francisco, which will operate the clearing houses. Co-operation is easier to achieve in California, where branch banking is permitted, so that there are comparatively few banking firms, than in some other states. But the Californian group is nervous about the possibility of public disapproval and is undertaking a $250,000 publicity campaign designed to emphasise that the new system relies entirely on advance permission being given by the customer—and that he need not give it if he does not want to.

Scope's approach, based on Giro systems and the direct-debiting schemes of foreign banks, is not entirely new to America. Automatic transfers are already widely used within individual banks when transferring money for repayment of loans or additions to savings accounts. Insurance companies also use pre-authorised drafts to collect monthly premiums from customers' current accounts. What is new about Scope is that it will extend to inter-bank transactions and will do them electronically, without supporting paper.

The easiest application of Scope will be to the direct deposit of payrolls to employees' accounts in their various banks. Since payrolls produce nearly one-sixth of all cheques in circulation, to reduce their volume by only one-third would dispense with more than 5 per cent of the total flow of cheques, or more than 11om cheques annually in California alone. Such fixed-amount monthly bills as loan repayments, insurance dues, rents and cable television fees are other likely uses.

Unfortunately, the few opinion surveys that have been held suggest that the public strongly opposes pre-authorised payments and that businessmen do so even more strongly. There are some deep feelings involved in the possession of a paypacket and supposed control over bill-paying activities. Many consumers value cancelled cheques as proof of payment and they like to be able to withhold payment as a means of putting pressure on vendors. What is more, individuals and corporations alike make extensive use of "float," the continued possession of money between the time a cheque is written and when, after the clearing procedure, it is actually deducted from one's account. For some companies, float provides as much as half their working capital and they will part with the practice very reluctantly. The Federal Reserve Board, however, is working to speed up cheque clearance and will be watching Scope with interest.

It may seem contradictory that banks are aggressively promoting the use of chequing accounts while at the same time, through systems like Scope, discouraging the use of cheques. Their reasoning is that if they are to maintain their control of the country's payments system, free from incursions by building societies and intervention by government agencies, they must reduce the cost and improve the efficiency of the flow of cheques which, by 1980, will probably double, to over 44 billion annually.

Between past and future



The Economist A survey of Spain

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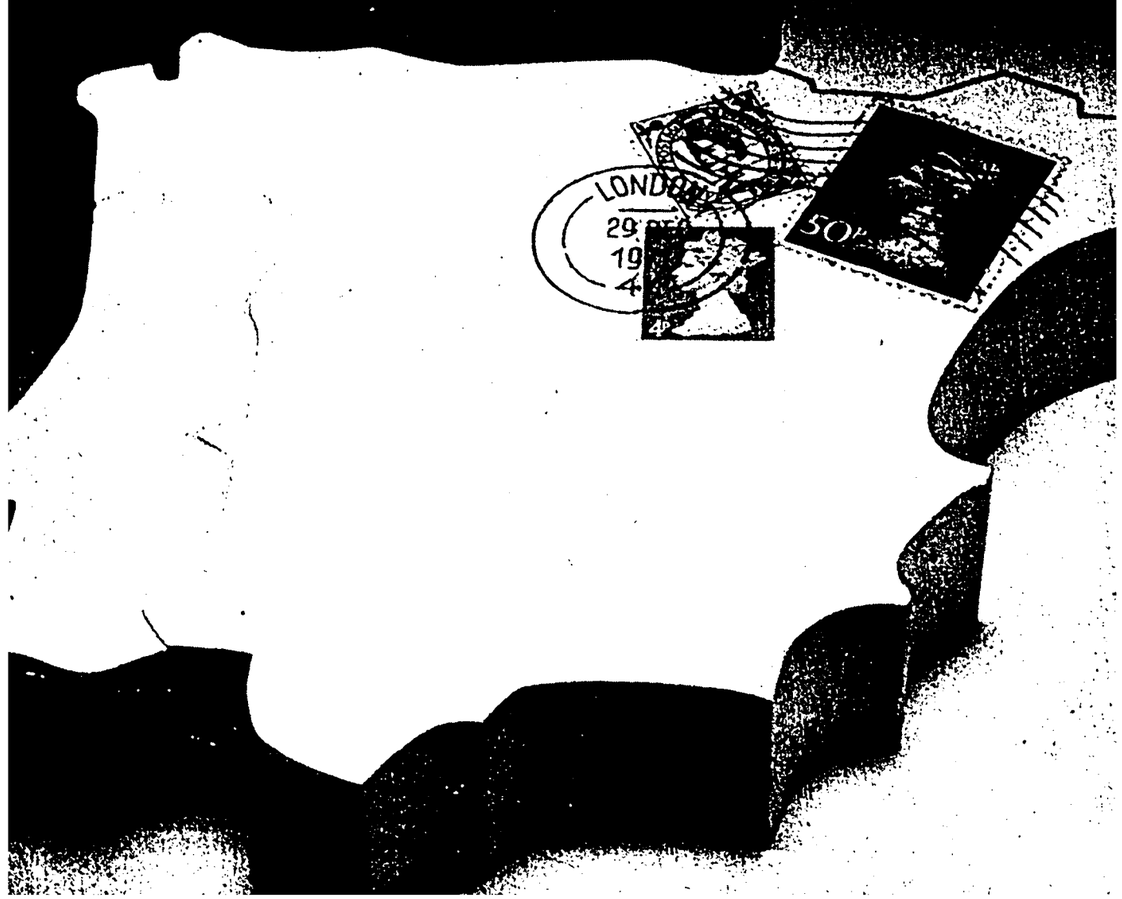
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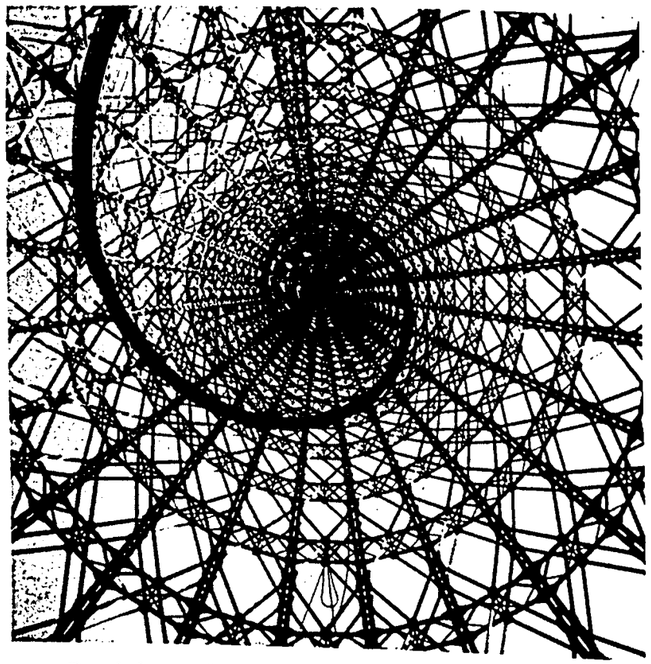
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Between past and future

"I have never expected," says the hero of a recent novel about the Spanish civil war by José-Luis de Vilallonga*, "that a foreigner could understand Spain." It is true. The Pyrenees are no longer a physical barrier to the millions of tourists and French couples out for the weekend who stream through the customs posts every year. But they remain a psychological barrier between Iberia and Europe. Perhaps this is why the men who have ruled Spain throughout its modern history have so often seemed to be tilting at windmills to westerners who find their causes and political credos remote. And there is that special problem.

Thirty-three years after General Franco's soldiers captured Madrid, it is still difficult to write about Spain for a literate western audience without cutting into old wounds and reviving the emotions of the 1930s. Those emotions are less and less relevant to modern Spain. More than half of the Spanish population has been born since the civil war; the rhetoric of the *cruzada* ("the crusade") has become unfashionable and perhaps a bit embarrassing to the younger, more outward-looking men who run the civil administration and the economy; and most of the Nationalist generals have died or gone into retirement.

It is true that the blue-shirted Falange (expelled from the council of ministers in 1969) is still a force to be reckoned with. It can still muster a crowd of tens of thousands in Madrid's Plaza del Oriente, and is particularly strong in the Cortes and the government-run *sindicatos*, or trade unions. There are still gangs of right-wing extremists like the "Warriors of Christ the King" who are capable of chucking acid over a visiting exhibition of Picasso prints. But, for the moment, these forces are on the fringe of Spanish politics. And the man who has put them there, defying any outsiders' expectations, is General Franco himself.

The basic motivation of that sober Galician general, the least ideological of autocrats, remains a mystery even to many of those who know him well. One by one, he has cut down the political factions that helped him to win the civil war—perhaps in accordance with the advice once offered to Polycrates, the classical tyrant, by the philosopher who lopped off the tallest ears of corn as they walked together in a field. General Franco disappointed the falangists, the carlists, the Christian Democrats, and the monarchists who were not sufficiently ready to switch their allegiance to Prince Juan Carlos, the heir-apparent. He held the ring while a new group of technocrats—parvenus in the eyes of the civil war veterans—set about modernising the economy and opening Spain to foreign investment and a closer relationship with the European Economic Community.

And that is something for which he deserves to be remembered. Thanks to General Franco's tolerance, the extreme right-wing elements have been restrained while the technocrats have got on with the job of sorting out the economy. For those who understand neither the peculiar history, nor the political climate of Spain, nor the limits of the system within which the reformers have to work, it is easy enough to dismiss their achievement as a partial one. But politics is the art of the possible, and what has always been hard to achieve in Spain has been some kind of genuine consensus that would make the free play of political factions possible. In the absence of that consensus, the reformers have at least been able to find a patron.

What General Franco was not prepared to tolerate, at the end of the day, was a real measure of political liberalisation. He shocked some outsiders late last year by making it plain that he will remain head of state "so long as God gives me life." Like many other strong men in history, General Franco has never learned how to loosen his grip. Or, some people might argue, how to change his style.

The Burgos trial against Basque terrorists at the end of 1970, the suppression of the strike at the Seat car plant in Barcelona and of the newspaper Madrid at the end of last year and the treatment of student rioters at the university of Madrid last month were all cases of the government applying methods better suited to the civil war than to a modern, pluralistic society. But then in Spain history goes on repeating itself. The country's political life is sometimes like a film interrupted again and again by flashbacks.

To appreciate the very tangible and far-reaching process of change that is taking place within Spanish society and the economy, one must understand the limits within which the reformers have to work. In Spain, when past and future do battle, the past has often emerged the victor. As a young technocrat close to the centre of government puts it: "Our survival after Franco depends on continuity. We must be protected by a man in uniform, because the right wing does not trust us. And we have to accomplish two things: continued economic growth, to justify curselves as a government, and social order, without which the army will move in."

In Spain, as in other authoritarian societies, it is easier to shift policy to the right than to the left. Within the limits of the system, under the protection of Admiral Carrero Blanco, the vice-president, and with the tolerance of

*"Fiesta." By José-Luis de Vilallonga. *Seuil*. Paris. 1971.

General Franco, the technocrats have been slowly transforming Spain into a, modern consumer society with a national income of $1,000 per head. Over the past two years, they have run up against economic as well as political obstacles : stagflation, a slump in local investment and the problem of selling to an enlarged common market. The great strength of the Spanish economy over this difficult period has been that it has retained foreign confidence. It has to do so, because it is so hugely dependent on the outside world for tourist earnings and new capital investment.

But there are still formidable structural problems to be confronted. This survey sets out to examine the two faces of Spain in the 1970s : its byzantine politics and an economic miracle that has developed some serious flaws.

The voice of the Pardo

Any casual visitor who takes the road from Madrid to the Pardo Palace where General Franco lives will sense at once that he is approaching the true source of power as he passes the *Guardia Civil* in their back-to-front hats and wide, flapping cloaks spaced out like telegraph poles every hundred metres or so along the way. As he approaches his eightieth birthday, General Franco is as much the master of Spain today as he was in 1939, when his troops entered Madrid. That is one reason why Spain often appears to outsiders, in the words of Sr José de Areilza, the Count of Motrico, " like a boy who has grown to adulthood still wearing the cap and short pants he put on to go to school." The country has changed, but not the principles by which it is governed.

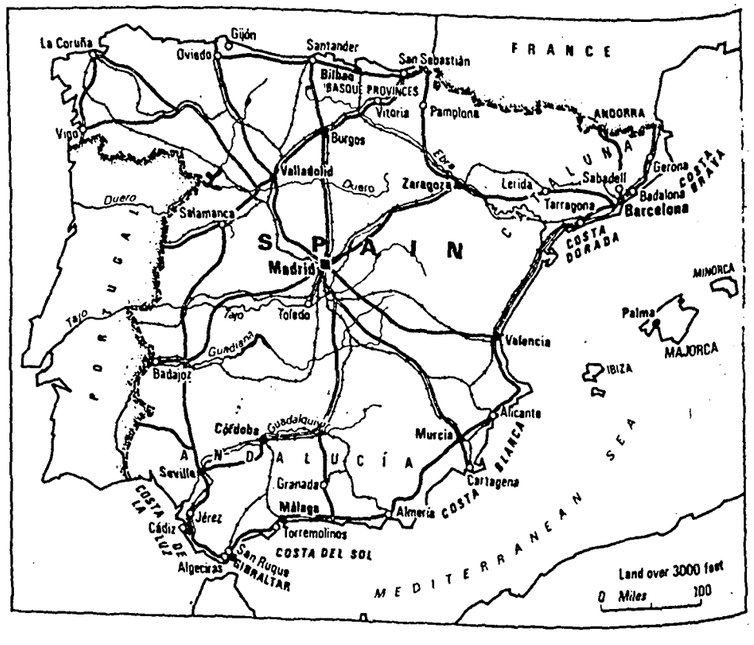
It is true that at the end of 1966 the general brought in the " organic laws," or *Ley Orgánica del Estado*. This was the closest thing to a constitution that Spain has seen since the civil war. But although the organic laws make some attempt to define the functions of the chief of state, they hardly serve to limit them. While it is now laid down, for example, that the chief of state needs the approval of the Cortes in order to proclaim war or peace, even this minor restriction will apply only to General Franco's successors. And although the organic laws provide for a separate head of government, the general has been in no hurry to equip himself with a prime minister who might serve as a focus for factional intrigue.

In fact as in theory, Spain remains a personal autocracy. In the language of official rhetoric, the *caudillo* is responsible only to God and to history. When General Franco spoke to the Cortes last November in his even, slightly high-pitched voice, he shattered any illusions that he has grown tired of office. He would remain chief of state, he declared, so long as God gave him life. He reminded the members of parliament that their right to discuss new laws could not be used as a pretext to trespass on his own special prerogatives, and that the role of the council of ministers was merely " to assist the chief of state." General Franco also brushed aside the idea that there will be any basic changes in the system so long as he holds office. Yet again, he insisted that Spain will never have political parties in the western sense. Confident of his own place in history, he concluded in characteristically lofty terms that " a people does not invent its destiny. It serves it."

The underlying question, perhaps, is to what extent Spain is pursuing a European future. Has it managed to catch what Senhor Xavier Pintado, the Portuguese secretary of state for commerce, calls in a charming phrase " the technocratic train to Europe ? " Some of the more ardent pro-Europeans in Madrid would argue that, in the process of forging closer economic ties with the EEC, and as Spaniards become more like their northern neighbours as they travel abroad and their standards of living rise, the country's social and political institutions will also come to resemble those of western Europe. That is a dream worth clinging to. But it has always proved dangerous to try to clamp alien models on to the Iberian reality. To understand Spain, the first requirement is that one should put aside one's preconceptions.

But of course age has taken its toll, and today General Franco is content to leave the routine of administration to others while he spends half his year hunting and fishing in the company of relatives and old military cronies who are sometimes, not inaccurately, described as " the Spanish court." But the general is still the man who hires and fires senior officials, and the final arbiter on all major policy decisions. One senior official told this correspondent that the definition of a political leader in Spain is " someone appointed by Franco." That is what makes it so hard to determine the relative weight of individual ministers.

For the moment, Spanish politics are terribly byzantine : what tends to make or break a man's political career is how he gets on with those closest to the *caudillo*, and how he survives the battle of rumours that is waged in the corridors of the Pardo. Perhaps this is only further proof of what Sr Salvador de Madariaga has lamented as the incurably subjective politics of the Spanish people : their obsession with " who's who," rather than the work in hand. Spain is also byzantine in the pattern of political infighting. Just as, under the Emperor Justinian, political factions not permitted to organise openly found different ways of banding themselves together (so that the colours worn by the charioteers, for example, became the symbols of different tendencies) so in Spain the rival parties within the regime have organised themselves in subtle ways.



The secret of General Franco's survival over the 33 years since the civil war has been that he has never allowed one faction to grow too strong. Franco is a realist. In the civil war, he enlisted the support of all sorts of political causes. Afterwards, he dispensed with them one by one as it became apparent that they had outlived their moment or had come to pose a challenge to his own conception of how Spain should be governed. Today, a new force has achieved political ascendency in Spain. Many of those aligned with it are too young to remember the civil war. Some call them simply the technocrats ; to others, they are the disciplined militants of Opus Dei.

The technocratic order

Since the Matesa scandal broke in 1969, Spain has been governed by what has been called a " *monocolour* " government. Matesa was the Barcelona textile machinery firm that got hold of some $140m in official export credits and was later charged with having diverted all but $60m of it into private hands. The truth was first discovered by an army lieutenant-colonel serving with the Spanish customs. At once it became clear that the scandal had important political undertones. According to some Madrid sources, the scandal was first exposed at a cabinet meeting in San Sebastian by Sr José Solís and Sr Fraga Iribarne, both then associated with the falangists and jealous of the hold of the Opus Dei ministers over the government.

Ironically, what they saw as a weapon to destroy Opus Dei was turned back against themselves. Although, in the investigations that followed, four ministers or ex-ministers were removed from office and an Italian newspaper, Avanti, claimed that Sr Vila Reyes, the president of Matesa, had contributed no less than $35m to Opus Dei, the " López Rodó group " emerged from the crisis stronger than ever. And when General Franco proclaimed his amnesty for prisoners late last year, he effectively closed the books on the Matesa case for good, although it is still raised like a chorus in private conversations. The striking thing was that, when compelled to make a clear choice on whether or not to keep the *opus deistas* in government, General Franco threw his support behind them.

To its enemies, the lay catholic organisation is " Octopus Dei," a sinister conspiracy aiming for a monopoly of political power. To some observers, it is a kind of catholic calvinism, which exalts the importance of worldly works and which through its members has brought a degree of competence and rationality to the management of the Spanish economy. To its apologists, Opus Dei is nothing more than a fraternity of catholics devoted to spiritual ends. In an interview with the Madrid newspaper ABC last year, the founder of the order, Monseñor Escrivá y Balaguer, insisted that the society is devoted to " exclusively spiritual goals " and that the " conspiracy theory " about Opus has stemmed from " the religious jealousy of some people, the political fanaticism of a few, and the superficiality of those who pass on what they hear because it amuses them." One does not have to take all the allegations of a polemicist like Sr Jesús Ynfante* seriously to realise that there is a bit more to it than that.





In Spain, you need a military friend : Admiral Carrero and López Rodó

Although Opus can claim only three full-fledged ministers in government at the moment, including the planning minister and the foreign minister, its members are very influential in banking and private business and in the universities. Although Opus Dei claims to be open to all, to outsiders it often looks like a hand-picked elite, many of whose members are first selected as undergraduates (especially at the university of Navarra, which was founded by the order). No doubt many of the recent recruits are essentially opportunist. The magazine Indice put it well when it suggested that " Opus Dei is not a political party, nor an economic pressure group, but a sort of religious insurance company providing security against all economic and political risks."

It is from this order that the leaders of Spain's new breed of technocrats have sprung. Sr Laureano López Rodó, the minister for planning, has been the prime minister of Spain in all but name since 1969, the man charged with the administration of the economy. On first acquaintance, one is struck by his polished manner. His practised turn of phrase conceals both a very subtle politician and a basically shy and retiring personality. He is pro-European, but he is also a gradualist. Spain's integration with the common market area, he told this correspondent, must happen in gradual stages— " it is not a matter of flipping over the *tortilla* all at once." He also insists that the opening to Europe will not require political concessions from Spain : " The Europeans should not all put on the same uniform like schoolchildren." Central to his political philosophy is the idea that social change and social order follow in the wake of economic growth. He rejects the

*" La prodigiosa aventura del Opus Dei." By Jesús Ynfante. *Ruedo Ibérico*. Paris. 1970.

phrase often attributed to him that "when Spain achieves a per capita income of $1,000, political development will begin" as apocryphal (possibly because Spain had just about reached that figure at the end of last year) and argues that there is already greater room for debate within institutions like the Cortes.

Sr López Rodó is a man who is clearly too cautious to take unnecessary risks, and very much alive to the hostile forces that have been ranging themselves against him. On the other hand, he is widely respected for his integrity. His own definition of politics is that "like tennis, it is one of the activities that is legitimate *(lícito)* for a man of religion—and it is my ruling passion."

The economic sections of this survey discuss how Sr López Rodó and his entourage have set about rationalising the Spanish economy. It would be foolish to label them technocrats without also bearing in mind that at the same time they are conservatives and strongly influenced by religion. A measure of their conservatism, and their sensitivity to the prevailing balance of political forces, is their approach to the problem of taxation in Spain, which has one of the most antiquated and inequitable systems in Europe. Sr López Rodó's formula is simply for an annual increase in tax revenues of 0.5 per cent, to be raised by enforcing the existing legislation.

Is Sr López Rodó securely in the saddle? One of the dissident members of Opus Dei told this correspondent that there are three political groups that matter in Spain: the establishment; "the opposition that can be put in jail"; and "the opposition that cannot be put in jail." The last category really consists of two groups: the liberal opposition and the right-wing opposition (which, numerically at least, is probably stronger and poses a greater immediate threat to the technocrats).

Opposition voices

Madrid is in some ways a very small town. Six months of inquisitive residence is long enough to get to know most of the members of the establishment opposition. It is hard to classify Spanish politicians. The Count of Motrico, one supposes, would be a Tory in Britain, Sr Ruiz-Gimenez a Christian Democrat in Germany. Many of the most prominent members of the liberal opposition have evolved from fairly right-wing positions: Sr Rafael Calvo Serer, now in exile in Paris, began his political career as a right-wing catholic polemicist in the immediate aftermath of the civil war, Sr Dionisio Ridruejo as an ardent falangist.

But one has not begun to understand Spanish politics unless one recognises that it is the personal factor that is all-important. The members of the establishment opposition could all be members of future governments. They might even be thought of as a kind of shadow cabinet whose members will only ever be summoned one or two at a time. Paradoxically, it is a man traditionally regarded as of the right, Sr Manuel Fraga Iribarne, who has recently been doing more of the things that an opposition politician in a western country would be expected to do than most other Spaniards outside government would attempt. He has been touring the country, making speeches, giving interviews.

Sr Fraga is in a way the supreme example of hispanic individualism. He is often called a "force of nature" *(fuerza de la naturaleza)* and one can see why. He is a man of tremendous nervous energy, who can hardly manage to hold himself still in a chair and whose thoughts race ahead of his words. Removed from his job as minister of information in 1969, he lost his last official post late last year, when General Franco summoned him personally to tell him he had been dropped from the National Council of the Movement. That was a considerable blow, but maybe it is one he can get over in time. In the long run, the politicians with a future in Spain will be those who can fulfil two essential preconditions: they must enlist the confidence of the armed forces, and guarantee continued economic growth.

Then there is that other group—the opposition that could go to jail. The two most important groups among the clandestine opposition in Spain are the communists and the regional militants. Today, the Communist party *(Partido Comunista Español)* has split into two major factions in the wake of the Russian invasion of Czechoslovakia and widespread disillusionment at the "normalisation" of relations between the Spanish government and the Soviet block. A majority of the party remains loyal to Sr Santiago Carrillo, the secretary-general, and Dolores Ibbarruri (the famous "La Pasionaria" of the civil war) who have become increasingly outspoken in their rejection of the Brezhnev doctrine and the internal repression practised in Russia. A second group, led by the former Republican general Enrique Lister, Sr Eduardo Garcia and Sr Agustín Gomez, has broken away and organised a second party pledged to unconditional support for the Soviet line.

The irony in the split is that it was precisely because, under Sr Carrillo's leadership, the Spanish party had remained a rigidly monolithic organisation, uncritical towards the Soviet Union and distinctly parochial in its theoretical attitudes, that many party militants were unready to accept Sr Carrillo's gradual about-face after 1966, when he publicly expressed his disgust at the Russian treatment of Sinyavsky and Daniel*. Sr Carrillo has been able to enlist considerable support for his independent stand among European communist parties, notably the Italian, Jugoslav and Rumanian parties. His party's secret radio transmitters have been moved from Dr Husak's Czechoslovakia to Rumania—the only Warsaw pact country that did not join in the Russian invasion of Czechoslovakia. For their part, the pro-Moscow group have resorted to increasingly sordid marketing techniques, printing fake copies of Mundo Obrero, the underground newsheet.

There is no doubt that the Spanish communists have been weakened by the rift. Sr Carrillo's prime tactic today seems to be to gain control of the underground *comisiones obreras* (which are discussed later) and to infiltrate the legal trade unions so as to exploit and foment labour unrest in the country.

There are, of course, other opposition groups outside the communist ranks. The battle between the centre and the periphery is as old as Spain itself. There have been recent signs of the survival of regional chauvinism in Spain. Late last year, a clandestine assembly was held in Barcelona under the very noses of the authorities, in which more than 300 delegates of varied political tendencies called for a restitution of the 1930 statute of autonomy for Cataluña. The Basque terrorists called attention to themselves again last month, by kid-

This survey was written by Robert Moss.

*See Fernando Claudin, "The Split in the Spanish Communist Party," New Left Review. No. 70 November/December, 1971, for a view from the far left.

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Cardinal Enrique : for God, not Caesar

napping a private businessman. The three factions of the *Euzkadi Ta Azkatasuna* ("Freedom for the Basque Homeland") are still active despite tough police measures, but their separatist goals are irrelevant to modern Spain and could never be tolerated by a government in Madrid.

In Spain, as in Latin America, the progressive wing of the catholic church represents one of the most powerful and certainly the most influential, of the opposition groups. On the last day of December, General Franco levelled an unprecedented warning at his critics in the church that suggested how wide the rift between church and state has become. An assembly of priests and bishops last September engaged in some unheard-of self-criticism concerning the role of the church in the civil war (though the resolution on this failed to get a two-thirds majority and the assembly itself was rejected by catholic conservatives as unrepresentative). And not long afterwards a church study group run by the liberal bishop of Huelva issued a remarkably outspoken manifesto in which it was claimed that General Franco had subjected Spain to a "false peace" characterised by official repression and social injustice.

The bishop of Huelva is only one of a clutch of "radical prelates" who seem to be steering a course towards head-on collision with the regime. The bishop of Las Palmas in the Canaries has organised collections in aid of striking workers, and the auxiliary bishop of Madrid, Mgr Echarrén, has also come out strongly on the side of strikers. One of the older church-state conflicts involves the Basque clergy. (A Basque bishop, for instance, was one of the few men in the church hierarchy who withheld support from General Franco during the civil war, and Mgr Cirarda, the bishop of Santander who has just been transferred, took a critical stand at the time of the Burgos trial of Basque terrorists in 1970.) There are still powerful conservative elements in the hierarchy, championed by Mgr Guerra Campos, another Madrid bishop, and Mgr Cantero, the bishop of Zaragoza. Mgr Cantero recently defended his decision to accept nomination to the Cortes in the face of mounting liberal criticism of bishops who accept political appointments on the ground that he was discharging "an elementary debt of gratitude to a chief of state who has rendered such great services to Spain."

But, for the moment at least, it is the liberals (with Vatican support) who seem to have won the battle within the church. The old conflict between the government and the Vatican over new church appointments that resulted in the nomination of "apostolic administrators" (who did not have to be approved by General Franco) was resolved at the end of last year when seven new bishops were confirmed. Notably, Mgr Enrique y Tarancón, the archbishop of Toledo and "apostolic administrator of Madrid," was at last confirmed as archbishop of Madrid. That showed up the increasing importance of the Madrid see (Cardinal Enrique gave up the Primacy of Spain in order to have it) and placed the catholics of the capital in the charge of a relatively liberal-minded man.

The wrangling over the terms of a new concordat between General Franco and the Vatican is still going on. He has one card up his sleeve that could still turn out to be a trump : with little property of its own since the pre-civil war expropriations, the Spanish church is an economic hostage of the state, and the government has threatened to slash subsidies and take away tax exemptions and legal privileges if the church insists on unpalatable terms. Meanwhile, it is the catholic progressives, as much as any political group, who pose a serious problem for General Franco.

The man on horseback

One of General Franco's more singular achievements, as a military *caudillo,* has been to cut back on defence spending and construct a professional, apolitical army. Spain belies its military image. The Spaniards spend less on defence, in proportion to their gross national product, than any country in the Nato area—with the lone exception of Luxemburg. Defence spending per head of population is only about $19, compared with an average of about $90 for Europe as a whole and $143 for Sweden, a country that is no one's idea of a militarist state. Of course, the Spaniards are helped out by the Americans, who supply military credits and surplus equipment under the treaty that gives them the right to fly their planes from Torrejón de Ardoz, near Madrid, and Morón de la Frontera, near Seville, and to sail their Polaris submarines from Rota.

There are about 300,000 men in the Spanish armed forces, two-thirds of them conscripts serving for 18 months. In the town square at San Roque just north of Algeciras, one can see the new recruits, awkward and lanky in their uniforms, showing off to the local girls on a Sunday afternoon before trooping off to the bullring.

One sees less of their officers. The Spanish officer corps is curiously isolated from the rest of society. That explains the phenomenon that Julio Busquets, one of the ablest students of the armed forces,* calls "auto-recruitment." Between 1961 and 1963, for example, it was discovered that about 70 per cent of serving officers were the sons of professional soldiers. The Spanish officer corps has come to resemble a separate social caste, interbreeding within the narrow confines of the cantonments. It has been discouraged from taking part in politics.

But the history of Spain throughout much of the nineteenth century (the so-called "era of pronunciamientos") was a record of coups and counter-coups. Between 1815 and 1875, the "man on horseback" frequently emerged as the champion of the 1812 constitution against monarchical excesses. It was a liberal general, Espartero, who hounded the despotic regent, Maria Cristina, into exile (though his motives proved to be not entirely altruistic and he was later pushed out in his turn). Similarly, it was a much greater soldier, General Prim y Prats, who threw out Queen Isabella II in 1868.

Today, the army leaders who are most outspoken conform to a rather different image. The controversy that blew up around the Burgos trial of Basque terrorists at the end of 1970

*Julio Busquets, "El Militar de Carrera en España." *Ariel.* Barcelona, 1971.





Diez Alegría, an intellectual in uniform—but he has rivals amongst his men

revealed the depth of right-wing dissent in the junior ranks of the officer corps. The 5,000-odd young officers who banded together in "committees of captains" were as much concerned with professional grievances as with political issues. In attacking Opus Dei and the Carrero Blanco government, they were also protesting about low pay, slow promotion and declining social status.

But it was significant that they tended to look for leadership to the *azules,* the hard-line generals who took part in the military rising in 1936 and later served in the Blue Brigade on the Russian front. The *azules,* many of whom are closely identified with the Falange, have not all shared in the falangists' fall from grace. It is true that General Rodrigo Cifuentes, the captain-general of Granada, was sacked by General Franco at the beginning of last year after he made a fiery speech to civil war veterans in which he obliquely attacked Opus Dei and the liberal priests who opposed the Burgos trial. He referred to Opus Dei in veiled terms as "the new white masonry that is trying to sow discord in the heart of the national institutions that are still in good moral health."

But in the reshuffle of army chiefs that followed, General Garcia Rebúll, another leader of the *azules,* was given the crucial command of Madrid, and General Muñoz Grandes, the wartime leader of the Blue Brigade which served on the Russian front, remained very close to the *caudillo* until his death in 1971. Other prominent army chiefs associated with the *azules* are the captains-general Garcia Valiño and Perez Vineta, while General Iniesta, a younger man who is currently ambassador in Tunisia, is also popular with the extreme right. The *azules* are all getting long in the tooth (most of them are septuagenarians or octogenarians by now) but it is important to bear in mind the continuing strength of the right-wing faction within the army.

It is worth remembering that in 1961, when General Franco was injured in one arm and there were serious fears for his life, he summoned only one of the three men who compose the Council of Regency to his bedside—General Muñoz Grandes. General Franco's action then showed where the real power lies in Spain. After his death, the army will once again serve as the arbiter of Spanish politics.

Direct intervention by the army might prove a national disaster, since it could damage the country's image in the outside world and might well affect the tourist trade and relations with the common market. As one senior minister put it to this correspondent, army rule "would drag Spain back into the era of pronunciamientos." But, in the absence of organised political parties or a highly developed political consciousness among the Spanish people, the country will depend upon its institutions for continuity of government.

The hopeful thing is that the army is currently commanded by one of the most impressive figures in the Spanish administration. Lieutenant-General Manuel Diez Alegría, the chief of staff, is one of the champions of professionalism in the Spanish armed forces. On many occasions, he has insisted that the army should remain subordinate to the civil power, although it can play a leading part in national development. By temperament and by family connections, he is a liberal conservative (liberal about freedom of conscience and expression, conservative on the law and order issue). His brother, a Jesuit, has been active within the "social movement" in the Catholic church.

It is rather startling to come face-to-face with General Diez Alegría for the first time. He is an intellectual in uniform: small and wiry, with cropped hair and large, liquid brown eyes, more like a professor than a man of war. He has a simplicity of manner that inspires immediate confidence. He speaks fluent French and English and travels frequently to Europe (his critics are quick to point out that he has tended to be out of the country every time a major political crisis blows up in Madrid—he was in Brussels at the time of the Burgos trial). Like most soldiers in most places, General Diez Alegría believes in the need for discipline in social life and insists that the one thing that might induce the army to attempt a "Greek solution" after Franco would be a wave of political strikes or a sustained campaign of urban terrorism. But he is also a very humane man, alive to the need for social change and greater freedom of expression.

Most important, General Diez Alegría is a convinced European: he believes that Spain has embarked upon a course of gradual integration with the common market area that will help to bring about the liberalisation of political life within the country. The problem is that the general is a pretty isolated figure, at odds with many of the regional commanders.

Last year's debate about how to deal with conscientious objectors demonstrated the continuing strength of the far right in Spain, both inside and outside the barracks. General Diez

Alegría was one of those who wanted to revise the antiquated legislation that decrees that a man who refuses to join up can be sentenced to successive prison terms until he passes the maximum age for military call-up. On the face of it, the proposal for reform was hardly radical: to substitute a single prison term for repeated sentences. And it hardly seemed the kind of issue that could provoke controversy, since there are currently only about 180 conscientious objectors in Spanish jails —most of them Jehovah's Witnesses. But the government bill was bitterly attacked by the right (and notably by that faithful spokesman of the ultras, Sr Blas Piñar) and it was finally turned down by the Cortes. It was an important test of strength. If General Diez Alegría can keep control of his troops after Franco, he might be able to hold the ring while a broader group of politicians organise a more liberal government. But the future is rarely predictable in Spanish politics.

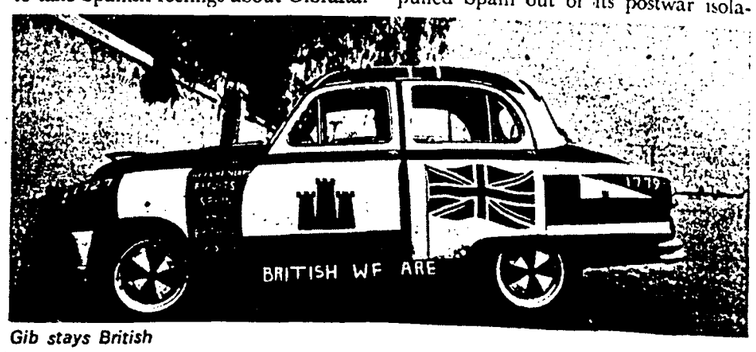
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Gaullism is not something peculiar to France, and you don't have to wear a képi to practise it. Gaullism was more or less what Sr Castiella, Spain's former foreign minister, was trying out during his last couple of years in office. The fastidious might call it the *stratégie tous azimuts*—that is, that singular form of nationalism that claimed to view both superpowers as potential enemies. To his credit, Sr Castiella helped to get his country on the road to Europe by making approaches to the EEC back in 1962. He also helped to get Spain out of Ifni and Equatorial Guinea by classic methods of decolonisation—the kind of tactful withdrawal that has made Spain many lasting friends in North Africa and the Middle East.

But Sr Castiella is best remembered abroad for his highly emotional campaign against the British presence in Gibraltar (a diplomatic offensive that culminated in the severing of communications between Gibraltar and the mainland and some resolutions hostile to Britain passed in the United Nations) and for his denunciation of Spain's military accords with the United States. Both those issues, of course, are still very much alive in Madrid, and woe betide the unwary visitor to the foreign ministry who fails to take Spanish feelings about Gibraltar seriously enough.

This is not the place to discuss possible solutions for the Gibraltar problem. For the moment, both Britain and Spain have taken up positions diametrically opposed in principle. The British say it is the will of the people on the Rock that counts; the Spaniards that national integrity comes first and the territory must be handed over regardless. Whether the final answer is a condominium, or a series of referenda spaced out over a decade to allow for any change in Gibraltarian attitudes, or some other compromise must be hammered out elsewhere. The hopeful change in Spanish policy since Sr Castiella stepped down in 1969 has been that his successor, Sr Gregorio López Bravo, has defused the issue without altering his government's basic stance. In a speech to the UN General Assembly last October, he reiterated that "it is necessary to end a colonial situation that gravely prejudices the territorial integrity of Spain; safeguarding, at the same time, the interests of the population of Gibraltar."

As for Spain's relations with the United States, that involves a long-standing grievance. In 1953, when an agreement providing for the establishment of American bases was first signed, this was one of the things that pulled Spain out of its postwar isolation. It was the Americans (followed by the Vatican, which sealed a concordat with General Franco later the same year) who started to break down the wall of suspicion surrounding a regime that was still identified in many parts of the west as a wartime ally of the Axis powers—a partial distortion of the truth, since when it came to the crunch Franco kept Spain out of the war.



Gib stays British

In the first 10 years that the agreement with the Americans was in force, it was financially profitable for the Spaniards; between 1953 and 1961 alone, Spain received $618m in direct aid and a further $404m in loans from the United States. But the level of American aid sagged later on. Between 1962 and 1968, direct aid amounted to only about $60m, while most of the $420m worth of credits was channelled through the Export-Import Bank (Eximbank) and tied to purchases from the United States. The aid provided under the new Spanish-American agreement patched together in 1970 also fell far below Spanish expectations: $25m as aid, $115m on Eximbank terms, mostly tied to the purchase of secondhand Phantoms. In return for this aid, the Americans have been flying Strategic Air Command bombers from Torrejón, and using Spain as the base for the XVI airforce, one of the four components of US Air Force Europe, which also maintains squadrons in Britain and west Germany as well as a logistic group in Turkey. The Rota naval facilities, like Holy Loch in Scotland, are an important base for the American Polaris submarines in Europe.

There has been a growing feeling among some Spanish politicians that their country has been getting the worst of the bargain. It is not just that the financial dividends for providing bases for the Americans have been shrinking. The difference between Spain and the other European countries that accommodate American forces is that Spain is not a member of Nato and has no formal security treaty with the United States—although back in 1963 both countries signed a declaration that: "A menace to either country or to the installations that each provides for mutual defence would be considered something of concern to both countries, and each country would take the action it considered appropriate within the framework of its constitutional procedures." But this can hardly be considered a formal defence commitment.

It is worth noting, however, that in a subtle, almost surreptitious manner,



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López Bravo flies off in all directions

Spain has been drawing closer to Nato. Many Spanish army officers would like Spain to be a full member, and the advantages in terms of the exchange of intelligence and defence technology are obvious enough. If Portugal can be a member of Nato, many Spaniards ask, why exclude Spain? In June, 1970, the Spaniards signed an agreement for military co-operation with the French, and since then there have been joint manoeuvres as well as important defence contracts: Spain is, for example, manufacturing Mirage fighters under licence from France.

The special relationship between the France of President Pompidou and Spain has become one of the key elements in Spanish foreign policy. When M. Schumann, the French foreign minister, visited Madrid late last year, his Spanish counterpart made an important speech in which he declared that "Spain is ready to join Europe" and that it looked to France as its advocate. Despite some economic differences, France and Spain share an obvious community of interest in the Mediterranean. They have pursued similar policies towards the Arab countries (and Spain's approach to the Middle East has been strongly conditioned by the fact that the domestic demand for oil is rising at an alarming rate as the economy develops).

It is worth quoting a Spanish commentator on the geopolitics of the Franco-Spanish connection:

> The Mediterranean and Atlantic coasts of Spain and France from two distinct fronts that are more easily defended if they are thought of as continuous lines. . . . Each country's defences along the Mediterranean coast are dangerously distant from its defences along the Atlantic; but joint defence of the two lines would double the defensive capacity of each country. . . . The strategic conceptions of France and Spain should be fitted into a regional policy with its centre of gravity in the straits of Gibraltar.*

That is fair enough if one is thinking only about naval defence. The more important point is that France and Spain share a common fear of Russian naval encroachments in the Mediterranean and both are making overtures to the countries of North Africa. From the gallic viewpoint, a Spain more closely associated with the EEC could also be seen as a sort of southern counterweight to the influx of northern countries that will come about when the Six become ten.

But the interests of Sr López Bravo range far beyond Europe. He has also pursued a policy of detente towards the Soviet block that has resulted in some ironic successes. It was coal from Poland, for example, that enabled the state-run mining company Hunosa to sit out several big strikes in Asturias. Russia maintains a "maritime bureau" in Madrid, and the Spaniards have opened diplomatic relations with a number of east European countries. The Spanish Ostpolitik is popular even with some of the most traditionally hardline anti-communist elements; the falangist newspaper Arriba has commented, for example, that "business is business" and that the government should pursue "every chance of diversifying markets." A more traditional sphere for Spanish diplomacy is Latin America. Sr López Bravo has made a series of Latin American tours over the past year, distributing credits and cultural agreements and picking up business for Spanish firms. Exports of cars and lorries to countries like Colombia are rising fast. But the most immediate problem for Spanish diplomacy is the EEC. The present government has put its shoulder to the wheel, but that wheel has only just begun to turn.

*"Ensayo sobre política exterior." By Antonio Sánchez Gijón. *Colección los Suplementos.* Cuadernos para el diálogo. Madrid. 1971.

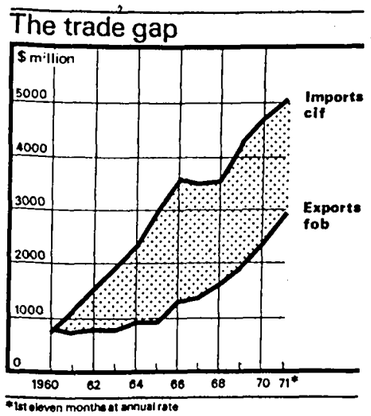
The challenge of Europe

There are two commonly held views of "the opening to Europe" in Spain. The first is that this will be primarily a political and psychological process and that there is no chance of Spain achieving economic integration within the common market area without basic changes in its political and social structures—and an equally fundamental change in attitudes in northern capitals like Brussels and The Hague. This is the view generally held by the liberal opposition in Madrid, and Sr José de Areilza has made himself one of its most eloquent exponents. "The real transformation," he insists, "will have to take place within ourselves." He argues that many of the basic principles common to the European democracies are still alien to Spain.

The second view is that the opening to Europe is primarily an economic process; that Europe is about as far away from political integration as it ever was; and that the real problem for Spain is to adapt its industry to bear the brunt of European competition. The present government has worked within this narrower focus, and there is no question but that this is the more realistic approach. If full integration with the EEC would be politically impossible for Spain in the near future, it is arguable that it would also be economically undesirable. As Sr José Luis Cerón, the director of international economic relations in the foreign ministry, puts it, Spain would face the threat of economic "colonisation" unless integration takes place in carefully graduated phases.

At the same time, the potential for a Spain more closely allied to the EEC is enormous. There are already signs that Spain could become a production base for many of the big multinational companies in Europe. Fiat has plans, for example, to turn the Seat works into the sixth largest car producer in Europe by 1975. Spain can offer, after all, relatively cheap labour, a very liberal attitude to foreign investors and comparative freedom from strikes.

"So we go on picking off daisy petals," the Barcelona newspaper La Vanguardia said recently, "common market, yes. Common market, no." Spanish businessmen are much more undecided (and much worse informed) about the pros and cons of joining the EEC than British businessmen tended to be at the beginning of last year. A glance at the Spanish trade figures for last year might have some persuasive effect. In the year after the preferential trade agreement with the EEC came into force in October, 1970, Spanish exports to the Six rose by 30



per cent, while imports remained static (partly no doubt, because of the low level of industrial investment in Spain over the same period).

Spain's first advances to the EEC came in 1962, when the then foreign minister, Sr Castiella, wrote to M. Couve de Murville (then president of the council of ministers of the Six) to ask for discussions on "possible links between Spain and the community, in the form that would be most beneficial to both sides." The Spaniards were originally thinking in terms of some form of association. The Six took their time in making a reply; serious discussion of Spain's tentative approaches were delayed, first by the crisis over British entry in 1963, and later by the wrangling over agricultural policy inside the community.

The trend of Spain's foreign trade over the past decade has made it increasingly dependent on the common market area as an export market and a source of manufactured goods. By 1970, just under a third of Spain's imports (and half of its industrial imports) came from the EEC, and just over a third of its exports (and a quarter of its manufactured goods sent abroad) went to the Six. There was also a trade deficit with the Six amounting to some $700m. The agreement signed in 1970 lowered EEC tariffs on many Spanish exports by between 40 and 60 per cent over a six-year period. In return, Spain made more limited concessions—a reduction of between 25 and 30 per cent on industrial goods from the EEC, also phased out over a six-year period.

The treaty left many economic problems unresolved—in particular, the impact on Spanish exports of the enlargement of the common market. British tariffs on agricultural imports tend to be lower than those of the EEC, whose industrial tariffs tend to be higher, so that Spanish primary producers will be the first to feel the pinch when Britain goes in. Tomato exporters will be especially hard hit unless special provisions are made for them, since Britain is the prime importer of Spanish tomato products. From January, 1973, all EEC regulations affecting tomatoes will be applied to Spain's tomato exports to Britain. Five years later, Spanish tomato products would have to do battle for the British market with Italian exports not confronted with a tariff.

The impact of British entry is the main reason why the Spaniards are now asking for the first phase of their preferential trade agreement to end with the enlargement of the EEC next year. There are also a host of specialised problems to be ironed out, involving competition between French and Italian agricultural products (and also North African produce) and Spanish exports.

French wine producers, for example, have been kicking up a great fuss about imports of wine from Mediterranean countries—despite the fact that the EEC did not produce a surplus of wine last year. Spanish wine exports to the EEC were up by 27.5 per cent in 1970, and the Spaniards are very concerned to obtain some reduction on tariffs to help them unload some of their chronic surplus. Nearly 400,000 Spaniards, directly or indirectly, make their living from the fruit of the vine, and the government is heavily involved in subsidising the industry by buying up the surplus and then trying to sell some of it abroad or to local restauranteurs who are currently being urged to serve free wine with "tourist menus."

Towards the consumer society

If you measure happiness by the percentage of the population who drive cars or look at television, Spain can afford to crack a grin. The fact that one Spaniard in 13 has a car may not sound dramatic when you remember that the ratio for Britain is one in five. What is dramatic is the rate at which Spain has been catching up. According to government statistics, the number of cars per 1,000 people jumped from 9 to 70 between 1960 and 1970. Over the same decade, the number of telephones for every 1,000 rose from 59 to 135 and the number of television sets went up from 5 to 70.

Joining the acquisitive society, of course, means inheriting some of its congenital maladies. All those drivers who cannot quite manage to keep in one lane are no longer a joke in Madrid, recently proclaimed "the city of 700,000 cars," and there are signs along the pavements warning you not to breathe in too many exhaust fumes. But life is probably better than it ever was for the ordinary Spaniard. People are eating better, for one thing. How much meat a society devours is sometimes a good index of changing living standards, since among low-income groups consumption of meat is very closely related to relative earnings. Consumption of meat per capita more than doubled in the course of the past decade, from 19 kilogrammes in 1960



Madrid moves on four wheels, but more often there's a jam

to 44.7 kilogrammes in 1970.

The technocrats within the Spanish government tend to argue that it is by producing statistics like these that they are ensuring future social stability, just as their enemies sometimes accuse them (in the words of a liberal bishop) of providing "more and more material goods" in place of political and intellectual freedom. It might be more charitable to use the bon mot of Sr López Rodó: "A people that enjoys a decent standard of living becomes less extremist." So long as rapid economic growth can be sustained, the technocrats are probably right. Unemployment under General Franco has never risen above 2 per cent for the country as a whole (the official figure was 1.9 per cent last year) and the state offers a comprehensive system of social insurance.

This correspondent had the privilege of being invited to share a simple Sunday meal with a worker's family in Corabanchel, the workers' suburb of Madrid, in a street not far from the prison that was named after a football club. It was a rare chance to probe the truth of the argument that "95 per cent of the Spaniards are non-political." As a driver for a hire-car firm, "Mario" was earning more than most skilled workers, but also working longer hours. With his wife and three children, he occupied a flat with three small rooms and a kitchen, owned a television set and was paying his HP instalments on his little Fiat. Prices obsessed Mario and his wife.

But their greatest complaint was the cost of educating their children. They were indifferent to political issues. Mario claimed that neither he nor his friends were concerned who Gibraltar belonged to. His personal view was that: "It's like this. If I build a shack and then abandon it and someone comes along and builds a palace in its place, I've got no right to ask to have it back."

Mario, it might be argued, was a relatively lucky man. Labour militancy is by no means a thing of the past in Spain, although it is held in check by the police and the official trade union apparatus. It has been estimated that more than a million man-days were lost through work stoppages and labour disputes in 1970, a disquieting figure for a society where until recently all strikes were illegal. And some people would argue that behind the statistics that show that Spain has now attained that magic figure—a per capita national income of $1,000—dangerous social frustrations have been building up.

Unions above and below ground

The way that Spanish labour is organised is sometimes regarded as one of the stumbling-blocks in the path of those Spaniards who would like to move towards eventual integration with the EEC. A committee from the International Labour Organisation toured Spain in 1969 to report on the labour situation and to suggest how the trade union legislation might be altered to bring Spain more closely into line with European practice.* The ILO group did not attack the principle of a monolithic union movement, on the grounds that "unity brought about by the freely expressed wish of all concerned—a unity ensuring that every member can exercise his rights to the full—should represent a most desirable objective." The committee did call, on the other hand, for election of all union officials, separation of the union movement both from government and political parties, freedom of assembly and discussion within the movement and "the complete autonomy and effective practical equality of trade unions of workers and trade unions of employers."

The new Spanish trade union law, or *Ley Sindical*, that was approved by the Cortes early last year implemented some, but not all, of these recommendations. Under the new law, Spanish workers are given the right for the first time to hold meetings on the factory floor and to form associations within individual enterprises. They are also permitted "to exercise the right of taking legal action and making appeals that may be necessary for the defence of their union rights"—a rather vague liberty that does, when taken together with recent amendments to the penal code, entitle Spanish workers to go on strike for professional reasons. This was a considerable advance, but in practice, of course, the freedom to strike in Spain very much hinges on the temperament of individual employers. For many years, de facto strikes and stoppages have been tolerated by employers who have preferred to come to terms rather than call in the police. On the other hand, it is still easy enough—especially since the influence of the illegal *comisiones obreras* (or "workers' commissions"), which contain a strong communist element, is so pervasive—to label any strike "political" and repress it by brute force.

The *Ley Sindical* was criticised by a series of speakers in the Cortes for perpetuating the "vertical" system that has its origins in the theory of the corporate state and the ideas of José Antonio Primo de Rivera, the founder of the Falange. Certainly, the *sindicatos* remain firmly under the control of appointed officials, and the union apparatus is closely interwoven with

*"The Labour and Trade Union situation in Spain." *International Labour Office*. Geneva. 1969.



The factories are kept open, one way or another . . .

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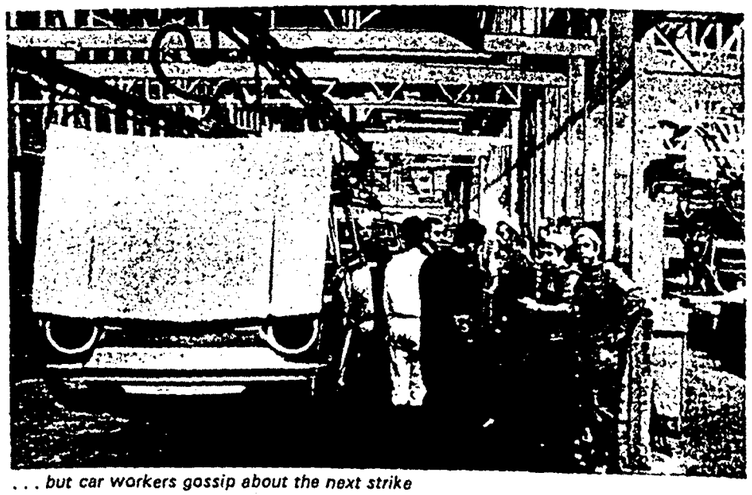
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. . . but car workers gossip about the next strike

the instruments of government. Sr Rodolfo Martín Villa, the new secretary-general of the *sindicatos*, justified the lack of union autonomy to this correspondent on the grounds that "the prime aim of the unions is to assure the co-operation of labour with government in promoting economic growth."

He also argued that the *sindicatos* are more than a passive tool of the regime and that they are a major political force in their own right. For one thing, the unions provide 150 of the 564 members of the Cortes, and there are more than 18,000 trade union representatives in the provincial and local corporations. The *sindicatos*, largely through deployment of the compulsory union levy (payable automatically by all employees), have also built up sizeable economic interests. The value of real estate held by the unions in 1969 was estimated at $93m by the ILO, and the annual budget amounts to more than $65m. Some of these resources are used to provide cheap holidays for workers, modestly-priced housing and other social services.

Sr Martín Villa is a new kind of trade union organiser in Spain. Intelligent, sensitive to western opinion and above all young for the job at 35, he is regarded by some of his enemies within the *sindicatos* as too close to the technocratic group. He is clearly not ready to contemplate free trade unions in Spain, although he is conscious that this could prove to be a sticking-point in his country's future relations with the EEC. He also points out that free unions are impossible without freedom to organise political parties—something that still seems very remote in Spain. Under Sr Martín Villa, younger men are coming to the fore in the syndical apparatus—like Sr Surcillo, the union boss in Barcelona, who is 34 and a Catalan to boot. Ideologically, many of these younger union bureaucrats remain *José Antonistas*, which means that they cling to the ideal of the corporate state although they are by no means ready to interpret this concept in favour of the employers. Sr Surcillo, for example, believes ardently in the "vertical" union system as a model for other societies. The problem is whether these men are capable of containing the visible manifestations of labour unrest by persuasion.

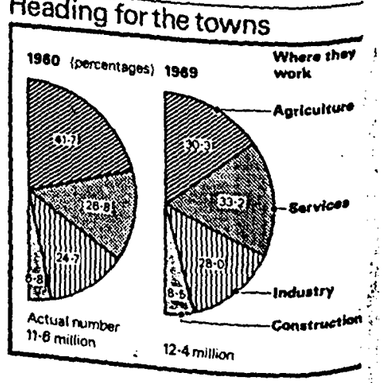
Spanish employers are very conscious that there are parallel clandestine trade unions in Spain. The *comisiones obreras* derive their name from a strike committee that was set up in the La Camucha mine in Asturias back in 1956. How powerful they are today and whether they have a central organisation are hotly debated questions in Madrid. One representative of the *comisiones*, a man from the Pegaso truck factory, told this correspondent in a sleazy cafe on the outskirts of Madrid that the underground union movement had a nationwide apparatus, including 11 provincial councils and a central secretariat. He also claimed that the *comisiones* maintain close links with the major opposition parties, and that their delegates meet regularly with opposition leaders ranging from carlists to communists in an assembly known as the *mesa democratica*. He said that the "progressive catholic" groups had been particularly active in focusing public attention on workers' grievances, and quoted the case of the collection organised on behalf of the widow of Pedro Patiño Toledo, the construction worker killed by the *Guardia Civil* last September while distributing leaflets.

The political tendencies of the *comisiones* and their capacity to bring about serious disruption of the economy worry the rulers of Spain. Santiago Carrillo's Communist party (*Partido Comunista Español*) is undoubtedly very active among the *comisiones*, and this has led to local rifts where Socialist party militants (as in Pamplona and Asturias) have quarrelled over tactics and broken away to form their own clandestine workers' associations.

Certainly, most of the *comisiones* seem to be following the tactic favoured by the communists: to infiltrate the lower levels of the legal trade union apparatus. The man from the Pegaso plant claimed that the workers' committees captured 50 per cent of the union jobs in the metal sectors (cars, engineering and so on) at the syndical elections held last year. The figure is probably an exaggeration, but penetration of the union apparatus places the *comisiones* in a much stronger position when it comes to organising or influencing the outcome of a strike. It also enables individual militants to move freely around a plant, making new recruits.

The strikes where the *comisiones* have been most active have increasingly tended to follow a standard pattern, illustrated by what happened during a 45-day strike at a spare parts manufacturing plant in Pamplona in Navarra last year. The director of the company told this correspondent that the strike was organised by the local workers' committee and that the local representatives of the *sindicatos*, under

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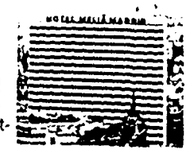
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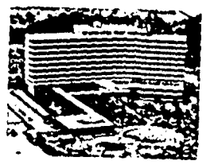
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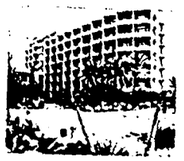
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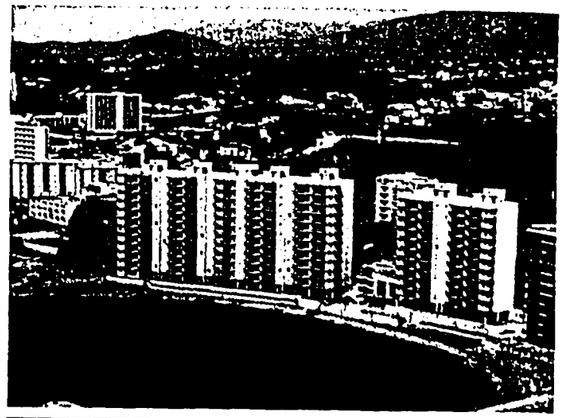
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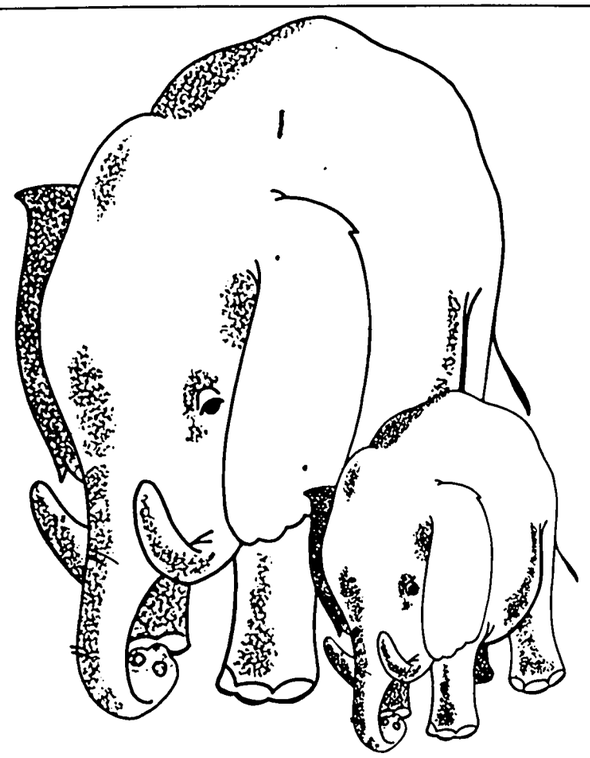
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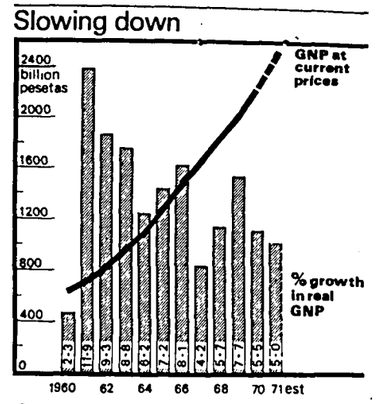
pressure from within, agreed to let the management negotiate directly with the *comisiones*. The strike leaders proceeded to present an impossible wage claim for a 60 per cent rise. Although a settlement was finally hammered out after 20 days, it was cancelled "on instructions from the national secretariat of the workers' committees." The strike finally petered out for lack of funds ; it had lasted for an exceptionally long period, considering the very limited resources of the *comisiones*.

The prime centres of labour unrest in Spain are, as always, in the car plants of Catàluña and the coal mines of Asturias, and the two most important strikes late last year were staged by workers at the Seat plant in Barcelona (the Dagenham or Renault-Billancourt of Spain) and by miners in the Hunosa state mines around Oviedo. In both cases, the management (directly responsible to the government) adopted a very tough response: police moved in with helicopters and fired on workers—after some initial hesitation, according to one eye-witness account—in Barcelona, and the miners were locked out in Asturias.

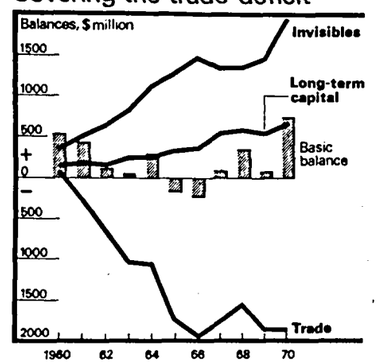
The causes of labour unrest vary from sector to sector. Coal mining is a dying industry, where profits depend upon cheap labour and state subsidies. Car manufacturing has been subject to dramatic seasonal swings in the level of production and employment. The plight of construction workers has also given rise to some very tangible stirrings of unrest. Official statistics show that 60 per cent of construction workers, employed in one of the boom sectors of Spanish industry, which has chalked up a rapid rise in productivity over the past few years, are earning less than 6,000 pesetas ($93) a month. On top of this, the slump in the rate of new construction last year led to serious unemployment on the building lots—some sources placed the figure for mid-1971 as high as 8 per cent.

But it is the pressure on prices that is the most serious and most universal source of labour unrest in Spain. Wages as a proportion of the gnp have been stagnant over the past decade at the relatively low level of around 55 per cent. Recent estimates show that, over the past year, wages barely kept ahead of the rise in the cost of living. The official figures show a rise in wages of over 13 per cent in 1971, compared with a rise in the cost-of-living index of over 8 per cent ; some unofficial observers put the rise in prices much higher. Future trouble on the factory floor is likely to be bound up with that common malady of western economies—stagflation.

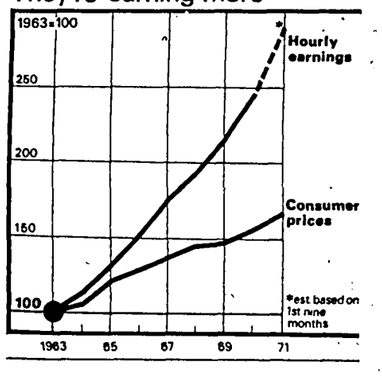
Slowing down



Covering the trade deficit



They're earning more



Dissecting the miracle

The 1960s were the decade of the Spanish miracle. It was a period in which Spain achieved one of the highest growth rates in Europe—an average of 7.6 per cent across the decade, compared with the annual average of 4.8 per cent for the OECD countries in general. Steel output went up from 2.2m tons in 1960 to 7.4m tons in 1970. The number of cars being turned out by Spanish plants increased more than tenfold over the same period. The expansion of Spanish industry at this breakneck speed meant vastly increased imports and produced a yawning trade deficit. In 1960, Spain earned a modest trade surplus of some $40m. By 1970, this had been turned into a whopping deficit of nearly $2 billion.

What turned this into a positive balance of payments was a combination of three factors: the extraordinary boom in the tourist trade, the transfer of foreign capital and remittances from Spaniards who had gone to work abroad. Spain was not only able to cover its trade deficit ; it accumulated huge (perhaps uneconomically huge) foreign reserves that amounted to more than $1.8 billion by 1970. In the last analysis, the Spanish economy depends on foreign confidence, and the triumph of the governments that have administered the country since 1959 is that they created the climate for massive foreign investment and an unrestricted stream of foreign tourists.

In the changed conditions of the 1970s, in the face of the sluggish performance of industry last year, and that all-European malady known as stagflation, it is questionable whether the laisser-faire policies of the past are still enough. The Spanish economy is confronted with huge and hitherto intractable structural problems. There is a glaring need for a comprehensive prices and wages policy and for prompter use of monetary policy measures to avert the "stop-go" cycle of the past. Above all, perhaps, there is the urgent need to siphon off some of the excess liquidity in the economy and persuade Spanish businessmen to invest. Money has been steadily piling up in the banks that no one is ready to draw upon. Merchant bankers who are accustomed to having 80 per cent of their reserves out on loan were talking late last year of having lent only 60 per cent.

Sr López Rodó ascribed the sluggishness of Spanish industry over the past year to "the excessive timidity" of local businessmen and points out, with absolute justice, that there has been no noticeable falling back in the levels

dependency on foreign technology. Now some readers will be quick to point out that some of the most notorious "importers of technology," countries like Japan and Italy, have thrived on their technological dependence. All the same, it is striking that while Spain spends about as much on the import of technology as Japan (the figure for both was just over $133m in 1968) it spends only an insignificant fraction of what Japan spends on research and development—$25m in the same year, compared with $576m.

Technological dependence has already had some alarming social effects—including a continuing brain-drain of bright graduates. The newspaper La Vanguardia Español conducted a survey at the end of 1969 that showed that three-quarters of all recent physics graduates were working abroad, and that fewer than 2 per cent of those employed in Spain had jobs that related to their professional qualifications. The banner-headline of a recent issue of the student newspaper Avanzada, "The Future—Emigration" is not exactly a joke for many of those emerging from technical faculties in Spain. It is true that the tremendous cost of research and development in sophisticated industries like aeronautics and software makes it simply unprofitable for a medium-size economy like Spain's. But Spanish business has still been far too laggardly in experimenting more modestly. This is going to be one of the major tasks for the government planners.

The government stake

Like the French, the Spaniards practice indicative planning. Although local businessmen have rarely been visibly enthusiastic about the mountain of paper emerging from Sr López Rodó's planning commission, the planners' forecasts have not been so far out as some of their critics claim. The growth rate of individual sectors of the economy over the period of the Second Development Plan (1968-71) was slightly higher than the forecast : 7 per cent for industry (compared with a forecast of 6.7 per cent) 6.1 per cent for services (forecast : 5 per cent) 3.3 per cent for agriculture (forecast : 2.7 per cent). If, as one of Sr López Rodó's younger colleagues puts it, indicative planning has an element of glorified market research, the researchers have not done badly. And the Third Development Plan (1972-75), made public at the end of last year, has silenced some of the critics.

Even Sr Ramón Tamames, the brilliant socialist economist who has been one of the most outspoken critics of the Spanish system of planning, praised the Third Plan for "mapping out a list of concrete projects" and placing greater emphasis on social development and the environment. What is the role of state planning in a mixed economy ? In Spain, the planners' recommendations are mandatory for the government corporations and holding companies, but merely advisory for private enterprise—which is as it should be in an advanced capitalist society. But then Spain is not France or Holland, and the planners have so far failed to make a frontal attack on some of the structural problems of the Spanish economy, such as the fragmentation of industry, the low productivity of agriculture and the antiquated tax system. The "stop-go" cycle of the past few years also suggests that the government has not been aggressive enough in controlling the monetary supply and in managing demand.

On the other hand, the Third Plan provides for much greater state participation in the economy. The level of public spending under the Third Plan will rise by more than 63 per cent over the figure for public investment under the Second Development Plan (1968-71). This means that the state itself will be taking over a much greater proportion of the new investment required to achieve the growth rates it has prescribed. State spending on this scale should encourage private firms to expand, but may bring inflationary pressures.

The Third Plan projects a brave new world of the 1980s, in which Spain will have taken its place as the "tenth industrial nation in the world," with a per capita national income of more than $2,000 and an annual growth rate of between 6.7 and 8.3 per cent. It envisages a rise in steel production from 7m tons in 1970 to 10m tons in 1980 and the establishment of new regional "development poles." Above all, Spain will move closer towards welfare state institutions ; free education—available for only about 60 per cent of the children in the 6-14 age group in 1969—will be extended to all. The state will also assist in the construction of 3m new dwellings between 1972 and 1980, which will mean a tremendous stimulus for the construction industry, which was flagging in the earlier part of last year. But there are glaring omissions in the plan. The most notable is the failure to make any assessment of the impact of the preferential trade agreement with the EEC on Spanish exports or to study the adjustments that Spanish industry and agriculture will have to make to equip themselves for a closer relationship with the EEC.

Under the Third Plan, the National



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THE FINANCIAL TIMES, 26th OCTOBER, 1971.

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provides some clues to the motives and performance of foreign investors. By the end of 1969, the total book value of American investments had risen to $611m, more than half the total being invested in manufacturing industries and about 20 per cent in petroleum. The proportion of reinvested earnings on the other hand has dropped over the past few years. The results of an opinion poll showed that 70 per cent of American investors had come to Spain on the initiative of their parent companies ; 28 per cent on the initiative of Spanish partners ; and only 2 per cent in response to official approaches. This suggests that there is a great deal more that the government can do to encourage the kind of foreign investment that is in keeping with its development goals.

American affiliates in Spain have achieved a much higher level of self-financing than is normal in Spanish industry—the level is about 36 per cent entirely self-financed companies amongst the American concerns, but only 8 per cent among the top 100 Spanish companies. Most of the American companies are selling almost exclusively to the Spanish market, although the value of their exports over the period 1965-69 covered about half the cost of their imports from abroad. But a single commodity—petroleum—dominated their export trade and contributed nearly 70 per cent of the value of exports.

Clearly, if Spain achieves a closer relationship with the EEC, it will be more attractive as a European production base for the multinational companies. The things that American investors tended to complain about were the amount of red tape involved in getting the necessary licence to take up a majority holding in certain industries ; the restrictions on importing machinery and materials not readily available in Spain ; and a tradition of tax evasion among Spanish concerns that gave them a profit-making edge unless foreign investors resorted to the same practices.

The growth rate of industry was down last year, but averaged out at 7 per cent over the period 1968-71. Some of the fastest-growing industries have been :

Automobiles. In the first half of the 1960s, the Spanish car industry achieved growth rates second only to those of Japan. With foreign companies (notably Fiat, Chrysler, Renault, Mercedes Benz and Massey-Ferguson) jostling with one another to claim a share of the market, Spain started turning out a bewildering



Don't make up your mind till you've looked at the 50,000 other styles

variety of makes and models. Today, the figure is just under four dozen. The car industry in Spain is closely interwoven with the major western producers, and the industry is concentrated in a handful of towns: Pamplona, Barcelona, Madrid and Zaragoza. By the end of 1970, Spain was producing more than 450,000 cars a year, and sending a tenth of them abroad. Total productive capacity is expected to be up to the million mark by 1977, which means that the Spaniards are going to have to sell abroad on a much bigger scale.

Seat has plans to spend more than £95m in new investments by 1975. It is already the giant among the Spanish car manufacturers, accounting for 60 per cent of the local market and employing 24,000 men. Seat already exports to Holland, Finland (where Seat models have become the most popular cars), west Germany, Belgium and other places in Europe. Fiat is increasingly turning the Seat plant into a European and Latin American production base. Seat has been granted exclusive production rights for the Fiat 600, and Chrysler has delegated the manufacture of the Simca 1000 to its subsidiary, Chrysler España. Fasa-Renault and Citroen-Hispanica, the two big French concessionaries, also have big expansion programmes. So far, west German and British manufacturers have held back. The big Japanese producers for the moment seem more interested in Portugal.

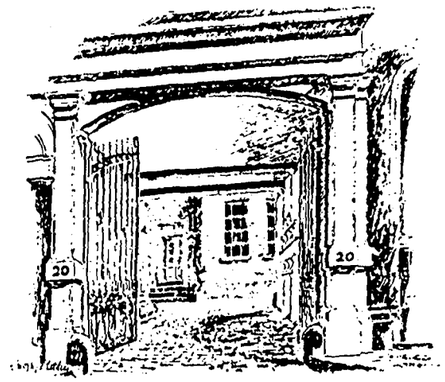
Consumer goods. Shoes are one of Spain's biggest exports. Although nearly three-quarters of the shoes exported go to the United States, the trade was not visibly affected by the American restrictions on textile imports last year. The structure of the shoe manufacturing industry in Spain is a microcosm of the problems for Spanish industry as a whole. When Spain took part in a world footwear exhibition in March last year, some 50,000 different Spanish models were on display. Anyone who has gone shopping in the streets off the Avenida José Antonio in Madrid will have been baffled by the sheer variety of choice, and the lack of predominant brand names. Government tax incentives for mergers have so far had little impact on the shoe manufacturers, who continue to turn out their excellent products in more than 2,000 backyard factories, nearly half of which employ only two or three workmen. As the barter trade with the Soviet block continues to grow, Spanish shoes may find a bigger market in the east. Italian competition is the main obstacle to selling to the EEC under present conditions.

The other interesting growth sector in the textile industry is Spanish *haute couture.* The big Spanish couteuriers (Pedro Rodriguez, Pertegaz, Lino and so on) are starting to advertise abroad for their seasonal fashion shows. If people are prepared to go to Paris for the big fashion shows, some of them can surely be persuaded to stop off in Madrid on the way home, where prices are much cheaper and styles are increasingly original.

Chemical products. These represent one of the fastest growing sectors of the Spanish economy. Total production rose by about 16 per cent in 1970, and the rise in exports was slightly higher. The planners are giving a special push to petrochemicals. Ini will set up a sub-

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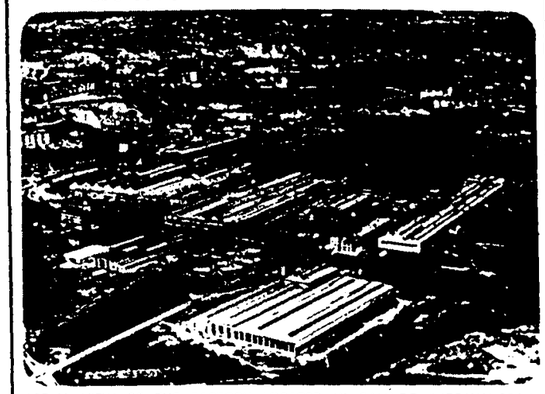
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COMPARATIVE STATEMENTS OF CONDITION AND EARNINGS

IN MILLIONS OF PESETAS

	31.12.1971	31.12.1970
ASSETS		
Cash and Due from Banks	23.181,70	13.256,83
Bills Discounted	46.594,01	35.146,61
Securities Portfolio	12.273,06	12.380,68
Loans	15.967,16	11.272,81
Customers' Liability on Acceptances, Guarantees and Documentary Letters of Credit	9.703,87	7.663,47
Fixtures and Equipment	678,85	652,86
Bank Premises	476,42	433,35
Investment from Special Reserve	244,34	189,04
Entries Pending between Branches	3.313,98	5.397,33
Sundry Accounts	1.324,56	1.251,18
Transit Accounts	59.345,46	46.992,35
TOTAL	173.103,41	134.636,51
Securities Deposits, Par Value	31.321,28	26.052,47
	204.424,69	160.688,98
LIABILITIES		
Capital (3.860.011 Shares in 1971, 3.264.250 in 1970)	1.930,01	1.632,13
Surplus	2.455,20	2.142,71
Banks and Saving Banks	27.051,11	14.349,64
Deposits	68.444,48	55.897,46
Other Liabilities	1.574,36	1.590,27
Acceptances, Guarantees and Letters of Credit	9.703,87	7.663,47
Entries Pending between Branches	970,30	3.335,17
Sundry Accounts	1.628,31	1.033,17
Transit Accounts	59.345,46	46.992,35
Balance Carried Forward	0,31	0,14
TOTAL	173.103,41	134.636,51
Securities Deposits, Par Value	31.321,28	26.052,47
	204.424,69	160.688,98
GROSS OPERATING INCOME	6.549,09	5.127,61
—Interests, Commissions and other Charges	3.259,12	2.500,27
—NET OPERATING INCOME	3.289,97	2.627,34
—Overhead and Staff Expenses	2.338,10	1.880,85
—Contributions and Taxes	133,82	103,92
—OPERATING EARNINGS	818,05	642,57
—Income Tax	215,00	170,00
—CASH FLOW	603,05	472,57
—Depreciation	81,10	61,06
—NET EARNINGS	521,95	411,51

REPRESENTATIVE OFFICES IN EUROPE AND AMERICA
UNITED KINGDOM
JOSE FERNANDEZ—HALTON HOUSE, ROOMS 20, 21
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sidiary comany to take out a 60 per cent holding in a new oil refinery at Tarragona, which will feed neighbouring chloride, ethylene and polyethylene plants. There are also plans for the expansion of the state-run Calvo Sotelo petrochemicals complex at Puertollano, which has been the traditional hub of the industry in Spain. There will be scope for foreign participation in the new styrene, benzene and polyethylene plants that will be constructed around the Calvo Sotelo refinery between 1972 and 1975. Some of the big corporations (including Phillips, ICI and Montecatini) have already joined with Calvo Sotelo in mixed enterprises.

Steel. Spain is heading towards self-sufficiency in steel production, although there were marked rises in the imports of some specialised steel products (such as laminated sheets and steel coils) over the past two years. Although private investors have been reluctant to put money into an industry that is subject to close state supervision as a "key sector," the government has an ambitious programme designed to double steel output by the end of the decade. Official projections for steel production in 1980 set a target of 16.7m tons for crude steel, compared with 6.9m tons in 1970, and 1.4m tons for special steel products, compared with 500,000 tons in 1970. The plans for a fourth steel complex at Sagunto to develop an annual production capacity of 5m-6m tons are now complete. The government is to provide port and water facilities, and US Steel is to take out a large minority shareholding. The main Spanish company involved is Altos Hornos de Vizcaga. The doubt that remains is whether the planners are setting their sights too high. Demand for steel has been fairly slack over the past two years, because of the slowing-down in local industrial investment.

Shipbuilding. Shipbuilding and ship-repairing is one of the most promising industries in Spain, and the country may be second only to Japan in this field by the end of the 1980s. Half the production is in the hands of Astilleros Españoles, which gets half of its capital from Ini and the other half from private investors. It is already Europe's biggest producer of marine diesel engines, and it notched up a growth rate of 60 per cent in 1970. The government is encouraging the expansion of new shipyards with credits, and in 1970 the industry was contributing $140m to export revenues. Ini is going to contribute some $500m to the Astano shipyard in Galicia which has run short of funds. There may be room for collaboration with the big Japanese shipbuilders.

Construction. If you want to make money fast in Spain, become a man of property. Construction is one of the boom industries in Spain, and finished units were being turned out at the rate of 15,400 a month in 1970, although production slowed down in the first half of last year. The construction industry suffers more than most from fraud and land speculation and from the fragmentation of businesses (there are about 15,000 rival firms, most of them tiny). For the foreign investor with a bit of loose cash, there are hundreds of property companies offering a guaranteed income of 12 per cent or so a year. Lots of them, of course, are fly-by-night concerns selling off unfinished apartments to the unwary, and anyone who proposes to invest would be well advised to check on the progress of construction and "hidden costs" such as furnishing and the supply of water and electricity.

But there are a number of companies like Sofico with a proven track record and while property values go on rising at an average rate of 20 per cent a year along the Costa del Sol, anyone who takes the basic precautions can hardly go wrong. At the same time, land speculation has become one of the most serious problems for urban developers and industrialists, and some economists argue that the government should either take over property sites in the big cities or do something to keep prices in check.

The flight from the land

The Spaniards, like most people, are becoming a nation of townsmen. The flight from the land—and especially from the arid central tablelands towards the coast—has created tremendous problems for the urban planners. It is also a measure of the diminishing importance of Spanish agriculture to the economy as a whole. Between 1950 and 1970, the proportion of the active population employed in agriculture dropped from over 47 per cent to under 30 per cent.

Today, agriculture contributes only about 15 per cent of the gnp, a figure that also suggests the low level of productivity when taken together with the proportion of people still actively employed on the land. Sr López Rodó argues that "we have gone from the agriculture of the ox-cart to motorised agriculture." True enough, but farming in Spain is still very backward in comparison with other European countries. This may be partly due to the structure of landholding—the tiny, fragmented *minifundios* of Old Castille where men cast their grains of wheat over the barren soil; the rolling *latifundios* of Andalucia, sometimes forgotten by masters who have gone off to the bright life of the towns.

The two biggest obstacles to the modernisation of agriculture have probably been absenteeism (which often means land left uncultivated) and the complex system of subsidies and tariff buffers behind which the wheat farmers and olive growers have been able to go on farming in the old way, insulated against the chill blast of outside competition. The state is



In the Andalucian sun, no one's in a hurry

spending 8 billion pesetas a year in subsidies at present, and it is often used in defence of regional interests rather than those of the economy as a whole. The level of investment is strikingly lower in agriculture than in industry—the figure for agricultural investment in 1970 represented only a trifling 7 per cent of total investment in the Spanish economy.

The minister for agriculture, Sr Allende y Garcia Baxter, brought in an agrarian reform law last year that makes some attempt to tackle the problem of under-utilisation of land. Under the new law, landowners who

fail to meet official production quotas can have their properties taken away from them. The idea is to bring in a form of temporary confiscation that will enable the authorities to see that necessary improvements are made (and paid for). There is a certain amount of scepticism in the south, however, about whether the law is really practical. Any measures designed at sweeping agrarian reform in Spain are clearly out of the question, although the government must be given credit for providing a certain amount of cash and encouragement for the "regrouping" of the patchwork quilt that is Old Castille.

It is the system of state protection that explains why some 60 per cent of Spain's cultivated land is given over to cereal crops, some of which are produced under the worst imaginable conditions on scraggy patches of rocky upland. Spain has traditionally pursued a policy of self-sufficiency in wheat; the second most important cereal crop is barley; and rice is produced around Albufera for export to the Far East. The government clearly has social motives for continuing to guarantee high prices to Spanish wheat-growers. What else could many of those small farmers do?

But it is increasingly necessary to divert production towards what the economists call "high elasticity" foodstuffs like meat. Consumption of cereals has been steadily declining in Spain as standards of living rise. The figure stood at about 150 kilogrammes per head of population back in 1920; now it has dropped back to 110 kilogrammes. Yet last year wheat production was up by 33 per cent after the bad harvests of 1970, and a record 4.6m tons of barley were harvested.

Fruits, like cereals, contribute about 13 per cent of the total value of agricultural production, and a much higher proportion of the export revenue from primary products. The oranges of Valencia and Murcia are one of the pillars of Spain's export trade and bring in about $150m a year in foreign exchange. Three-quarters of the oranges sent abroad go to the EEC, where increasingly Spain is feeling the pressure of competition from countries like Italy, Israel and Algeria. One of Spain's disadvantages is that its oranges come in so many shapes and sizes and that, in place of a central exporting agency, there are upwards of a thousand competing private firms. Last year's citrus crop was disappointing, mainly because of bad weather and early frosts. The worst natural disaster, perhaps, was the onslaught of mildew among the vines of La Rioja, Aragon and Castille. Wine production sank to its lowest level since 1960.

The tomatoes of the Canary Islands and the south are another export staple, although the Spaniards are learning to their cost that growing the fruit in the open air has its disadvantages. Tomato growers, rapidly exhausting the soil they are using and suffering the inroads of malignant fungi, are leading more and more nomadic lives, moving on from one plot to another every 12 months or so. This obviously disrupts transport arrangements and discourages any substantial investment in plant and equipment. There is also that other problem of competing with the Italians for the British market when the EEC is enlarged next year.

Olives are another of the traditional crops of Spain, and there are still provinces in the south that practise something verging on monoculture. In Jaén, for example, 28 per cent of the land surface is given over to the olive.

Lleva azahar, lleva olivas,
Andalucia, a tus mares.

"Andalucia, take olives, take orange blossom, to your shores," wrote Lorca, the poet of Granada. Spain is still the world's foremost producer of olive oil (it produces two-fifths of the world total) but local consumption is so high that the government has been trying to encourage the home production of other vegetable oils in order to provide a larger surplus for export. Production of sunflower seeds was up by 20 per cent in 1970, and it is a popular crop in languid, passionate Andalucia, since it requires so little labour.

As one noted Spanish economist puts it, cattle-raising is "the most forgotten branch of the economy. We have protected industry inordinately, we have encouraged certain types of cultivation (wheat, industrial crops and so on) and there has been a tremendous effort towards reafforestation, but we have done little or nothing to promote cattle-raising."* The figures prove his point. The numbers of cattle, sheep and pigs in Spain remained fairly static over the past decade. Given the high price and increasing demand for meat in Spain, there is no justification for state passivity in this area. And there are all those foreigners to feed.

*"Introducción a la economía española." By Ramón Tamames. *Alianza Editorial*. Madrid. Sixth edition. 1971.

Cuando caliente el sol

The sun, they tell you, is to Spain what the Ruhr valley is to Germany. Despite the cholera scare, the luxury hotels depicted in the tourist brochures that were never finished and those that collapsed, a record 26½m foreign visitors came to Spain last year. In the jaundiced eye of an old-time English resident sunning himself on the palmy terrace of the Reina Cristina hotel at Algeciras, the "cultured hordes of the mass democracies" have inflicted a new barbarism on Spain, tearing up the coast to plant a concrete jungle of apartment blocks, night clubs and fish-and-chip cafes. Torremolinos, that alien enclave a few miles down the road from Málaga, is the symbol of the invasion that the man at the Reina Cristina can evade, but not turn back.

Torremolinos is what happens when avaricious contractors and property sharks are given their heads. It is a chaos of ugly hotels and "apartotels," interspersed with bars and discotheques (the new "Barbarela" night club—its name spelled eccentrically—glowers balefully in the sun on the outskirts of town) and streets of little shops where you can buy English kippers, German liver sausage and French cheese. But if you speak to the shop assistants in Spanish they are likely to look at you as if you are broke or crazy. For those who think a good holiday is food, vino and sex in the



Wall-to-wall Torremolinos

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sun, Torremolinos is perhaps not all that bad—at least if you can forget about the drug-pushers and pick-pockets, the chronic water shortage that means that your taps are likely to cut off when you have just finished soaping yourself in the shower, and the sewage that enterprising swimmers have found floating out in Málaga bay on a calm day.

Torremolinos is unplanned and probably now unplannable, although the government has moved in to construct a new reservoir and to do something about the bumper-to-bumper traffic jams and the shortage of parking space. This, of course, is bound to mean more pneumatic drills, more bulldozers, more noise. To be fair, Torremolinos has suffered more than most of the resort towns along the Costa del Sol because it is run by the authorities in Málaga, who are often charged with diverting local tourist income to do up their own town.

The real point is that Torremolinos, with all its drawbacks, is actually the kind of Spain that lots of tourists want. It is a kind of cosmopolitan Blackpool, laid out under a hotter (and more reliable) sun. "Spain is different," certainly. But what many of the big tour operators are selling very profitably is Blackpool fun transplanted to the Spanish sun. The formula has worked astonishingly well. The danger of adopting an overly aesthetic view of the Spanish tourist boom is that one can lose sight of just how much it matters to the Spanish economy. It is by capturing the mass market, by turning on common pleasures for the common man, that Spain has made itself the second most profitable tourist mecca in the world. Only the United States makes more money out of tourism, and that is largely offset by what American tourists spend abroad. More than a third of the people who take their holidays in Spain belong to the categories pompously described as "skilled artisans" and "office workers." More than 80 per cent of them come from western Europe.

This means that Spain, ahead of any other country, has been cashing in on the new affluence of today's Europeans. It is the prime beneficiary of the change in popular psychology (drilled into our subconsciousness every night during the run-up to the summer season by the travel companies' television commercials) that has persuaded most of us to regard a holiday abroad as a right instead of a luxury, and maybe even as a duty, in our competitive consumer society.



That one's for real . . .

Why choose Spain? Most of the holidaymakers who were asked that question by public opinion pollsters just over a year ago said: "Climate." But of course there is more to it than that. The sustained and very intelligent advertising campaign waged by the Spanish government itself over the past few years has had considerable effect—and the spate of posters and travel brochures shows what lies behind the sun and sand. Those brave names thought up by the blurb-writers—Costa Brava, Costa del Azahar, Costa Blanca, Costa del Sol, Costa de la Luz—are only the doormat to the other Spain beyond the mountains, lifted up like a fortress above valleys of the south and the outside world. But, to be practical, the tourist inundation is partly a matter of logistics.

Hoteliers and tour operators in Spain, spurred on by the government (which has set a target of 50,000 new hotel beds a year up to 1980 have jumped in where other countries were only starting to test the water. France and Italy, the most-visited countries within the EEC, have been slower to respond to the needs of a booming mass industry, although there is now a danger that the Spaniards are not doing enough to attract the richer tourists who stay longer and spend more.

The state-run *paradores* and *albergues* (often set up in splendid old mansions like the Enrique II in Ciudad Rodrigo or the San Francisco in Granada) provide some of the best value for money in Spain, if you are mobile and prepared to forsake the beach for a few days. But prices in general are still comparatively low (and carefully supervised by government inspectors). One factor that may have encouraged hoteliers to skimp on food and services is the tremendous hold of the package tour-operators over the airborne tourist traffic. This has compelled many hoteliers to work on narrow margins in order to compete for a slice of the trade, and to try to make up their profits in other ways.

Certainly, the cut-throat competition to snaffle up the summer holiday-seekers has led to dubious promotion methods. The artist's impression in a travel brochure of what may be only a hole in the ground when the holiday-maker goes to make his booking is one of the more notorious abuses. Some tour operators have produced summer brochures without artists' impressions to overcome the suspicion that lingers on in many people's minds. But a recent investigation by The Times disclosed that on Majorca and Minorca alone only three out of 14 hotels depicted in this year's batch of brochures had actually been completed when the promotion material went to press, and that there were serious doubts about whether several of them would be finished by the time the first tourists arrived at the end of March or the beginning of April.

The OECD figures for 1970 showed that Spain earned just under $1.7 billion from tourism, compared with America's $3.2 billion. Although there was some suspicion that the Spanish figure included capital transfers of up to $100m, provisional figures for last year show that the upward movement in tourist earnings has been sustained. According to the Spanish ministry of information, tourist earnings between January and October last year totalled more than $1.75 billion, an increase of 22.5 per cent over 1970.

One of the central questions for the economy is how long the country can sustain the remarkable growth rates that have been chalked up by the tourist industry over the past decade. Between 1960 and 1970, the number of foreign visitors arriving in Spain rose from 4.2m to over 24m. Most of them are Europeans; more than a third are Frenchmen whipping across the Pyrenees in their Renaults and Citroens; just over a tenth are British, mostly stepping off planes. So far, there is no sign of a levelling-off, and in fact the Third Development Plan projects a still more spectacular increase in the 1970s.

According to the planners, there will be more tourists than Spaniards in the country by 1980. Their guesstimate is for 50m foreign visitors a decade from now, producing earnings of $3.7 billion for Spain. It is an extraordinary prospect. Will there be room for all these people? Tiny, cosmopolitan Ibiza, with a population of 40,000, already plays host to 1m tourists a year. If the tourist population really expands as fast as the planners predict there will be very few corners of southern Spain, Majorca or the Canaries that will be left untouched. The new motorways mapped out on the drawing boards will help to open up the less-frequented parts of Murcia and Almeria. But unless precautions are taken now, the result could be a tremendous muddle. No one wants to see a wall-to-wall Torremolinos rolled out along the coast from Estepona to Alicante.

But is it not more likely, as the hotel-builders in new places like Greece, north Africa and Portugal are hoping, that Spain will become increasingly expensive and over-crowded, so that a new generation of holidaymakers will move on down the Mediterranean? The answer will partly depend on how successful the Spaniards prove to be in conserving the tremendous natural beauty and variety of their country in the face of the onslaught and in opening up new tourist attractions like winter sports, game reserves, marinas and excursions into the interior.

There is no earthly reason why Spain should continue to be thought of by a majority of those 26m-plus foreign visitors as just sun and sand with a bit of flamenco or the odd bull-fight thrown in. For one thing, Spain is after Switzerland the most mountainous country in Europe, and it abounds in winter resorts. It is even possible, along the Costa del Sol, to slip up into the Sierra Nevada, 70 kilometres away, and get back in time to go ski-ing and swimming on the same day. Navacerrada, the magnificent ski resort in the central highlands, is less than an hour's drive from Madrid along the main highway, and once you get there, there are plenty of chair-lifts and ski-lifts to make life easy. La Molina and Nuria, in the Cantabrian Pyrenees, are within easy striking distance of Barcelona.

There are, moreover, plenty of other ways of diversifying the tourist industry. Parties of Americans are now coming to Spain prepared to pay $3,000 a week to hunt deer and wild boar. Spain is a huntsman's paradise. The Pyrenees and the Cantabrian mountains teem with deer, roebuck, and the long-horned *capra hispanica*—and there are still a few bears. In the remoter parts of Castille and Estramadura you can shoot red partridge or chase hares on horseback. If you like standing up to your waist in a swamp waiting for wild duck to break cover, there are the famous marshes around Valencia and the *marismas* of the Guadalquivir river. And then there is the year-round fishing—trout, salmon and pike—in rivers that are mostly open to the public.



. . . but he must be kidding

In Spain, sensibly, organised hunting and the cause of conservation have often gone hand-in-hand. Perhaps you have to be affluent to start worrying about the environment. Perhaps, on the other hand, this is one of the characteristics of a mature society. The Third Development Plan moralises that "man has exploited nature too much, without restoring what he has taken away." In Spain, control of the pollution coughed out by all those car exhaust-pipes, and of all that refuse spewed out into the Mediterranean that the doom-sayers claim could one day help to turn it into a gigantic Dead Sea is essential for both social and economic reasons. The new oil refinery being built at Tarragona presents a special problem for the Costa Dorada—as a local hotelier puts it: "You can't sell sun with smog."

An encouraging sign is that something is at last being done to conserve the countryside. The work of Adena (The Society for the Defence of Nature), set up as the Spanish branch of the World Wildlife Fund in 1968, is at least a beginning. One of the special aims of the society has been to preserve swamps and marshlands, and it scored something of a triumph last year when it helped to block a project that would have turned the Tablas de Daimiel, a natural beauty-spot and shooting reserve in La Mancha, into farmlands.

The real issue, perhaps, is the survival of tradition. That is not just a matter of saving churches and historic squares from the flattening progress of the bulldozers, but of something less tangible. The Third Plan calls for the construction of new tourist enclaves, or *burgos turísticos*, on the outskirts of the coastal towns. More care will have to be taken to stop these new developments turning into concrete sprawls by choosing architecture in harmony with the surrounding landscape, by providing proper roads and services and by leaving open spaces where people can breathe. Perhaps one of the most astonishing things about Spain, given the tourist invasion, is that its basic character has changed so little. Open to the outside world, Spain retains its indifference to imported systems of values and that curious, inbuilt xenophobia that has walled it off psychologically from the countries to the north for most of its history.

The open question

A *caudillo* is always hard to replace. The question that many Spaniards are putting to themselves now, more than ever, is: What follows Franco? In theory, the problem is already solved. The *madrileños* are more charitable now about Prince Juan Carlos than they used to be. There are fewer jokes about how long he is likely to reign and a general agreement that the prince has matured considerably since General Franco appointed him his political heir in 1969. He has been given a king's education in public schools, academies and army camps.

But he has not been allowed to cultivate an independent political image—perhaps because General Franco was worried that he would follow in the footsteps of his father, Don Juan, the Count of Barcelona, the advocate of a constitutional monarchy, who lives

in gilded exile in Estoril outside Lisbon. The prince's movements are closely circumscribed, and the recent betrothal of his cousin, Prince Alfonso de Borbón y Dampierre, to General Franco's granddaughter, the beautiful and vivacious Señorita Maria-Carmen de Bordiu-Martinez, has given Prince Juan Carlos further grounds for extreme caution.

Prince Alfonso is about the same age, is currently ambassador in Stockholm, is also a direct descendant of Alfonso XIII, the last reigning monarch of Spain, and is said to be very popular with the Falange. Above all, he is now a blood-relation of General Franco. There is many a slip . . . and Prince Juan Carlos's advisers must have told him that he can hardly afford to provoke his patron in any way.

Assuming that Prince Juan Carlos does succeed to the vacant throne, it is clear that he would be a much weaker head of state than General Franco. That is as it should be. The role of the monarchy will be to provide a neutral symbol of national unity. Sr Manuel Fraga describes himself as "a monarchist for functional reasons, because at this moment this is the most viable of the possible solutions for our county . . . a cold, theoretical monarchist." Maybe that is the right approach. The problem is going to be to find the right man to take over effective power as head of government.

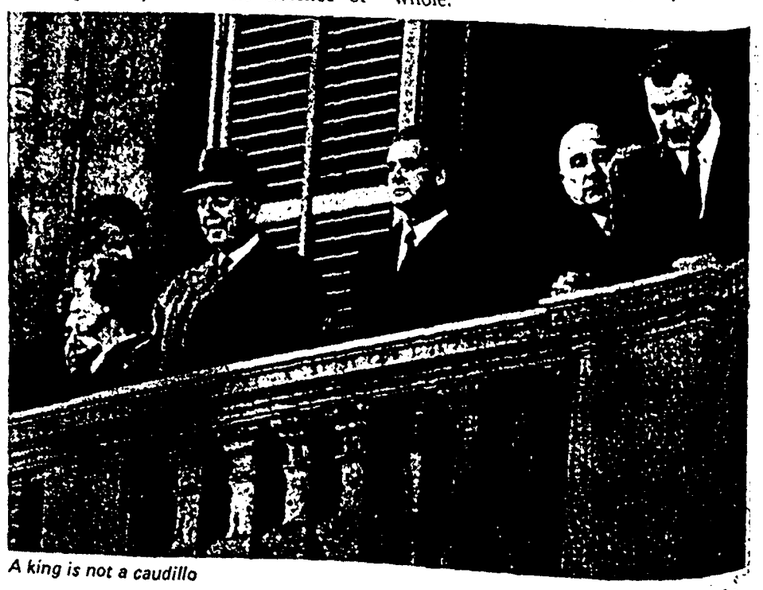
Every *madrileño* has his own candidate (if indeed he is not reading himself into the job). But it is commonly agreed that if General Franco appoints a head of government in his own lifetime, it is likely to be Admiral Carrero Blanco. This is argued on the grounds that General Franco and Admiral Carrero are old civil war comrades and that the *caudillo* believes that the country will need a "man in uniform" to guarantee political stability after his death. The appointment of Admiral Carrero might suit the technocrats in government at present, since he has acted as their protector, and, as one of them put it to this correspondent, has "staked his political career" on their survival. But Admiral Carrero is no more enthusiastic about political liberalisation than General Franco.

Other candidates for the prime ministership include Sr López Rodó, Sr López Bravo, and the chief of staff, General Diez Alegría, as well as opposition figures like the Count of Motrico who might hope to grasp the reins of power after a transitional period following General Franco's death. Sr López Bravo would certainly be popular abroad. He has even been described as the John F. Kennedy of Spanish politics and is certainly one of the few men in the Spanish government with a real understanding of how west Europeans think and of how to confront the news media. But he is a controversial figure in Madrid, both because of his associations with Opus Dei and because of rumours of his involvement in the Matesa scandal.

General Diez Alegría is sometimes seen as a prime minister, although his appointment (even if he were ready to accept it) could probably come only after Franco's death. Whoever takes over, the name matters less than the cause he pursues. The aim of a future government should be twofold: to ensure political continuity (without which the far right might be tempted to move in) and to broaden the cabinet to enlist the talents of some of the intelligent men who currently figure among the "establishment opposition" —men like the Count of Motrico, Sr Federico Silva Muñoz, the Christian Democrat currently at the head of the state petroleum concern, Campsa, and possibly even Sr Manuel Fraga Iribarne.

The time may be approaching when Spain can move, step by step, towards the creation of political associations that may form the basis for political parties. The Spaniards have had a brief and disenchanting experience of western democracy; but the key to the uncertainty and doubt that surrounds the question "what follows Franco?" stems precisely from the absence of western-style political institutions. The gradual introduction of a form of political democracy suited to Spanish conditions might prevent the degeneration of Spanish politics after General Franco into a series of palace coups in which the army would be likely to play a praetorian role. But it is futile to write out prescriptions. The way all this will come about, if it comes about at all, will be determined by the balance of forces and aspirations in Madrid, not by outsiders' systems of value.

It would be short-sighted, in any case, for the outside world to trouble itself overmuch with the political future of Spain. There will not be chaos after General Franco. No reasonable Spaniard could welcome the prospect of a second civil war, and there is no likelihood that it could come about. So far, the technocrats' recipe for economic growth has worked, and it has brought levels of material prosperity to the Spanish people unprecedented in their history. In the long run, continued economic development is a better formula for social stability than any outsider's constitutional daydreams. None of the economic problems discussed in this survey is insuperable, and Spain will continue to be one of the most attractive prospects in Europe for foreign investment. It is also one of the central arguments of this survey that it is high time that the west accepts Spain for what it is: a corner of Europe with a part to play in the security and prosperity of the whole.



A king is not a caudillo

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SOFICO, Spain's largest tourist property developers and managers on the Costa del Sol, with assets of almost £8,000,000, have opened offices in London.

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Today, SOFICO have 9,000 beds in 34 blocks along the Costa del Sol which currently accommodate more than 200,000 tourists a year. SOFICO's projected total of luxury beds for 1980 is 25,000!

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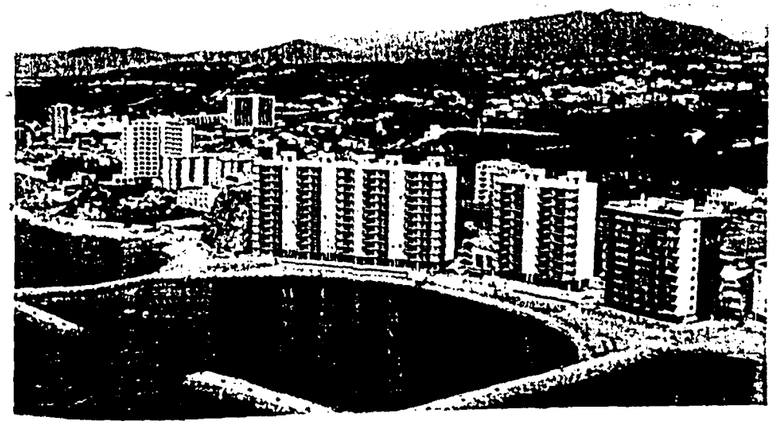
SOFICO's development has more than kept pace with the increasing sophistication of today's tourist industry. Although the company has frequently not had a single bed available, there has never been a case of overbooking or double-booking. Reservations on sales (and such is the success on the sales side that apartments are normally sold before they are built) are computerised. The head office is in Madrid, but a substantial office is based in Malaga and directs local operations from there. SOFICO now have subsidiaries whose jobs range from furnishing and decorating to the provision of restaurants. Daily visits are made by senior executives to each block, which in any case, is staffed by SOFICO personnel. Should a complaint arise, it is dealt with in minutes. The company is aided in this in its independence from other contractors, which makes it a good example of a vertically integrated group concentrating on the tourist market.

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Books

Three into one won't go

INDIA AND EAST AFRICA
By Robert G. Gregory.
Clarendon Press : Oxford University Press. 573 pages. £7.

THE IMPERIAL DREAM
By Edward Grierson.
Collins. 320 pages. £2.50.

In the spring of 1923, the Indian politician V. S. Srinivasa Sastri, who was in London as a delegate from the Indian legislature, had an interview with the permanent under-secretary at the Colonial Office, Sir James Masterton-Smith. Speaking, as Sastri afterwards put it, "in the hard, cold, pseudo-scientific language characteristic of the 'Round Table'," Masterton-Smith told Sastri that there was a "struggle going on at present between the two rival ideals of the British Empire—the one tending towards the equalities of races and communities, the other insisting on the maintenance of white supremacy." The particular issue that had provoked these reflections, and brought Sastri to London, was the question of the future of Kenya.

The dispute in which the Colonial Office had to arbitrate arose from a conflict of interests between the Indian settlers in east Africa, first on the scene, still in greater numbers, and determined to protect their substantial economic stake, and the Europeans, concerned to ensure that Kenya became a white man's country. Between the two antagonists, the Colonial Office had vacillated, according to the personality and beliefs of the colonial secretary of the day—or, when that post was occupied by Winston Churchill, had attempted to please both sides and satisfy their irreconcilable demands. But eventually, as a result of the deliberations of 1923, the Colonial Office settled for a third policy, in which the interests of the native population were paramount. The Duke of Devonshire's decision, confirmed by his Labour successor, Sidney Webb, did not prevent the white settlers' interests from prevailing in the short run. But in the long term it was to prove decisive for the future of the country.

Mr Gregory's workmanlike new study explores all the complexities of the issue in the minutest detail. He is by no means the first in the field—and Mr J. S. Mangat, among his predecessors, still provides the most concise and accessible guide to the subject. Mr Gregory's claim to originality lies in his exploration of the ramifications of the issue outside east Africa, in India and in Britain. He does better with the first than the second, perhaps because there is more to get his teeth into. For many Indian nationalists, the Kenya issue was a test case: did the British government's promises, going back to Queen Victoria's proclamation, mean what they said? Those who, like the Aga Khan, had allowed themselves to dream of the pleasing possibility of an Indian colony in Tanganyika, as a reward for services rendered during the first world war, were disillusioned. But to a later generation of nationalists, for all Gandhi's past involvement in the South African question, the overseas Indians were largely an irrelevance. "Our countrymen abroad must realise," said Nehru, "that the key to their problems lies in India."

Ultimately, the decision depended, like most such decisions, on the distribution of power. The Indians were unable to mobilise sufficient resources to secure equality of treatment; but with the aid of pressure from the government of India and the humanitarian lobby in Britain, they were able to prevent white settlers from achieving their goal of another South Africa. The eventual result was that both immigrant groups succumbed, in turn, to the pressures generated by the rise of African nationalism. Whether this represents the triumph of the first of the two opposing ideals outlined by Masterton-Smith remains a moot point.

Mr Grierson's concern is with the broader context of the accumulation of imperial power and its dissipation. He makes no pretence to originality and his organisation of the material is conventional—once again, we are invited to survey the empire from the perspective of 1914, marvel at the complacency of those in power and shudder at the catastrophe that is about to overwhelm them. But his style is light and easy; and some of his set-pieces are deftly mounted—the prelude to the Boer war and the decline of the raj, in particular. There are omissions, of course; the Caribbean gets very short shrift and Britain's relations with Latin America are totally neglected. But the reader looking for a general introduction to the history of the empire could do a lot worse.



Asians in Kenya: staking out the economy

Top twenty

THE DOUBLE-CROSS SYSTEM
By J. C. Masterman.
Yale University Press. 223 pages. £2.95.

Written, for the record, in 1945 and destined for government archives, this report tells how British Intelligence achieved complete control of German wartime espionage in this country. As official historian of the Twenty (XX)



Masterman : XX masked the plot

Committee, which was responsible for this remarkable achievement, Sir John Masterman wrote up the story with clarity and justifiable pride. Publicity is a delicate business. British Intelligence has taken a severe public knocking in recent years and it is well that its critics should now be given the chance to read of an undoubted British success. This book is rewarding reading.

There is, naturally, not much room for personal drama in the appraisal of a system. There is "Fido," whose task was to steal a plane and fly it back to Germany ; "Zigzag," who was dropped twice by parachute near Cambridge—and whose exploits justified all that confusing demolition of British road signs. But personalities, however colourful, tend to remain just names —or rather cover names—and their exploits, a trifle dampingly, just examples of operational ploys. This account shows, however, how one by one the German agents were picked up, "turned" and built up as reliable sources in the eyes of their masters until such time as they could be used to mislead the enemy about allied invasion plans in the Mediterranean and across the Channel.

The build-up period was not just a question of marking time ; it, too, paid a dividend. Daily radio contact was maintained between agent and German spy master and it was from the instructions the agent received that the Twenty Committee was able to deduce with considerable accuracy the enemy's projects and doubts, and to discover the gaps in German Intelligence. If you ask your agents to tell you how many balloon sites there are in Kent, it is reasonable to presume that you don't know.

The double agents undoubtedly played a useful part in the invasion, but, as Sir John allows, they were only small cogs in the gigantic deception machine which was brought into action in the months preceding the landings. A whole network of spoof radio traffic, for example, convinced the German monitoring services of the presence in Kent of completely fictitious divisions, all ready to launch themselves across the Channel in the direction of Calais. Even after D-Day, the Germans were afraid to redeploy their forces in case the main thrust was still to be made farther east by the phantom divisions.

Surprisingly, the agents' credibility survived the Normandy landings. Most stayed in contact, and under British control, until the end of the war. In these last months they were notably successful in passing misleading information to the German high command about the targets hit by the V1 and V2 bombers. The resulting readjustments made at the launching pads ensured that the missiles fell farther and farther away from the centre of London —which was, no doubt, good for SW1, but bad luck on Balham, Tooting and all suburbs south. We are not told where the headquarters of the Twenty Committee was located.

Sceptical brinkmanship

PROBABILITY AND EVIDENCE
By A. J. Ayer.
Macmillan. 154 pages. £3.50.

In this new book, as in his many earlier contributions to the theory of knowledge and metaphysics, Professor Ayer states his theses with admirable clarity and argues forcefully and straightforwardly in support of them. Four of these essays re-examine David Hume's problem of induction: how can a limited set of observations give rational support to predictions and generalisations that go beyond what has been observed? The fifth gives an enterprising account of conditional, and consequently also of causal, statements. Both, Ayer claims, involve imaginative projections beyond the facts, and he does not shrink from the surprising consequence that "causes are what we choose them to be." Savages who think that an eclipse would not end if they did not beat gongs are not making any factual error. It is simply that we build a different imaginative projection on the same factual basis. Ours is not truer than theirs ; Ayer seems to agree that ours is better, but it is not clear how he would explain its superiority.

The other essays likewise lead by plausible reasoning to the brink of scepticism. Restating and defending Hume's case, and using the paradoxes of Hempel and Goodman to show how hard it is to formulate satisfactory principles for the confirmation of hypotheses, Ayer argues that any attempted proof that our actual methods of projection are the most rational is going to beg the question. Ayer himself does not see this as a reason for scepticism, but almost everyone, if convinced by Ayer's arguments, would do so. At the end of his discussion he outlines a positive theory of "good reasons" ; but it does not escape his own criticisms. As in a Greek tragedy, when the natural development of the action has yielded the wrong outcome, a *deus ex machina* is introduced to restore the desired one. But Ayer, as a good humanist, has to be his own god, and the effect is unconvincing.

It is fortunate, therefore, that his arguments are not watertight. Though on one issue after another he examines, persistently and fairly, a number of possible views, some further important possibilities are not considered. And below the surface lucidity the structure of some of the arguments is obscure. Is the second step in Hume's argument meant to follow from the first, or to be an additional premise ? This uncertainty helps Hume's case, and Ayer does not expose it. Can inductive conclusions be shown to be probable in any interesting sense? Hume does not really consider this possibility, though, if we misinterpret his use of the word "probability," he appears to do so.

Of particular interest is Ayer's careful examination of an attempt by the economist Sir Roy Harrod to answer Hume in a book which, as Ayer says, has not attracted the attention it deserves. Harrod tries to prove that a limited projection of an observed continuity can have a reasonably high probability. Ayer shows that Harrod needs to appeal to some form of the principle of indifference. This is an effective *argumentum ad hominem*, since Harrod repudiates this principle. But a fuller investigation of logical probability might vindicate it, and so show that Harrod's approach at least helps to explain the rationality of induction.



Ayer : the humanist is his own god

Victorian Yankee

GEORGE PEABODY
By Franklin Parker.
Vanderbilt University Press. 243 pages. $8.95.

When the boy who has made good leaves explicit instructions in his will that his body is to be interred in the home town cemetery and when the country to which he has emigrated wants to bury him in Westminster Abbey, how do we resolve the clash of pieties ? This was the problem which George Peabody, of Danvers, Massachusetts, and the City of London, presented to his executors. It was solved by a characteristic Victorian compromise—a "temporary burial" in the abbey before translation across the Atlantic to the final resting place in New England.

The symbolism was appropriate. Deeply American, an Horatio Alger if ever there was one, the New England grocer's apprentice to the fingertips, George Peabody, like many a self-made man, found his true realisation in a country other than, yet intimately associated with, his own. Yet he did not go native. His London triumphs were attributable to his being, not just another local Dombey, but a Yankee at the Court of St James's. Here his inhibitions and reticences were accepted as foreign idiosyncrasies, while his lavish social assertions (those Fourth of July banquets for 800 guests) incurred no republican envy but only a very ready monarchical and ducal patronage. Small wonder that he gave his largest single charitable endowment to Britain rather than to the United States. And yet New England puritanism never ceased to haunt him. He might keep a mistress in Brighton and certainly, at 68, enjoy "the gaiety and sociability" of Nice, but he retained American citizenship even at the cost of a baronetcy. Moreover, he repeatedly avowed his intention to resume his residence on American soil and, at the end by testamentary



Peabody : a clash of pieties

definition, he kept his word.

No rich philanthropist's life can be wholly uninteresting to the student of society. No self-made founder of a banking fortune can be wholly uninteresting to the economic historian. On both these counts George Peabody deserves a biography. Yet while Mr Parker has faithfully chronicled the biographic facts he does less than justice to the subject. Those remarkable benefactions (100 years after his death Peabody housing is still going up in London) are thinly set in the context of the age of improvement. The business activities that sustained them and which survive in the house of Morgan, Grenfell are not related to the great growth of Anglo-American capitalism of which they were a significant part. Above all, it is left to the reader to explore by guess and imagination the Dickensian undercurrents and the Jamesian ambiguities of a character as complex as he was considerable.

Board school

ECONOMIC ANALYSIS AND PUBLIC ENTERPRISE
By Ralph Turvey.
Allen and Unwin. 150 pages. £2.50.

Governments struggling with cost inflation often find it politically necessary to talk about "productivity, prices and incomes" when they mean wages. The last Labour government did this so effectively that it was taken in by its own smokescreen, and referrals to the National Board for Prices and Incomes, instead of being part of a serious effort to check the inflationary spiral, became just a familiar delaying tactic or piece of buck-passing. Nevertheless, the board's time was not wasted. Thanks largely to the presence on it of Dr Ralph Turvey, one of the most outstanding applied economists of today, the board made a series of major contributions to the analysis of pricing and investment decisions in public industry. The first seven chapters of Dr Turvey's new book pull together some of this analysis, while the remaining six, which are taken from NBPI reports, apply it to various aspects of the transport, gas and coal industries, thus complementing the author's earlier study of the electricity industry. Considerable teamwork was involved, and Dr Turvey emphasises the part played by his collaborators, notably Messrs Herbert Christie and Steven Littlechild.

The subject is of general public interest ; but the book itself is technical, and assumes a fair knowledge of economic theory and operations analysis. Moreover, the author's presentation, though snappy and professedly eschewing elegance in favour of usefulness, is still very compact, occasionally to the point of ambiguity. What the book does, in essence, is to examine and illustrate how the concept of "marginal-cost pricing" can be made operational. This means tackling problems such as "second-best" analysis (what to do if other products in the economy are not priced at marginal cost), the optimal complexity of the price structure (bearing in mind that complexity has a cost and also that consumers may not bother to make a considered choice if the alternatives look bewildering) and the optimum product quality or range of qualities to be offered. Two central chapters explain the meaning of system marginal costs and the relationship between pricing and investment decisions in a multi-period model.

In his brief discussion of financial criteria, Dr Turvey surprisingly defends the imposition of a required accounting rate of return on a public enterprise's total assets. Such a requirement is a form of taxation and has little to do with the economic efficiency of the enterprise. Dr Turvey justifies it on the grounds that governments attach value to any source of revenue which enables them to increase expenditure or lower other taxes ; and that other products are taxed, making it sensible on "second-best" grounds to tax the output of public enterprises also. But to do so by calling

for some rate of return on assets is needlessly hit-and-miss. And his first justification seems a rather sophisticated defence of election budgets. These points are, however, peripheral to Dr Turvey's main story, and the calibre and expertise of the author make it compulsory reading for any serious student of public enterprise.

Plucked eyebrows

GEORGE ROBEY
By Peter Cotes.
Cassell. 226 pages. £3.25.

The eyebrows, the vaguely clerical dress, the red nose, the air of shocked rebuke as he faced, and dominated, the audience are what memory holds of George Robey. It must add up to an unsatisfactory impression for those who are too young ever to have seen him in action. He was not the sort of comedian to be associated with a number of particular hits, yet the ways of paradox insist that Robey should be remembered above all by the song he sang with Violet Loraine in "The Byng Boys." It was, to the generation that suffered in the first world war, the comic, sentimental side of the coin that had Rupert Brooke's sonnets engraved on the other. The huge insanity and ugliness of events did their best to wipe the grin off the one and the romantic idealism from the other, but somehow their spirit has survived.

Yet Robey was not, as Mr Peter Cotes makes clear in a somewhat uneasy biography, altogether happy within the comparative discipline of the musical revue. He was essentially a music-hall comedian, one of the last and greatest. It is curious, incidentally, that Mr Cotes, who brings in many names, omits to mention Max Miller; there was a close resemblance between the two in the manner in which they entered into collaboration with the audience, daring it, as it were, to read even more into the jokes than their obvious blueness and then reproaching it for such outrageous temerity. Robey, like Miller, made his act out of his personality, not his real personality, but the one he assumed for stage purposes; it was strong and positive in its own right. He was also, of course, a glorious pantomime dame; but pantomime, like the music-hall, was in its decline when Robey conjured comic glory out of the part of Mother Goose.

Robey conformed to the comedian's traditional (and often mythical) desire to play Hamlet, and he did indeed make something moving and memorable out of the scene of the dying



Robey: on the sentimental side

Falstaff that was interpolated into Sir Laurence Olivier's production of "Henry V." It was not altogether his fault that his Sancho Panza in Pabst's "Don Quixote" was something less than a triumph; that film was dogged by misfortune from the start. In any case, Robey found the cinema, and, later, television, distasteful to him. They cut him off from that direct confrontation with the audience which was the life-blood of his performances.

When it comes to his private life and character, Mr Cotes is not unnaturally hesitant. It is easy to deal with Robey's love of cricket and to credit his craftsman's skill as a violin maker. But there was something devious in him which led to mystifications and self-deceptions. The word "Rabelasian" of course makes its appearance; it does not adequately describe that bent in Robey's mind. Mr Cotes's book is an uneven affair. At moments he can write passages that imaginatively reflect Robey's art and the age and climate in which it flourished. And yet he can bring himself to describe Falstaff, that universe of a man, as a "tubby courtier." Curious.

Scientific sausage

THE EXTENSION OF MAN
By J. D. Bernal.
Weidenfeld and Nicolson. 317 pages. £2.95.

Tape-recording is both a blessing and a snare. At Birkbeck College, shortly after the second world war, Professor Bernal began to give an annual series of lectures to first-year students on the history and nature of experimental physics. He continued to do so until 1962. These lectures were tape-recorded and this book is based on these tapes, supplemented by an introduction which may or may not have been part of the lectures, and a final chapter which certainly was not.

The freshness of the colloquial chat is engaging. Of Alexander, Professor Bernal observes that "he could not stand the drink and the climate of Babylon and died at the age of 33." Boyle's law "was good enough for school but not for university" and his Cambridge contemporary Kapitza "a nasty kind of experimental physicist," although in what sense "nasty" is not clear. On the other hand, off-the-top-of-the-head lecturing (as one suspects this was) may reveal serious defects of perspective when set down in print. Professor Bernal recognises this, and in a postscript to the lectures tries to apply corrections. But he could not take into account historical research since the lectures were last given in 1962—on, for example, the Black-Watt relationship concerning latent heat. Moreover, facts which in Professor Bernal's own other writings are put correctly are here stated incorrectly.

These blemishes do not detract from the quality of the introduction and conclusion. There is a German saying that "All good things have an end except the sausage; it has two." Professor Bernal's book should be added to the exceptions. One is filled with regret that he was not spared to expand topics neglected in the text. Who better than the author of "The Social Function of Science" to guide us from Bolton and Watt and "the duty" of their engines through the nineteenth-century gropings to a full understanding of the concept of energy?

On course

THE LURE OF GOLF
By Herbert Warren Wind.
Heinemann. 316 pages. £2.75.
MY LIFE AND SOFT TIMES
By Henry Longhurst.
Cassell. 373 pages. £3.75.
THE GOLFER'S BEDSIDE BOOK
Edited by Donald Steel.
Batsford. 240 pages. £2.

For some inexplicable reason the sport of golf has always been blessed with exceptionally talented writers. The master in Britain was, of course, the late Bernard Darwin; and now a British publisher is presenting a selection of pieces by the man generally thought to be the best golf writer America has yet produced, Mr Herbert Warren Wind. Readers familiar with Darwin will have fun comparing the two, but deciding which is the better writer will not be an easy task since "The Lure of Golf" easily matches up to Wind's reputation.

The pieces are notable for their smoothness, lightness and fullness of presentation. Mr Wind has a talent for telling the reader everything he could possibly want to know about an event without ever telling him too much.

"My Life and Soft Times" is an evocative personal history by the man who is currently Britain's best-known golf writer and television commentator. Longhurst fans are likely to find the detail fascinating but the general reader may think the book heavy going. "The Golfer's Bedside Book" is much better than its title might lead you to believe. Mr Donald Steel, golf correspondent of the Sunday Telegraph, has somehow persuaded 24 generally outstanding writers to contribute. One of the best pieces is by a man who usually writes on other subjects, Mr Alistair Cook of the Guardian. His account of one of his own rounds in which almost everything went perfectly captures that hushed, magical feeling every golfer knows when he is playing well above his usual game.

The right to redeploy

THE RIGHT TO WORK
By Alasdair Buchan.
Calder and Boyars. 160 pages. £2.10 cloth, 65p paperbound.

Most reporting of the work-in at Upper Clyde Shipbuilders has taken the emotional romantics and class-struggle antics of the shop stewards at their face value, and this book is no exception. Its naivety is sometimes breathtaking, as when, the author says of one rather dour steward: "In any case true revolutionaries don't smile."

He accepts uncritically the illusions floating around Clydeside. The very title ignores the fact that the men at UCS refuse to commute down the river to where there is work, and that their work-in has seriously jeopardised the chances of finding employment for Clydeside by destroying the confidence of potential investors, suppliers, and customers alike. Indeed, Mr Harold Wilson, who writes an introduction to the book, once admitted this, then saw his tactical error and corrected himself.

Mr Buchan believes that the chief success of the campaign has been in reversing the Government's lame duck policy. But what alternative is there? The country wants a rising standard of living, and that means a continual redeployment of resources. Despite all the statements by interested parties, swallowed eagerly by Mr Buchan and others, nearly everyone who has done a serious international comparison of UCS and its competitors has concluded that the company is streets away from viability. But the pressures on governments make it impracticable for them to take on the task of deciding which parts of an economy to discontinue, as UCS has shown only too well. The only practical solution is for governments to stay out of industry.

This is not the harsh policy it would have been in the 1930s, as is shown by Mr Buchan's contention that it would have cost the taxpayer less to keep the company going than to close it. If work-ins are to become fashionable, and everyone is to stick obstinately to the job he has done for generations, Britain will become steadily less and less competitive, its standard of living will fall, and discontent will spread by leaps and bounds. That has always been the dream of the Communist party.

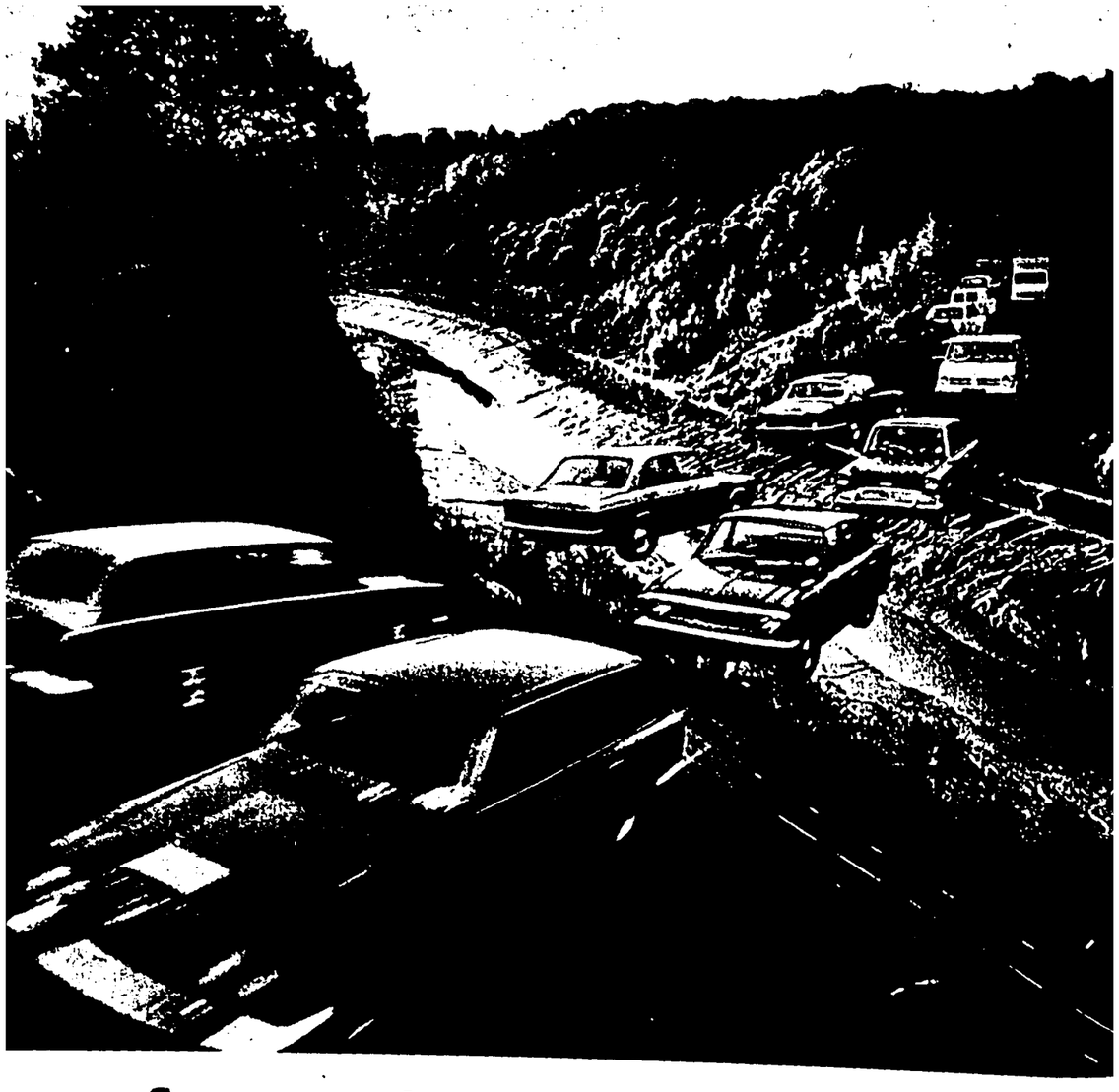


UCS demo: work-in rather than work it out

Short list

The Correspondence of Edward Young, 1683-1765 edited by Henry Pettit (Clarendon Press: Oxford University Press, £10). Any account of pre-romanticism is likely to mention Young, but his satires and plays are strewn with the dust of oblivion, and his major poem remains virtually unread. Some 50 years after its first appearance, Blake was commissioned to do a series of engravings for a sumptuous edition of the "Night Thoughts." Ironically, the existence of his designs has served to bring Young's name back into circulation. The editor of this fine edition, who has produced a meticulous transcript and admirably informative footnotes, admits that the chief value of the letters is "the panorama of English familiar life" that they display. But the deferential or arch tone Young so frequently employed becomes slightly sickening after a while.

Samuel Taylor Coleridge by Basil Willey (Chatto and Windus, £3). Coleridge, the son of an Anglican clergyman whom he likened to Parson Adams for his unworldliness, adopted in his youth the current philosophical ideas deriving from Locke and Hartley, the utilitarianism of the Benthamites and the cold creed of the Unitarians. But emotional as well as intellectual dissatisfaction drove him to question all the assumptions of these basically secular positions. Fortified by his reading of Kant, he set about establishing the claims of religion. These endeavours were prolonged and strenuous, and of paramount importance to him. Not all Coleridge's present-day admirers take serious cognisance of this. But no one who associates Professor Willey's name with the Cambridge tripos course on the English moralists, and with the "background" studies that have traditionally strengthened the Cambridge approach to literature, will be surprised that he has now chosen to focus his attention on the religious aspects of Coleridge's thinking.



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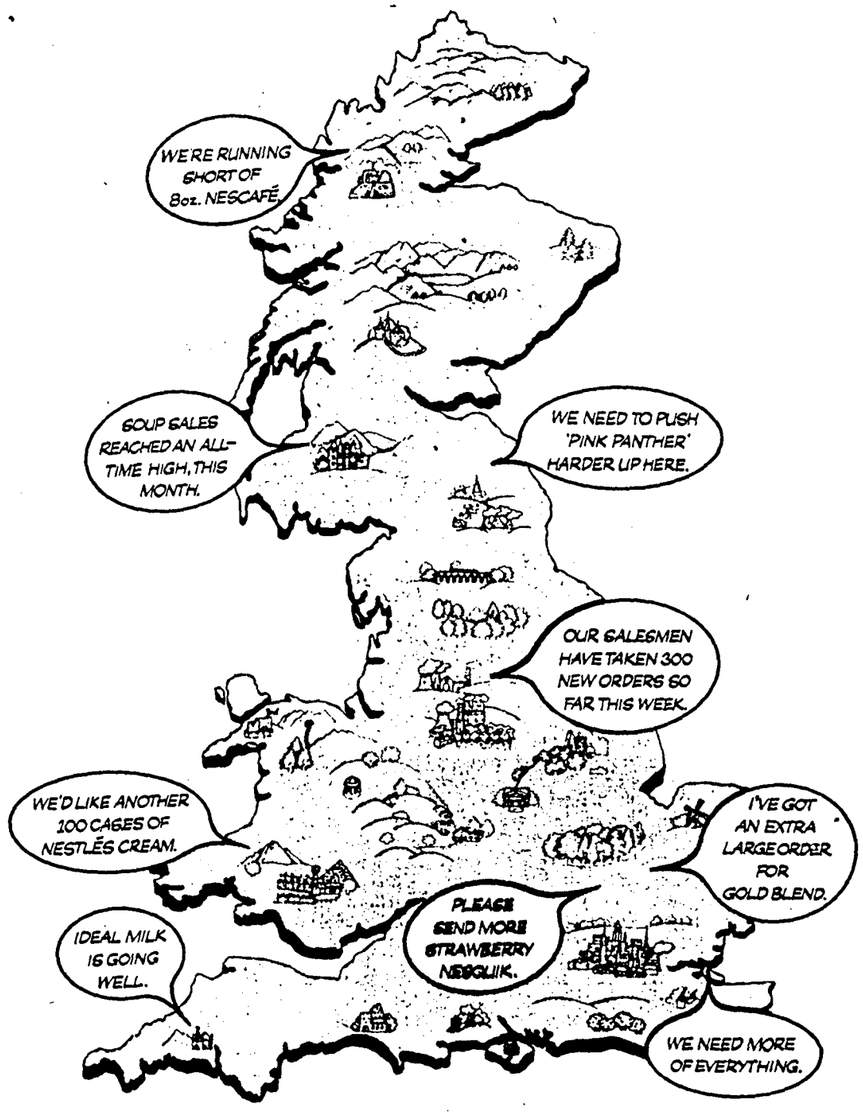
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Business Brief

Building societies: mortgages galore

The building societies, those mortgage giants who provide 85% of Britain's private housing finance, look set for another record-breaking year. January saw an undiminished inflow of funds (which is apparently continuing this month); and lending is still running high.

The societies have almost ceased to be surprised at the way investors are queueing up with their money. Net new funds went up by as much as 36% last year, from £1,490m to £2,033m. The 11% rise in earnings in 1971, and the fact that a lot of fingers had been burned on the stock exchange (in spite of the London market's much better performance last year), may have had something to do with it. But what most influenced investors was that interest rates everywhere had fallen so much that the building societies' investment rate of 5%, income tax paid, looked very competitive.

Under pressure from a falling Bank rate, the societies did make a token cut to 4¾% last October which took effect at the beginning of this month. But first indications are that the reduction was not large enough to put investors off. The average building society investment is around the £1,000 mark a head.

The other side of this investment boom has been an enormous rise in mortgage lending—up, also, by 36% last year, to £2,741m. After years of mortgage rationing, there is now evidence of a positive glut in some quarters. The larger building societies (the Halifax, Abbey National, Nationwide and so on) still claim they are able to lend every penny they get in, but mortgage quotas have been quietly abandoned and lending policy has been eased considerably.

Societies are now more inclined to lend larger sums (up to three times the borrower's annual income instead of the more usual 2½ times), to lend them for longer periods (25 or even 30 years), to be more sympathetic towards requests from formerly unpopular categories of borrowers, such as single women, and to allow loans on the less orthodox types of property, such as older houses and flats. Some of the smaller, local societies have almost certainly found themselves with spare funds recently, but there is still great reluctance to advertise such surpluses because this usually attracts applications from the wrong kind of borrower. However, anyone with a reasonable proposition should be able to raise a mortgage now.

Paradoxically, the building societies have come under fire precisely because they now give mortgages to more or less all comers so long as the usual conditions are met. Easy finance, so the argument goes, aggravates the inflation of house prices because buyers will agree more readily to pay over the odds when they think they can get the money. Last year's easy mortgage policy coincided with a huge leap in house prices, averaging about 20% over the year, well above the usual annual 6-8%. Prices of modern houses rose 22%, and such areas of peak demand as London and the south east were well above the average too. So although mortgage lending rose by 36%, the number of new loans went up by only 21%, from 540,000 houses in 1970 to 654,000 last year.

Priced out

With the average price of a house now exceeding £6,000, there is an increasing danger that young couples will be kept out of the owner-occupier market. Although 60,000 of last year's new borrowers earned less than the average industrial wage of £1,600, this does not mean that the young are finding it universally easy to buy houses. Very few would be able to afford the average house in London and the south east at £8,000-plus. And on Wednesday Mr Stanley Morton, chairman of the Building Societies Association, warned that at present inflation rates this could rocket to £18,000 within five years.

The fact that mortgages are readily available has helped inflation but it is difficult to blame the building societies for this, or to see quite what they could do about it. All sorts of schemes have been proposed like restricting lending to 75% of valuation, with special exemptions for first-time borrowers to avoid hardship. But the inevitable result would be that fewer people would be able to buy houses, even if they then got them at a slightly lower price. And it would be politically unthinkable for the societies to be sitting on large funds while good applicants were unable to get mortgages.

A more promising approach is to build more private houses. A better supply might check the inflationary reflex which says that whatever a man pays for a house today he can be sure of getting more for it tomorrow. The economic doldrums of the past few years discouraged builders from making use of their full construction capacity; accordingly, only 157,000 and 179,000 new private houses were built in each of the past two years. Now the industry has woken up to the demand 225,000 new houses should be completed this year.

The new house shortage is clearly reflected in the dwindling number of building society loans on new property. Normally mortgages on new houses account for about a third of the total, but this has been dropping steadily over the past couple of years and now makes up only a quarter.

More new housing depends partly on finding suitable land, and land has been scarce for several years. Local authorities have been urged to release more building land but there are physical limits to this. Hence a 200-300% rise in the price of building land in the past eight years, and the fancy prices being paid now, the most recent being the £215,000 paid for three-fifths of an acre in Hampstead which had sold for only £107,000 a few months before.

It is clear that the advantages of owner-occupation are increasingly appreciated among the expanding middle classes. There is tax relief on mortgage interest; at the present mortgage rate of 8%, the borrower on full income tax effectively pays only 5.6%. Or he can go for the option mortgage scheme (10% of all borrowers do), which at the moment leaves him marginally better off, paying only 5½%. Profits on resale attract no capital gains, and at present rates of inflation these profits are quite hefty. Even at worst, houses offer absolute security of tenure as long as mortgage payments are kept up.

There is also the fact that the private market in unfurnished property to rent barely exists. And under present Tory plans council rents will over the next few years become increasingly unattractive to the better-off, releasing more hopefuls on to the housebuying market. Not surprisingly, the proportion of owner-occupiers in the total housing mix has steadily crept up, from a quarter after the war to just over the halfway mark now. In their more optimistic moods, the building societies reckon that this proportion could eventually go up to about 60%.

Innovations

To rustle up more funds, there have been several additions to the basic building society investment (the share account) in the past few years, although none has been conspicuously successful. The societies now run their own save-as-you-earn scheme. The rates of interest are very much more attractive than on an ordinary share account but the need to commit the money for five or even seven years to get the full benefit has meant that relatively very few people are using it; the total probably amounts to no more than 1-2% of all building society mortgages.

Another innovation is the insurance-linked building society investment, pioneered in 1969 by the Bristol and West and since taken up by a large number of other societies. Although this offers a very high rate of interest—sometimes over 11% gross—it is too complicated for the average investor; so the totals invested this way are even smaller than for Saye.

More exotic new outcrops—such as property-linked building society investment—have an even smaller following. The basic share account, blissfully simple with income tax paid by the society on behalf of the investor, still looks the winning formula, and there is no sign of any major new schemes in the offing in the foreseeable future.

On the lending side, building societies are heavily circumscribed by legislation on what they may or may not lend on. Basically, only property is acceptable, although a few years back there was talk of going into consumer durables as a sideline. But the societies were sharply warned off any banking activity of that sort. They are now limiting themselves to house improvements (repairs, putting in central heating, etc) which have been rocketing recently and will keep on climbing.

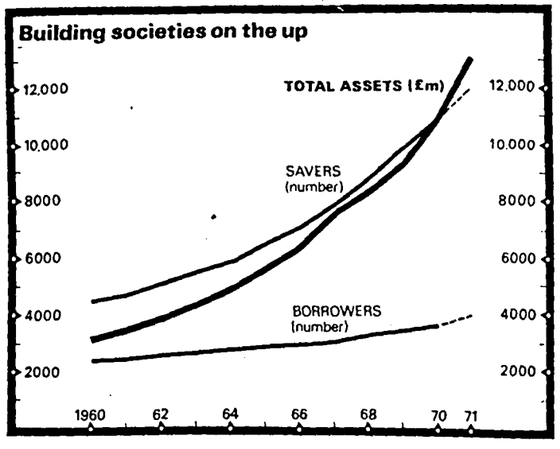
As for ordinary lending, the societies are plainly not expecting any cutbacks, at least for the rest of this year. Unofficial forecasts put this year's lending at £3.4 billion, against £2.7 billion last year. While funds are so abundant, the societies might perhaps relax a few regulations which have caused a lot of irritation in the past. One is their marked reluctance to advance the whole of a mortgage without insisting on additional security. Thus a man wanting a 90% mortgage usually finds he can only get 75% straight off, the rest having to be covered by a mortgage guarantee insurance. Its purpose is to protect the society from losses should the borrower default, but in fact the societies' mortgage losses are infinitesimal.

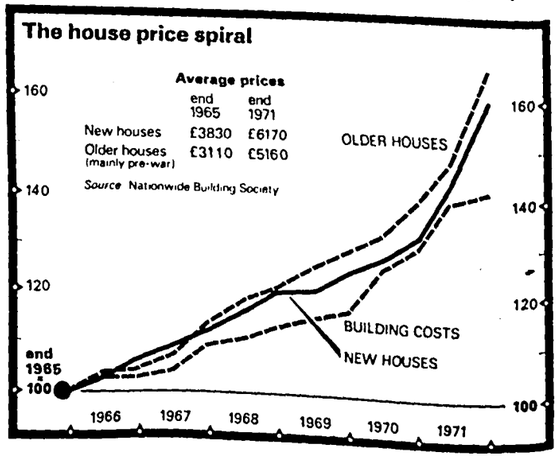
Other, minor, niggles include the rule that the report of the building society surveyor who looks over a house before a mortgage is given is confidential to the society even though the borrower has to pay for it. Another is the redemption charge borrowers meet if they want to pay off their mortgage prematurely. And there are the usual criticisms of the societies' still-strong conservatism about the type of property they will lend on and the type of person they will lend to.

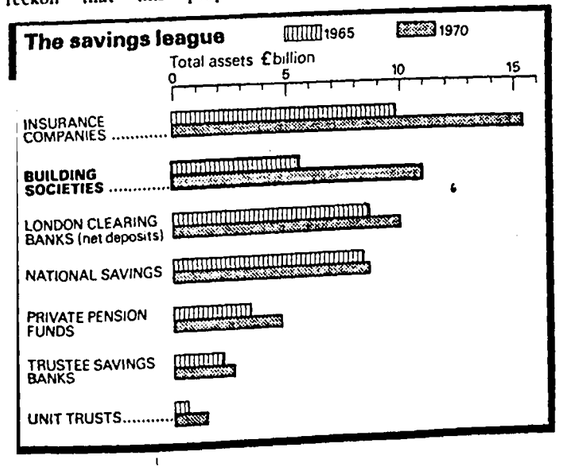
Some people also feel the societies might adopt a more aggressively commercial attitude, perhaps lending on property for the private rented sector as well as for owner-occupiers, and developing their own considerable property assets (the larger societies have huge branch networks) more actively. But as building societies are non-profit-making organisations for which "profits" merely mean additions to their reserves, the incentive may be lacking.

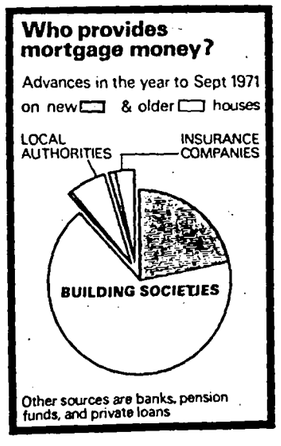
There is certainly no need for them to be timid about lending policy, even if the inflow of investment funds does level off later this year. Their liquid reserves—cash and investments—at the end of last year exceeded 19% of total assets, compared with a legally required minimum of 7½%. Since the societies are restricted by legislation on what they may invest in (equities, out; local authorities, in) these funds are at the moment less profitable than mortgage lending, so there should be every incentive for this liquidity to be run down a little.

If there are spare funds, could they be shifted to Europe when Britain joins the common market? The societies are not at the moment allowed to operate outside the United Kingdom. Liberalisation will obviously have to come after EEC entry, but with little immediate practical impact. Among present EEC members, with their vastly different building society set-ups, there has been no perceptible moving together since the Treaty of Rome was signed.











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BUSINESS *On strike*

Living with Wilberforce

Nobody in the Government is pretending that the miners' strike is ending in anything but a crushing defeat—with a court of inquiry that ministers had never intended and a settlement that they can hardly bear to contemplate

The miners have been saying, up at the pits, that they would go back to work for an extra £4.50, which would be 18 per cent and as big an award as anyone has had for a long time. But, whatever Lord Wilberforce advised the Government late on Thursday night, the miners are not going to accept now without a show of reluctance. They will not be over-anxious to go back to work next week. They mean to oblige the Government to watch helplessly while the power cuts get worse and the numbers laid off from the factories rocket. This is certainly not how ministers intended the strike to end.

The running down of stocks they were prepared for. It was known from the outset that, if the miners struck at all, they would be out for at least six weeks, which on anyone's arithmetic made power cuts probable towards the end of the strike. That the pickets have made it more difficult than expected to get at stocks makes only a week or so's difference to the calculations. The Government recognised from the beginning that it would be a close-run thing. But it had assumed that by now both sides would be talking to each other, so that a negotiated settlement could be seen, however dimly, at the end of the tunnel.

This would have made it possible to calculate how much longer coal stocks would have to last, and to ration them accordingly. But on Thursday last week precisely the opposite happened. Instead of talking, the miners and the coal board walked out on each other and broke off all communication. The end of the strike became unpredictable; the end of the coal stocks, only too predictable. The Government did what it had never wanted to do, but which was, in the circumstances, its last resort. It appointed a court of inquiry. And because it believed the essence of the inquiry was speed (others might say surrender) Lord Wilberforce was the one obvious man to appoint: he alone knew enough about the power industries already to push his hearings through in two days and have his report ready another two days later.

The settlement Lord Wilberforce will recommend is something that few ministers can bring themselves to contemplate; there is a fervent hope that it will not be as high as 20 per cent. But if Lord Wilberforce's idea of his job is to get the miners back to work quickly—and the way he conducted the public part of the inquiry suggests only too plainly that it is—he may not risk cutting his recommended offer much below that. But the end of the strike is, once again, dimly in sight. Which in turn means that rationing of stocks—of a sort—can again be planned.

Where the Government feels its calculations fell down was in believing that Mr Derek Ezra at the National Coal Board and Mr Joe Gormley at the National Union of Mineworkers were better negotiators, and in closer touch with each other, than they actually turned out to be. Mr Ezra is felt to have overestimated Mr Gormley's authority over the NUM executive. And Mr Gormley had Mr Lawrence Daly at his shoulder, pushing left where he wanted to go right, and probably overestimated his own power, too, to fulfil bargains struck with Mr Ezra. Not that there was much bargaining. An experienced negotiator like Mr Hugh Scanlon, ministers were telling themselves this week, would never have allowed such a breakdown to happen.

But happen it has, and the country has to live with it. The Government's immediate problem is to get coal into the power stations when the strike does end. There are said to be stocks above ground sufficient to keep up supplies for another four weeks, after which warmer weather may begin to reduce demand. In Germany there is a stockpile of 9m tons of coal that the Germans would be only too anxious to ship to Britain at cut prices in order to get rid of the stuff. The difficulty is moving it into this country fast enough; on paper there are not the ships, nor the port facilities, nor the handling capacity. In practice, it would be astonishing if the shipping industry found itself totally unable to cope.

The longer-term issue is that of the country's energy policy. Coal has been the one source of energy that successive British governments believed wholly reliable in a world where Arab governments come and go. The past six weeks have shown otherwise. Coal has been protected from imported fuel for strategic as much as balance of payments reasons, but the wisdom of basing three-quarters of the country's electricity supply on a fuel that can be wilfully cut off is from now on going to be seriously challenged. And this in turn throws doubts

on the plans the Government had to keep a larger coal industry than strictly necessary, simply as an insurance policy against overdependence on oil. There is usually more than one source of oil open at any one time. There is, for Britain, only one source of coal.

How big an industry should it now be ? That depends on how its financial problems are handled. Extraordinary measures will be needed to pay for any settlement above 12 per cent. Anything but a straight write-off of the industry's debts by the Government will mean a much-reduced industry, but this is probably on the cards anyhow. Mr Ezra would like to see coal stabilise its output at the present 140m tons a year, but whatever slim chance he had of bringing this off has probably been destroyed in the strike. With the Electricity Council already complaining about the high cost of coal, there is little doubt that coal's days of dominance are numbered. Mr Ezra might settle for the electricity market he has now, which would mean that additions to electrical capacity would go to other fuels.

Following this gradual policy, coal would probably account for only 40-50 per cent of electrical capacity by 1980 but such a rundown is now likely to be too slow for coal's numerous enemies. Mr Ezra has a point when he claims that it might be better for the nation to use North Sea oil and gas to run down its dependence on Middle East oil rather than domestic coal, but many people are probably going to want to do both. The North Sea will play a large part in this, but so should nuclear power stations. Despite nightmarish construction difficulties on the current generation of advanced gas-cooled reactors, orders for further nuclear stations must be placed soon or Britain's nuclear construction industry will suffer serious damage. The Government has still to announce which type of reactor it will build next, but after the coal strike any nuclear power decision is likely to be popular.

The slow growth of the economy in the 1960s—and the consequently slow growth in the demand for electricity —has thrown the electricity industry's investment plans badly out of gear. If the rate of new construction had gone according to plan, the switch out of coal and into atomic power would by now have proceeded much farther than it has. Nuclear power plants are also slow to build. But the conversion of stations to natural gas is something that can be done quickly, and the pressure is going to be on now for permission to buy North Sea gas at a price that the electricity industry can pay.

The Government and the coal board will spend the weekend figuring out how to pay for any settlement above 12 per cent. The Government is probably going to be stuck anyway for the £100m or more that the strike itself will cost the coal board, and this could limit its willingness to write off the industry's debts, as the union has suggested. Of course, the recent debt restructuring of the British Steel Corporation offers a precedent, but a more likely policy to emerge is some combination of pit closures and price increases. Closing down the 80 or 90 grossly unprofitable pits could save £50m and the coal board has stated that a price increase of 10 per cent would bring in roughly the same amount. When the men do decide to go back, at a rough count at least 4,000 will find that they no longer have jobs to go to because the faces that they worked have been damaged to the point where it is simply not worth the cost of reopening them. The tally of coal faces permanently closed had risen by Thursday to a total of 20, spread over 16 pits, and the number is growing all the time. Closing pits throws thousands of miners on an already depressed labour market, but the moral may be that if you play rough, as the miners have done in this strike, you can expect to be treated roughly in return.

Two days' Q and A

The court of inquiry's sittings on Tuesday and Wednesday were short and uneventful ; but the members, led by Lord Wilberforce, displayed their main concern with almost pornographic nakedness. They wanted to find in what way the National Coal Board might pay for rises over and above the 12 per cent already offered. In private conversation, the reference was to "very generous" extra rises that the court might recommend. The miners' arguments for more money were hardly questioned. The coal board's finances most certainly were.

By how much would the industry have to increase prices to pay the 25 per cent wage rise demanded by the miners ? Perhaps by as much as another 20 per cent, answered Mr Ezra. This would mean losing a substantial proportion of today's coal market.

It would mean closing pits at a faster rate than planned, and the blow would fall hardest on peripheral fields in Scotland, South Wales, the north east and the north west. The NCB estimated that it could raise prices by as much as 10 per cent without losing too many customers, but that would not permit it to offer the miners much more than 12 per cent.

Would the industry be more efficient if it were smaller ? Mr Ezra answered last year that only 148 of the NCB's 292 pits were profitable, and earned £71m ; 144 were unprofitable, losing £55m. The profitable pits employ 138,000 men and produced 80m tons of coal. The unprofitable pits employ 139,400 men and produced 52m tons of coal. This might seem to be a reason for giving a big rise and closing half the country's pits which would be highly popular with the 138,000 miners who would keep their jobs.

Mr Ezra, however, was probably being a little unfair to those pits that are only marginally unprofitable, and that could break even with only slight increases in productivity. The total of irretrievably unprofitable pits is probably more like 80 or 90. Closure of them would throw 80,000-90,000 men out of work, but the court did not go into the social consequences of slimming the industry.

After the miners

Ahead of the Wilberforce report, the fears being expressed this week were that the miners might get 18-20 per cent. Anything so way above the 7-8 per cent norm the Government has been aiming at would mean that millions of other workers in the wage queue would find reasons to demand as much for themselves. The Government will pretend that the miners are a special case, and Lord Wilberforce is experienced enough at this sort of thing to conceal the size of his award by wrapping it up in ploys like shift payments, bonuses, back payments and anything else he can dream up. But it is hard to see any unions being taken in by that.

The two big claims pending come from the 2¼m engineers and the 800,000 builders, who have politely asked for up to 40 per cent and 70 per cent, respectively. Both groups agreed to three-year deals last time. They will both argue that, as a result, they have suffered more than most from recent inflation, and so should get special treatment. Some 200,000 steelmen are likely to argue the same way when they put in their claim to the British Steel Corporation. Then the 280,000 railwaymen, who have already begun negotiations on their 15 per cent claim, will say they have had thousands of men made redundant, productivity has risen and their wages are below the industrial average. Like most unions, the railwaymen refer specifically to 20-30 recent wage deals in their evidence to British Rail.

The teachers, who now want an average 13.7 per cent rise, always make a point of referring to recent public settlements when they make their claim. Last month they were offered just 6 per cent : but can that line now be held ? London's busmen turned 7½ per cent down on Wednesday, specifically because they wanted to see what the miners would get. The 330,000 nurses will not have much trouble in arguing that they are special : when Mr Selwyn Lloyd tried to restrain public sector wages back in 1962, it was the nurses who turned the public against the policy.

Before the miners' strike, de-escalation seemed to be working, although not with enough bite to withstand another inflationary settlement in the public sector through a court of inquiry. According to figures published on Thursday, average earnings last December were rising at a rate equivalent to 9-10 per cent a year, compared with the 14 per cent of a year before. However, unemployment and cuts in overtime have helped a lot.

The CBI will play ball if . . .

It all adds up to a gloomy outlook of renewed cost inflation, unless Mr Heath decides to copy President Nixon and introduce a fully-fledged incomes policy. But this looks highly unlikely.



Well, well, here we are again

Very soon the CBI will have to decide whether to ask its members to sign a new pledge on prices when the current one runs out in July. Continued wage inflation, at an annual rate of over 10 per cent, would make it hard for even the most public-spirited company to agree to keep price rises under 5 per cent. The argument put to the Prime Minister on Wednesday was that the CBI will be helpless unless the Government gives it special help in the budget.

What could Mr Barber do ? The CBI told Mr Heath it would like the budget handouts to aim at helping investment. It wants a 2½ per cent cut in corporation tax, free depreciation everywhere (not just in the development regions) and capital allowances for such things as money spent on new offices, shops and schemes to fight pollution. It also wants restoration of investment allowances. These were abolished in 1966 ; they formed an additional allowance, in year one, of 15-40 per cent of investment spending, over and above the 100 per cent allowable under existing depreciation rules. The CBI wants development area investments to have a doubled rate, so preserving a regional incentive.

Ministers may agree to the CBI suggestions, but even if they do, will the CBI's members do their bit ? One argument for believing that they might is that their profits have not been slashed by the price freeze as much as some of them feared, at least not yet. In the evidence to the Wilberforce inquiry this week, the CBI said that gross profits in money terms were about 13½ per cent higher in 1971 than in 1970, although this represented only a slight reversal of the longer term decline in the share of profits in the gross national product.

On the other hand, there is the danger that CBI members might still not agree to a new pledge, arguing that the Government would have handed out these investment incentives anyhow. If that happened, prices would resume their upward spiral in pursuit of wages. Ministers would then have to turn their minds once again to possible incomes policies : a good one would be national insurance contributions related to earnings, and then a surcharge levied on employees' weekly contributions whenever their employers' wage bill per man increased by more than a fixed norm a year. But it may very well need another crisis to get Mr Heath thinking that way.

The budget as a whole will certainly have to be strongly reflationary. The buoyancy of tax revenue and the slowish growth of public spending suggested tax cuts anyway. Now there is a risk that consumers may be frightened by talks of layoffs into cutting spending, particularly on credits.

Who's hurt

If industry felt hard done by this week, there is worse to come. The measure of the effect of the cuts is the rate at which the numbers laid off were rising from under 1m on Monday, the first day, to approaching 2m by Thursday. Out of a working population of 26m, this is short of catastrophic, but it hurts. What had industries scratching their heads was a growing realisation that anyone laid off for more than four weeks immediately qualifies for redundancy pay, even if they are all re-employed the following week. This has made a number of large and power-hit industries hesitate for a long time before standing men off. Some

industries can get back into full swing when power is turned on again ; steel cannot. Some of its plants closing now could not easily reopen within four weeks.

The screw tightens from next Wednesday, with the possibility that it will put industry on a two-day week. Mr John Davies told the Commons that power station stocks of coal would be exhausted by the end of next week if things went on as they were, but then it is Lord Wilberforce's job to see that they do not. The presumption must be that picketed stocks would be moving by then. But industry's power would still need to be cut, for a while, to one-third of consumption.

The easiest form of cut is a two-day week. But no one would claim that the present attempt at a three-day week had had, after Monday, anything like the intended effect on consumption. It took managements 24 hours to realise that one way of maintaining output was to work 12-hour shifts on the three permitted days. They will not be able to by-pass a two-day week in quite the same way, but they will have a try.

The alternative is to reduce the levels where restrictions are imposed on industry from a power consumption of 100 kW to 50 kW, which would bring a further 10,000 companies into the net in addition to the 20,000 affected now. But the saving would be small, something like 350 MW, which is hardly worth the trouble.

Industries operating continuous processes have been the worst hit. The handful that have their own direct link with the national grid, like aluminium and steel, were a little better off. Even though they have cut consumption by half, and can be monitored to see that they do, they escape blackouts. Their problem has been to keep furnaces and smelting cells sufficiently hot to prevent the metal in them going solid, at which point it can only be dug out and the furnace rebuilt at considerable cost. Spare a tear for a company like Pilkington, which could be caught in a power cut with 200 tons of rapidly cooling glass in its tanks.

Some attempts were being made by the Department of Trade and Industry on Thursday to meet the special difficulties of the paper makers, whose plants take badly to sudden switching on and off. The industry had asked if it could be protected from cuts, provided it halved its power consumption. Somehow, no one was very hopeful that a way would be found.

Mass production industries like cars and textiles were immediately hit, but for the strike-crippled motor industry



I must get to work to find if I've been laid off

this is hardly a new experience. Companies that can keep up production, like Imperial Chemical Industries, have begun to worry for how long they can maintain present rates while so many of their customers are shut. There was a good deal of worry inside the Confederation of British Industry about the small companies that could be bankrupted by the shutdown. Those that hold on long enough can hope for a sharp revival of production, because industrial stocks have now run down to a point where it becomes no longer optional, but obligatory, to rebuild them.

Industry's own power

Ten years ago something like a quarter of all the electricity used in industry came from factories' own generators. Now the proportion is down to a fifth, most of it in oil, chemical and paper industries which use their power plants to do two jobs at once. When it is merely electricity they are after, most companies can buy it more cheaply from the national grid. Few consume so much electricity that they can afford to put up an economic size of power station to produce it. Imperial Chemical Industries and the big aluminium smelting plants are some of the exceptions ; and to them the Electricity Council has been offering increasingly tempting prices.

If a company wants process steam as well as power, the economics begin to look more attractive. In a diesel-powered generator about a third of the fuel burned goes to produce electricity; and the remaining two-thirds goes into the exhaust and the cooling water in roughly equal parts. That waste heat can produce steam at around 10 lb pressure per sq in and hot water at 160°F ; provided the plant has a use for the steam and the water, this gives the installation an efficiency of 80 per cent, which is well above that of the national grid. There are quite a lot of these installations round the country, including one at Aldershot which heats the baths for the camp.

The petroleum chemical industry, which uses huge quantities of process steam, is the only major industry that is steadily increasing the proportion of electricity that it generates. Most of its plants are linked to refineries and get their oil feedstock tax free. Petrochemical plants now generate nearly half their own electricity, against little more than a third in the mid-1950s. But even the oil industry considers generating all its own electricity hopelessly uneconomic—even in politically unstable parts of the world.

The paper industry once produced well over two-thirds of its own power, but is now down to less than half ; in the last eighteen months salesmen from the Electricity Council's new industrial marketing division have talked eight paper mills—with a total consumption of 11 MW—into buying their power from the national grid. The textile industry, which once produced a fifth of its electricity, is now down to 10 per cent.

However, industry is installing increasing numbers of stand-by generators. These are not a precaution against electricity blackouts, but a cost-saver. The bulk industrial electricity tariff is calculated on the maximum load a company takes at any one time from the national grid. So companies contract for sufficient electricity to meet base load demand, and trip in their own stand-by generators to meet the peak—spectacularly reducing their

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electricity bill. Hundreds of these small sets must have lighted boardrooms this week, as directors added up the damage.

Cat without a hell's chance

Much of the miners' strength has come from the reluctance of everyone else, including the Government, to tangle with their pickets and, said Mr Joe Gormley, with the scent of victory in the February rain:

> We don't think that there will be a cat in hell's chance of getting these men off the picket lines.

Later in the week, as public opinion began belatedly to swing against the strong-arm boys, he modified this to an undertaking to call the pickets off provided he and they approved Lord Wilberforce's award.

The effectiveness of the pickets is no longer in question, but the legality of a great deal that they have done in the past six weeks is. Most lawyers would say that thousands of them have broken the law on picketing and could have been successfully prosecuted. So why weren't they? Even the Home Secretary, using the least emotive words he could find, said during Monday's emergency debate that

> there have been enough examples of unlawful picketing . . . to give rise to considerable public disquiet. I should be failing in my duty as Home Secretary if I did not say that. . . . It is a difficult line to draw in law and the drawing of the line must be left to chief officers of police.

It is not a responsibility that the police are anxious to take on, particularly when so many of the miners that they have pulled in so far have frequently been let off with nothing worse than a conditional discharge. It was not until Tuesday that a group of 13 pickets found themselves in Dunfermline on the relatively serious charge of mobbing and rioting and were remanded in custody. But even they were let out on bail on Thursday.

Other miners have been put on the hoary old "threatening and abusive behaviour" charge rather than the two statutes that deal specifically with picketing. Admittedly, both statutes show signs of age; one dates from 1875 and was the first law to make picketing legal at all, provided that it was restricted to explaining why the men were on strike. In 1906 the legal concept of "peaceful picketing" was added to it, which seems to mean whatever individual police officers and magistrates take it to mean. But most experts agree that the pickets have to stop short of physically interfering with people who want to get to work. Jostling or threatening them usually means breaking the law, and when pickets lay down in the road to stop lorries delivering goods to the Savoy Hotel in 1947 they were arrested and convicted. But 1947 is not 1972; the police could scoop a handful of men off the road then but they can hardly arrest miners by the thousand now. And the mere threat, without a harsh word spoken, of miners assembling in their thousands has been enough, in the past two weeks, to frighten local police forces into closing whatever plants and depots the pickets wanted.



Just when does it stop being peaceful?

Under existing civil law, companies whose oil has been stopped by pickets at the power station gates could try taking them to court for inducing a breach of commercial contract. But none has so far thought it worth the try. And this could be one of the weaknesses of those clauses of the Industrial Relations Act which come into effect at the end of this month. They will affect pickets in three ways:

- Picketing of anyone's house will be illegal, even when peaceful, and quite a few of the homes of pit engineers have been picketed in this strike.
- The official of an unregistered union who induces anyone to go on strike without due notice will be guilty of an unfair industrial practice. Since most unions are likely to be unregistered for a while at least, employers could take their pickets to court for inducing a strike, likewise shop stewards who urge meetings to vote for a strike.
- It will also be an unfair industrial practice to induce outsiders like tanker drivers and others to break their contracts by not delivering to, or collecting from, the plant being picketed. The big change is that it will at last be possible to go after the individual organisers of the picketing instead of being faced with an anonymous crowd sharing more or less equal responsibility, in law, for the punch-up. This will not help the police on the spot, because only the employers can start the legal proceeding. But it might have helped the coal board this month.

Where's the Act?

Could Mr Carr have done anything under those parts of the Act now operating? Its emergency provisions were designed to deal with strikes "gravely injurious" to the national economy. Why have they not been put to the test?

There are two powers Mr Carr might have called upon; he could have applied to the National Industrial Relations Court for either a strike ballot or a cooling-off period of 60 days. The first provision is designed for strikes that might have been pushed through by a militant leadership against the wishes of the rank-and-file. However, the coal strike was called after a ballot, and there is nothing to suggest that the miners would not vote the same way again.

The cooling-off period is more attractive in the circumstances, but the problem this time is that there has already been a cooling-off period. The strike was called after long negotiations and with a month's warning. More time to talk might be useful at this stage, but if a cooling-off period were ordered, would the miners obey? Mr Carr may not want to put idly to the test his long-held belief that the British actually are a law-abiding people.

At the pits

Nottingham

Most Midlands miners would have been in the mood for a return to work by now had it not been for the sudden change in their fortunes this week. At the pits, the men are frankly amazed at the havoc they appear to have caused. None of them expected the strike to bite so deeply; they had believed that the damage to underground equipment would prove to be their bargaining counter. So surprised were they by the power cuts that several believed they were part of an elaborate Government plan to shift public sympathy away from them.

Most of the miners here are skint. The two-month ban on overtime before the strike began left some of them £80 the poorer. They have since lost six weeks' wages and their allowance of coal. There is no national strike pay, although in Derbyshire the local union branch is handing out the equivalent of £4 for each man. Otherwise, for married men the only other source of income is social security payments.

But many miners' wives work, and even if the average family income has more than halved, most households have been able to get by on the wife's wages. If, however, the wives are laid off as industry goes on a three-day week, this will turn the pressure on even though the strike still has total local support. Wives and shopkeepers are usually against strikes, but many women are very militant this time.

The least militant miners are found in the Midlands. They voted heavily against this strike. They are not as solidly Labour as most mining areas, and many constituencies, like Meriden, are marginal. What they do resent is living next door to car workers earning £40 a week for doing what often seems an easier and less-skilled job, knowing that their pits are profitable enough for them to be paid at least the same wage. Their wages have been held back in recent years while those of lower-paid miners in South Wales, Scotland and elsewhere have been catching up.

So the Midlands men are quite prepared to see more loss-making pits shut in order to increase their own wages. They are aware that a really big pay award would push coal prices up and lose markets, but are inclined to argue that as half the cost of coal to the consumer is distribution, more efficient distribution could absorb much of the increase. The rest could be made up, in their view, by savings from more pit closures. Very few pits in the Midlands would be affected, as it happens, but one or two are on the danger list. And if they shut? "So what?" said one miner, "we can always become bus conductors."



None of your blackleg foreign coal

Blockade runners

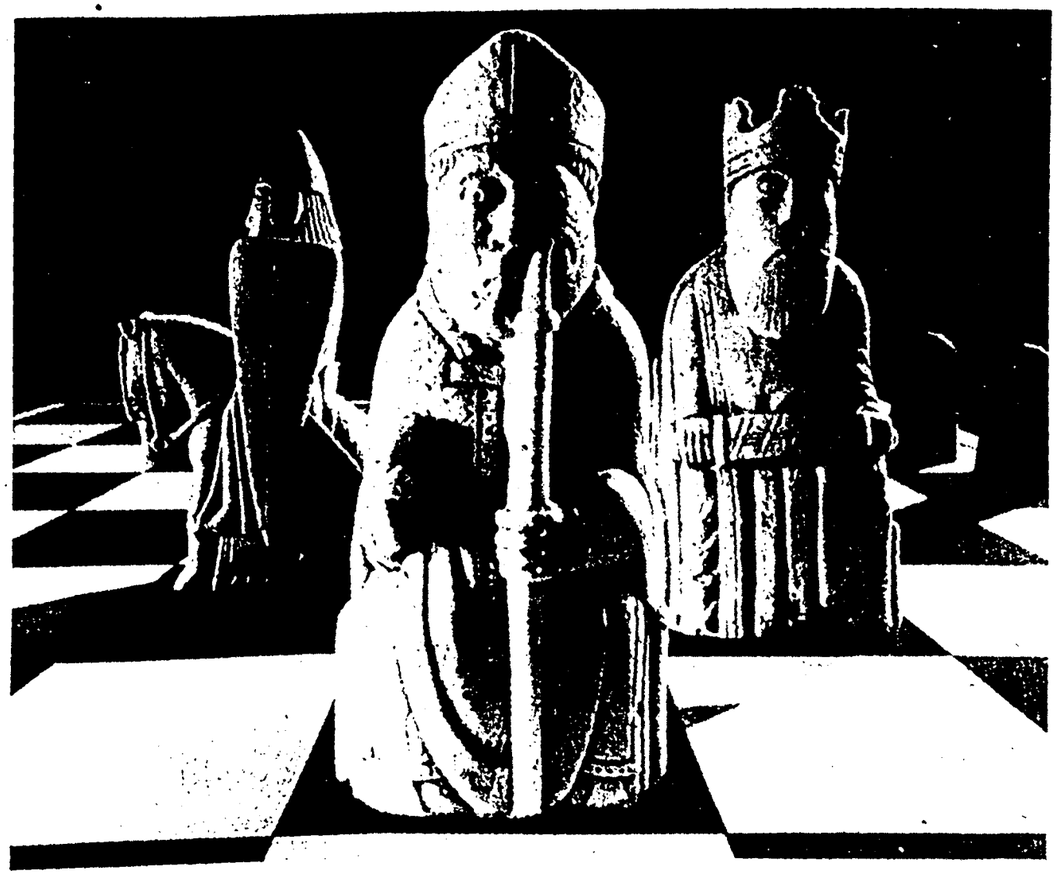
Coal imports have continued to trickle into Britain all through the strike, but they are now restricted mainly to what can be carried at 400-600-ton colliers that load at Emden and Rotterdam and slip into quiet wharfs, usually at night where a lorry or two wait to meet them with a powered grab. Many of these colliers had been unloading at west country ports, until the pickets finally caught up with them on Monday. But numbers have been coming into the Medway ports with coal for William Cory and also, on at least two occasions, shipments for the local Co-op. These ships are almost impossible to stop: they need so little water that they can float in on almost any high tide and whole flotillas of them will be out in the Channel the moment the strike is over. The bigger ships have been easier to picket.

By far the largest amount imported, put at 300,000 tons, was brought in by the Central Electricity Generating Board during the first two weeks of the strike and actually got into the power stations. Then the miners rumbled it, blacking a collier at Shoreham. Since then, the CEGB's shipments have come under increasing picket pressure and have now almost ceased. The coal is the remainder of 4m tons of Australian and American coal contracted for last year when supplies looked like running short. The British Steel Corporation also took advantage of the same Government licence under which the CEGB got its imports and placed contracts abroad for around 1m tons of coal, of which it took delivery of only 300,000 tons. But all its shipments since the strike started have been caught by the pickets, including its first coal from Australia, which is still tied up at Immingham. The corporation now has 100,000 tons of coal in store in Rotterdam and is also looking around for pig iron imports. It is not any solidarity for British miners that keeps the bigger blockade runners away, but the fear that their ships could be tied up for several weeks in British ports if the pickets catch them.

Home fires burning

Until now the combination of mild weather, particularly in the past three weeks, and surprisingly orderly rationing by small coal merchants up and down the country has maintained retail supplies of coal better than anyone imagined when the strike began and supplies were expected to last only four weeks. But stocks of household coal really are near exhaustion in most parts of the country, although there are still substitutes about, such as smokeless fuel and anthracite (for those willing to pay for it). The West Midlands Gas Board's coke mountain at Saltley also kept things going for a while, until the picketing got out of hand.

Hardest hit are households in the coalfields themselves. Here merchants, by tradition, maintained little by way of stocks and drew supplies direct from the pits. Consequently they have



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February 2, 1972

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little to fall back on, and are exposed anyway to the full brunt of the pickets. London merchants, anticipating trouble, kept their stocks much higher than their usual six-week supplies and, by rationing customers to 4-5 cwt apiece, expect to keep up deliveries for another two to three weeks. Priority cases, which means anything from old age to pregnancy, can get supplies, a loophole which merchants have probably used for all it is worth, however tightly the pickets claim to be policing the priority docket system. But in the South Wales coalfield, where even priority cases have rarely been getting more than 2 cwt, the elderly have now been without coal for some time, and merchants are searching as far afield as Birmingham for small bagloads.

Totting up the damage

Before the strike, Britain's gross domestic product (its output of goods and services) was rising in real terms at an annual rate of 4 per cent, or a little more. Simple arithmetic shows that if everything in the country came to a standstill for one week, this would reduce annual output by 1.9 per cent; and halve a potential 4 per cent growth rate to 2 per cent. Nothing like that, of course, has happened this week.

Manufacturing, obviously the most affected sector, accounts for only a third of Britain's national output. Between a tenth and an eighth is produced by each of four other groups: mining, construction and agriculture; public utilities, transport and communications; public administration, health and education; and distribution. The rest comes from private services (such as insurance, banking and property management) and personal services (such as launderettes, hairdressing and domestic service). Most of the services, agriculture and building will have been affected little. But taking the pessimistic view that all sectors have lost out and manufacturing industries have been at no more than two-thirds of their potential, then the first week of the emergency might have lost 0.4 per cent of the nation's annual output, bringing a 4 per cent growth rate down to 3.6 per cent. In money terms, such a loss would be of the order of £200m.

If one week is all we are talking about, such a loss (probably an overstatement anyway) could be made up quickly enough in view of all the existing spare capacity. All the same, the excess overtime involved in such a catch-up would do company profits no good. More important, there are the further dangers of impaired business confidence and the extra incentive to look to imports to close any temporary gap.



Where was who when the lights went out?

British industry was in none too good shape to fight off this emergency. All Mr Barber's boost to consumers' demand for goods was apparently being met from stocks and imports right up to the last of the old year. Industrial output in Britain in December was actually slightly less than a year before, when the electricity workers' go-slow had blacked out up to a third of the country for the best part of a week, with no apparent effect on industrial production that could be seen from the figures. Because construction did pick up last year, manufacturing industries by themselves produced 2 per cent less in December than they had done in January. Although declining steel output accounted for most of that 2 per cent fall, engineering has never repeated its performance of last May: only the chemical industry can be satisfied with 1971. So industry as a whole was glad to see the back of 1971, and all the more disheartened to run into trouble so soon.

The really tragic threat to British industry, however, has nothing to do with lost production: it is the possibility that it will face a new bout of inflationary pay claims. It cannot afford them. British export prices have been rising in the past months at an annual rate of 9-10 per cent: but British import prices by only 4-4½ per cent. Indeed, the average price of imported manufactured goods as a whole last November (the latest date for figures) was no higher than a year before. Nobody worries much that Britain's overseas trade was in a small deficit in January: but it could be the thin edge of the wedge.

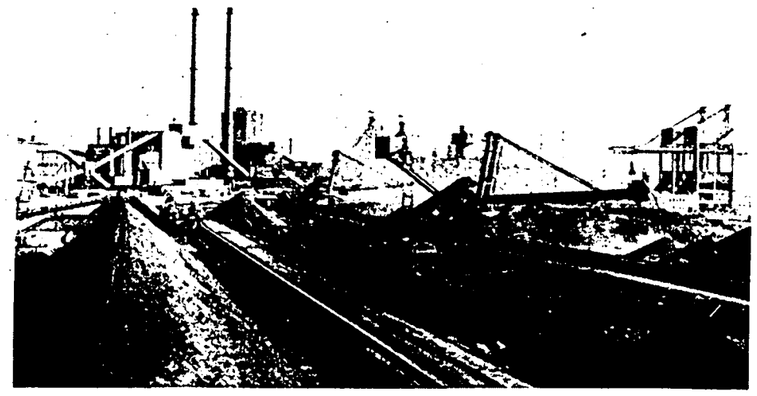
Key indicators: British economy

	Month	Index 1963=100	Percentage change on previous month	three months	one year
Industrial production*	December	124.7	−0.3	−1.7	−0.2
employment*	November	89.8	−0.4	−1.3	−5.1
productivity*	November	139.3	+0.2	+0.5	+6 8
Export trade*‡	January	146	−6	−4	+13
Eng'g orders on hand*	November	118	+1	+1	−5½
Retail trade*	December	113.3	+0.3	+1.7	+2.1
Unemployment*	January	173.4	+1.0	+4.6	+42 1
Average earnings*	December	191.6	+1.3	+1.8	+9.4
Retail prices	December	152.6	+0.5	+1.7	+9.0
Export prices	November	146	+½	+1½	+9½
Import prices	November	133	nil	nil	+4

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.8 per cent.
**Seasonally adjusted ‡Provisional*

BUSINESS *International*

Any more for North Sea steel?



The next one will bc nearly twice as big

Hoogovens (Holland) and Hoesch (Germany) have settled the details of the terms on which their merger is to take place. What remains now is for shareholders in both companies to rubber-stamp things and create a company with plants at Ijmuiden, near Amsterdam, and Dortmund capable of producing 13m tons of crude steel a year. Even so, both partners have confirmed that they are seriously looking for a third to join them in their projected new works.

One reason for the Hoesch-Hoogovens merger was the need to join forces to build a big new coastal plant. Hoogovens now has capacity for 6m tons at its largely postwar plant at Ijmuiden. This could be stretched to 7m-8m by adding capacity at some points in the process. But no more. Accordingly, Hoogovens has been planning a major greenfield development. The first plan was for 2m tons; later, as the economics of steel-making changed, 4½m tons was reckoned to be the minimum profitable size.

So big an addition to capacity would obviously raise marketing problems: hence the need to find another company willing to come in, and Hoesch, in which Hoogovens already held shares, was both an ideal and willing partner. Only now, thanks largely to further developments in blast furnaces and iron ore pelletising, the minimum size of plant is 10m tons. This would almost double the capacity of the new group, which, even with the elimination of some older and higher cost plant, would be an enormous jump. Hence the search for a third partner. Who? And where?

The two French companies both have major expansion projects on hand: Wendel-Sidélor, with its ambitious and troublesome greenfield project at Fos-sur-Mer, and Usinor, which is doubling its 4m tons capacity at Dunkirk. The two major Belgian producers both appear inextricably tied up with their controlling shareholders: the Société Générale in one firm and other Belgian, Luxemburg and Italian steel interests in the other. The German companies are now at their nadir of profitability. Krupp, the third biggest (Hoesch is second), is barely in a condition to launch into a big joint venture; still less are Klöckner, Peine-Salzgitter and the smaller fry. That leaves August Thyssen Hütte, the largest German producer, with an annual output around 12m tons, about half the size of the British Steel Corporation.

Thyssen is therefore the favourite, not just because it is the right size, but also because it is in better shape than the other German producers. Production has been concentrated at Duisburg, down the Rhine from Düsseldorf, where at least the iron ore can be got in by barge, but if Thyssen is to expand it will have to move down to the coast.

This leaves the question: where? Hoogovens's plans for expanding at Rotterdam have been put on ice by the local authorities, until pollution from the existing Europoort complex has been cut. There is no other suitable deep-water site in Holland, and only near Hamburg, on the Elbe, does the German coast offer anything suitable. Because many steelmen reckon that Hoogovens will never be able to build at Rotterdam, even if it can find the labour, there has been talk of building in Britain, where 11 out of the 20 or so possible deep-water sites for a steelworks in Europe happen to be. Hence, too, the talk of a possible joint venture with the BSC, with or without Thyssen. Although the BSC is now in the depths of another of its apparently endless planning reviews, the Government should be more than keen.

German shipyards

Shrinking

Hamburg

Just in time for his 60th birthday, Herr Hans Birnbaum, head of the state-owned steel firm of Salzgitter, pulled off a major coup on Monday by stitching up a deal for the state government of Schleswig-Holstein to take a 25 per cent share in Howaldtswerke/Deutsche Werft, Germany's biggest—but loss-making—shipyard, with slipways in Kiel and Hamburg.

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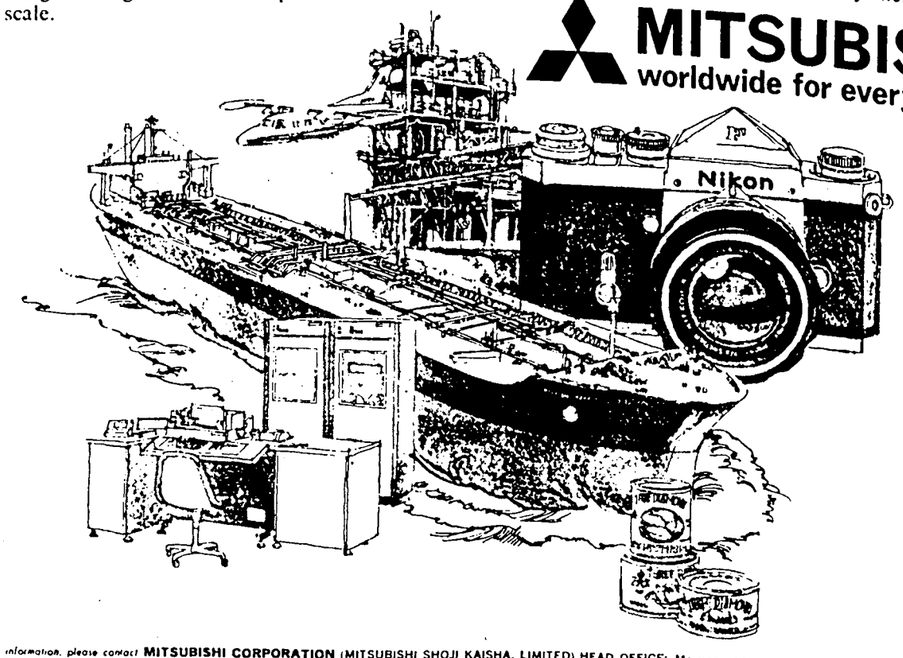
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Mitsubishi Group firms have worked on more than 100 projects covering 20-odd business fields in 30 nations. Typical of the new spirit of cooperation Mitsubishi is enjoying with European business enterprises is the LNG project partnership with Royal Dutch Shell and the Brunei government. The function of the joint-venture company is to liquefy natural gas extracted by Shell. The LNG will then be hauled by Shell Tankers, Ltd. of Britain for sale to Japanese customers. Begun in 1967, the $600 million project is now nearing the operational stage.

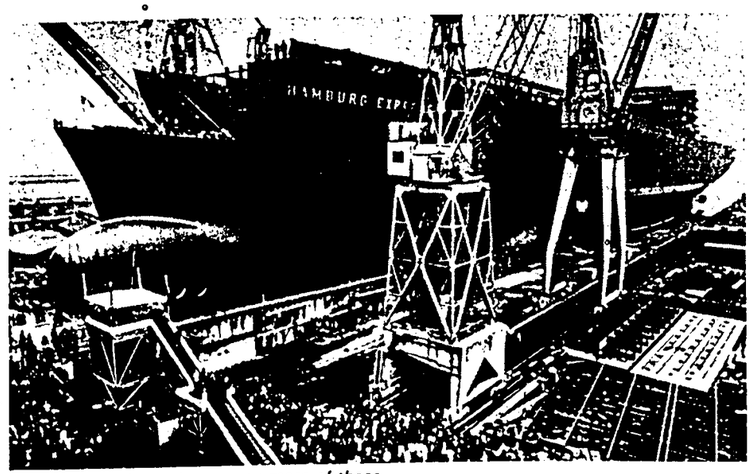
In Japan, Mitsubishi has cooperated in setting up such joint-venture companies as Kasei Hoechst Co., Ltd. with Farbwerke Hoechst A.G., Nippon Aerosil Co., Limited with DEGUSSA, A.G., Yuka Badische Co., Ltd. with BASF A.G., etc., to name a few.

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Hamburg won't produce many more of these

Salzgitter became the controlling shareholder in HDW last year, under a deal in which it swapped its lorry-manufacturing subsidiary, Büssing, for a controlling stake in Deutsche Werft, which in turn owns the 50 per cent holding in HDW that Salzgitter did not already hold. The other party to this deal, the steel manufacturer Gutehoffnungshütte, was then anxious to get out of shipbuilding and build up its lorry manufacturing instead.

For this interest in Deutsche Werft (and hence in HDW), however, Salzgitter had to give up not only Büssing but also £6m in cash. In addition, HDW faced the need for further heavy investment in modernisation, to the tune of £6m worth at Kiel and £3m at Hamburg. Since Salzgitter is itself in a bad patch because of the current slump in the German steel industry, Bonn pressed it to find another partner. The Schleswig-Holstein state government, naturally sensitive to the employment outlook at Kiel, was only too happy to oblige.

The unions—and Salzgitter—pressed the Hamburg city government to chip in too. But Senator Helmuth Kern, the minister in charge, has refused. The city government is concerned not only about jobs at HDW but also at Blohm and Voss, Hamburg's other big shipbuilder, which has full order books up to 1975 but little prospect of much beyond that. Herr Kern has therefore pressed for a more ambitious solution in which Blohm and Voss would be absorbed into HDW. But the company is itself owned by August Thyssen Hütte, Germany's biggest steelmaker. Its head, Herr Hans-Günther Sohl, shied away from the idea last summer, when losing a tied outlet for steel at the depth of the German steel slump was more than he could face. Now, with the modest improvement in the steel outlook and the ever-gloomy outlook for shipbuilding, he could once again be in a mood to get Thyssen out of shipbuilding.

Meanwhile the plan to rationalise HDW goes ahead, under which the Kiel yard will concentrate on building new vessels, which will absorb 85 per cent of its capacity, the other 15 per cent being devoted to ship-repair. Of the two Hamburg yards, one is to concentrate entirely on oil rig construction once the present order book is exhausted. The other will carry out ship-repair work only. Thus the first big moves are now under way to put German shipbuilding on to a sounder basis, in line with the recommendations of a report prepared by three consulting firms and due to be presented to the ministry of economics and finance at the end of the month. How Blohm and Voss will be fitted into such a set-up remains to be seen.

Luna 20

Try, try . . .

The Russians are never explicit about what they intend their spacecraft to do, but Luna 20, which was launched on Monday, looks as if it is meant to land on the moon rather than follow its predecessor, Luna 19, into orbit around it. The Russians have not had too happy an experience with unmanned landings of spacecraft recently. They sent Luna 18 into the moon's mountains in September, and it tumbled over on landing. Something similar happened to the capsule that touched down on the surface of Mars at the beginning of December and was then either blown over by the violent winds or buried under a duststorm.

Both times the Russians were attempting something fiendishly difficult; it is still far too risky to try to land men on the moon's mountain ridges because of the uncertainty of finding a sufficiently flat patch to get down and take off again. Even to have landed capsules where the Russians have is a major technical feat. But, considering the years of effort and skill needed to fit out the capsules with instruments, it is frustrating when all they do is land, and then go dumb. The robot tractor that was sent to the moon in Luna 17 operated and transmitted for nearly 11 months, which gives some idea of the life scientists expect from robot equipment.

The robots are still feeble. The Luna 16 mechanical digger, which scooped up and brought back the Russians' only samples of moon rock, collected a total of 4 oz, compared with the 170 lb that the Americans brought back on their last Apollo moon landing. Even the Lunokhod tractor traversed less than 100,000 square yards. Nevertheless, some scientists would have traded pounds of Apollo rocks for grammes from the mountains where Luna 18 went because the mountains represent the moon as it was at the time of its formation, and before the meteors and volcanoes had melted and remelted large tracts of the surfaces out of all recognition.

Currencies

Eureka, Europa

European bankers regard it as cut-and-dried that there will be a narrowing of the band between the currencies of the Six (what is called the "snake in the tunnel"), and that it will probably be to 2.25 per cent, compared with the 4.5 per cent permitted against the dollar. An announcement by the Six can be expected during the coming weeks.

But not everyone feels that the heads of government are being as imaginative in their ideas about money as they are in their diplomacy over it. A paper published this week by the Federal Trust* calls for the creation of a new currency, the Europa, circulating

*"European Monetary Integration." Main contributors: Dr Giovanni Magnifico (Bank of Italy in London) and Professor John Williamson (Warwick University). Federal Trust, 12a Maddox Street, London W1R 9PI.

alongside existing European currencies; and a new European Bank, into which member countries would pay a specified proportion of their reserves as well as a quota of domestic currency. In return, countries would receive deposits denominated in Europas. The new bank would intervene to stabilise the exchange rate between the Europa and the dollar, while the Europa would serve as the intervention currency between European currencies. One novelty is that the new currency would be held not only by monetary authorities but commercial banks as well.

But would the replacement of Eurodollars by Europas (which is what is envisaged) establish a better European control of this part of the community's money supply ? It is doubtful. Direct links between the dollar and individual European currencies would be maintained, still allowing speculative switching of funds as now, even though intervention policy might be strengthened by the use of the Europa.

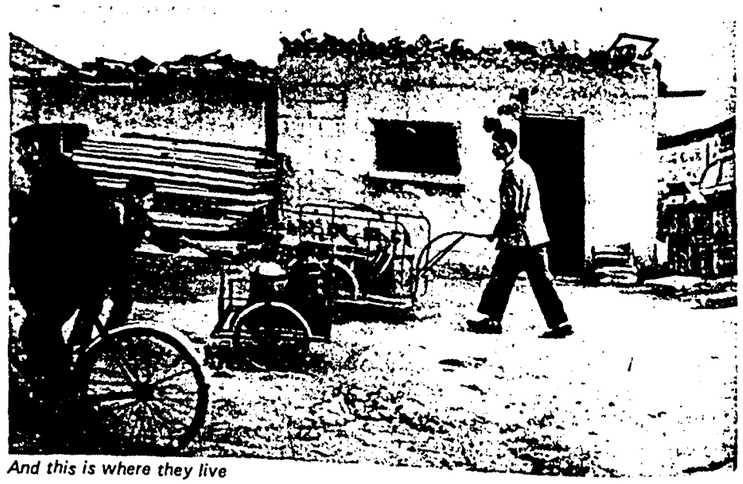
The Europa is not for tomorrow, although much of the reasoning behind the plan deserves a full debate. Dr Rinaldo Ossola, of the Bank of Italy, who has his feet on the monetary ground more firmly than most, told the Financial Times conference in London on Tuesday, at which the Europa was discussed, that he thought the problems of adjustment between the United States and the European community could be solved through the free fluctuation of the dollar against the EEC currencies (on relatively fixed parities between themselves) as a whole. He also talked of the possibility of special drawing rights (SDRs) taking up the reserve role of the dollar as well as that of sterling, although his more immediate concern is simply to preserve the present SDR system, which is in danger of extinction. As their chairman, he will call together the deputies of the Group of Ten finance ministers and central bankers in April to discuss the new allocation of SDRs, due on January 1, 1973. He seems to be thinking modestly: perhaps $1.5 billion over a two-year period.

France

Equality please

Paris

The French government, confronted by unemployment that is now over the half million and still rising fast, is taking a look at the foreign workers in France. Of the total French population of 51.5m, immigrants number



And this is where they live

3.3m, and some 7 per cent of the work force. Among them Algerians, Spaniards, Portuguese and Italians predominate.

About a quarter of the immigrants have some qualifications. The rest are unskilled, underpaid, underhoused and willing to take jobs few Frenchmen want. More than a third of all building labourers are foreigners. Last week 100 workers at a Peñarroya plant in Lyons went on strike, asking for higher wages, better working conditions and a shorter work week. Big news ? The strikers were nearly all foreigners ; most were north Africans.

France, with its low birth rate and ambitious plans for industrialisation, used to need all the foreign workers it can get. But the government is putting on the brakes. According to the employment minister, M. Joseph Fontanet :

> too rapid an influx of foreign workers makes a satisfactory welcome impossible, and could provoke intolerance, because the integration of foreign workers into the French community is not yet carried out under good conditions.

So far Portugal and Algeria have been persuaded to cut the flow. Priority will be given to workers—foreign or not—already resident in France.

In this way the government hopes to solve one of the main problems for immigrants: housing. Most live in conditions the government admits are appalling. However, many are birds of passage, who repatriate most of their wages and do not want to pay high rents or buy property. More than a third of the immigrants wind up around Paris: those who work in industry collect in the ring of shanty towns around the city.

Cleaning up these "bidonvilles" has become a priority project. Action is also being taken against the racketeers, who deal in identity cards and labour permits, and against the "sleep-seller," who rents beds for three eight-hour shifts and reckons on 24-hour-a-day occupancy. And the unions strongly favour giving foreign workers rights and social benefits equal to those of French nationals, and equal job security.

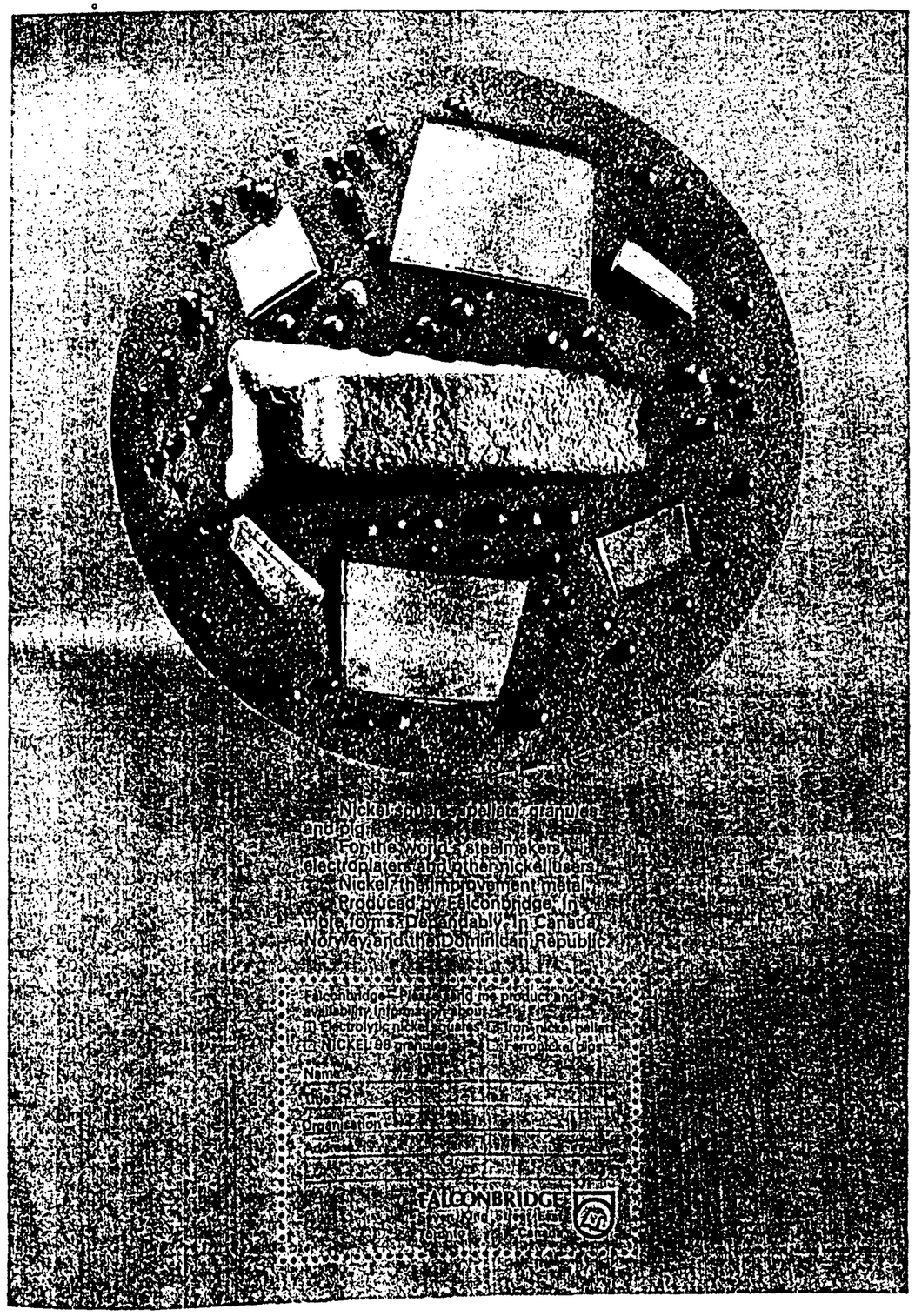
Italy

Concentration grows

Rome

The two takeovers at the end of last week—of Snia Viscosa and the Banca Nazionale del' Agricoltura—vividly illustrate the growing power of the new Italian industrial establishment. Its four pillars are the state holding companies Eni and Iri, the Agnelli family (Fiat), and the Montedison chemicals/fibres empire. Montedison, which is the most active of the four, was the principal protagonist in the Snia bid and an indirect partner in the one for BNA.

Snia Viscosa is Italy's largest artificial fibres company. Montedison has increased its shareholding from 4.4 per cent to 30 per cent by acquiring shares owned by various French and Italian interests, and giving in exchange the Montedison shares owned by the SADE finance company, taken over by Montedison itself last summer. Together with the 8.9 per cent con-





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trolled by Eni and 3.1 per cent by Mediobanca (the Milan merchant bank owned in turn by the three major banks belonging to Iri), Montedison's 30 per cent stake means the establishment has gained firm control of Snia.

Montedison now has two major fibres companies: Snia and Chatillon-Polymer-Rhodiatoce, which together have a total turnover of £300m. Montedison thus becomes the second largest European fibres concern, after the Dutch AKZO. Italy will thus be better placed in the now intensifying competition in the European fibres industry, plagued as it is with over-capacity.

BNA is Italy's eleventh biggest bank but its largest private one. A series of unfortunate investments, however, meant that suitors could no longer be fended off. The Bank of Italy favoured Mediobanca. This brought in IFI (the Agnelli family holding-company) and Bastogi (the finance company recently acquired by Montedison) jointly to buy up a 50 per cent stake. Thus Fiat now remains the last of the privately owned Italian companies and banks of any major size.

Insurance

Afraid of us?

Squeaks are now being heard from some American state insurance commissioners about the growth of offshore insurance companies writing American risks. The commissioners license insurers who may write risks in each state, and fix the premium rates and other terms. Risks that cannnot be written on "bureau rates" are then designated "surplus line" risks and offered around.

American insurance companies are now setting up in increasing numbers in London. Partly they have fanciful ideas that the common market will lead to a common insurance market with London as its centre. But London's "slip system" enables a risk to be split between any number of underwriting syndicates at Lloyd's and companies in the market. The traditional continental and American system is a much more clumsy one where one underwriter takes the whole risk and then reinsures what he does not want to carry himself. Brokers operating in America have long discovered that it is easier and quicker to place much of their surplus line business in London without bothering to hawk it round.

Consequently, some American companies that specialise in surplus line business notice that they never see much good quality surplus line business back home, and they have come to London in pursuit of it.

But some American commissioners are far from happy to see American business go to London, to be handled by American companies there. This may be a reasonable enough attitude to take over some companies set up in, say, Bermuda or the Bahamas, whose solvency may be less easy to investigate. But to be as sniffy about companies operating in their own name and authorised for surplus line business in all American states is really unnecessary. The exiles actually make more capacity available and bring rates down.

Dam-builders on the downswing

Milan

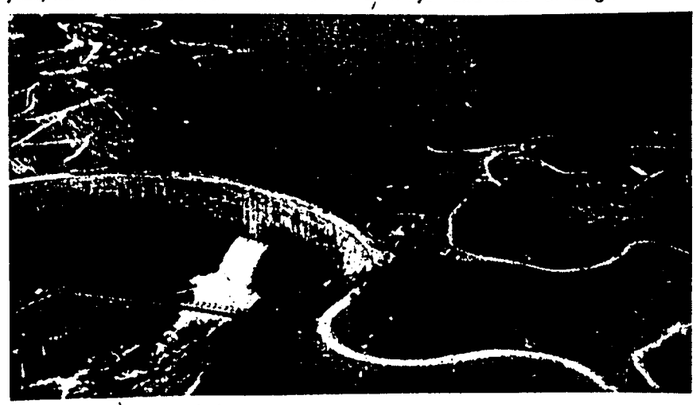
Ever since they astonished the competition in 1956 by winning the Kariba dam contract in Rhodesia, Italian civil engineering firms have been riding high. But now, ruefully, they admit that the lead is passing back to the British, French, west Germans and Swiss and even the Jugoslavs.

Italian contractors are still working on projects around the world. These include the £70m Mantaro dam in Peru, due to be finished this year; the £33m El Chocon dam in Argentina (completion in 1973); the £21m Tongariro power development project in New Zealand (1973); and above all the £300m Tarbela dam in Pakistan, one of the largest civil engineering projects of all time, involving also French, west German and Swiss contractors (1976).

But these are orders won in the late 1960s when Italy was still on the crest of the wave. New business averaged £175m a year in 1967-70, with a peak of £290m in 1968. But the 1970 total was only £45m, and last year may turn out to have been only marginally better. By the mid-1970s, therefore, Italian dam-builders look like running out of work and may have to disperse the teams built up in the boom years. New orders are needed now.

The contractors blame the unions, which have been driving labour costs up at the rate of 10-20 per cent a year, while the British and French have both been helped by devaluation. On contracts involving millions, only one or two percentage points on the costings are needed to swing the job. The developing countries have seen a continuous erosion of their terms of trade and a mounting debt-repayment burden, while such international agencies as the World Bank have switched their emphasis to projects that yield a more immediate return, like the green revolution, education and birth control. Yet in Africa, for instance, Italy had been scooping all the plum jobs.

Italian contractors are turning to the state for help. They argue that export credit facilities are better elsewhere: Rome sets a ceiling of £500m on total state-backed export credits while Germany goes up to £3.3 billion. Italians also complain that the Export-Import Bank (in America), the Export Credits Guarantee Department (Britain), Coface (France) and Hermes (west Germany) operate swiftly and can underwrite an entire contract, while Italians must deal with a range of agencies, each answerable to a different government department. They want more aid and less red tape. But whether any Italian government will listen to the overseas contractors is another matter. It will depend upon just how much value it places on having the Italian flag shown around the world by dams, power stations, irrigation projects, roads and railways—and their earnings.



Kariba: monument to Italy

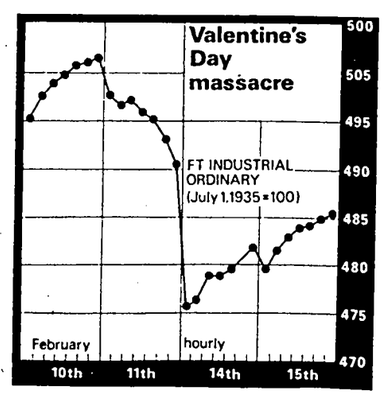
BUSINESS *Investment*

Even the miners can't keep a good market down

There are few equities on the London market that give the investor a net income of more than 5% over the course of a year. But between the opening of the market on Friday of last week and the first hour of business on Monday this week the Financial Times ordinary index of 30 of the most bland blue chips fell by this amount ; a net capital loss in six hours' trading that an investor counting on income would take a year to recover. The explanations of the coal strike and the possible fall of the Government are already hackneyed ; the lesson is that the London market today is not one for the proverbial widow.

And yet the market has been surprisingly strong. It got the worst over quickly and the drop in the FT index of 13 points between last Friday's opening and this Thursday afternoon's 488.4 (following ICI's results) had not been caused by heavy selling. Jobbers had marked down prices earlier in the week so severely that few people were willing to sell.

London is the only stock market in the world (with the exception of Hongkong) to come close to a 50% improvement in its capital value over the past year—and in London that means approximately £15 billion. It might be thought that many an investor, having either made a full half of his capital investment or recouped the third that he had lost, could be persuaded to take his profit and sit back for a while. That the selling has been so slight is the strongest sign of a continuing bull market.



Chemicals

Not so bad

The London stock market was peculiarly inept at interpreting Thursday's results from **Imperial Chemical Industries**, although the company must be the most closely scrutinised on the exchange. Pre-tax profit for the group was £130m, £14m down on last year, with sales only improved marginally. The results for the final quarter, after deteriorating for the previous three, are not as bad as the pessimists had expected. But it was patently wrong to mark the shares up from 275p to 300p at one bound, adding over 10 per cent on the theoretical worth of Britain's biggest company stock. The market saw its error and brought the price back to 285p, before closing at 290p. ICI has plenty of difficulties ahead in swallowing its recent acquisitions of Atlas and fibre interests.

But ICI has shown itself better than many a marriage broker. The results of the first full year in which **Carrington Viyella** have been together are certainly up to scratch. Pre-tax profits were £5.8m as against £980,000 in 1970 ; not that the comparison means very much. But the company's difficult past is over. It has written off its losses, reorganised, and even managed to reduce its stocks during a difficult year for fibres. It is now in a reasonable position to make money for ICI and its public shareholders as soon as sales, and particularly margins, improve. Now might be the time for ICI to keep its promise and offload some of its 65% holding in the company. The prospect has already dampened the shares, at 56p.

Another company in the ICI stable, **Imperial Metal Industries**, has also been battling against falling prices and slimmer margins. Although sales were down to £180m with the lower world price of copper, the company's profits are marginally up, and fears that the collapse of Rolls-Royce would cause large losses have proved unfounded. At 89p IMI is fairly priced, though the share is a buy on any recovery of prices on the London Metal Exchange.

ICI's troubles have, of course, been largely shared by other European chemical companies. But it has been slower to turn the corner. The German company **BASF**, after two very dismal years when profits were squashed by the revaluation of the D-mark, has suddenly blossomed again. Although the 1971 dividend will have to be cut back, turnover is up about 7% in the final quarter and profits, unexpectedly, have outperformed 1970, though not on a level with 1969. Since **Bayer** and **Hoechst** are in much the same situation, the unusual optimism shown by BASF this week makes all three shares, which are already undervalued on an undervalued German bourse, a good buy, and a better bet than ICI.

Apart from the purchase of Atlas and Qualitex, ICI has had a year of retrenchment while its European rivals, like **Montedison**, have been bustling about, taking maximum advantage of the hard times in the industry to expand their empires on the cheap. But ICI is often out of step with Europe's chemical companies and for all the stock market's scrutiny it will not be until the first half of this year that the investor will be able to tell whether 290p is a fair price for the shares.

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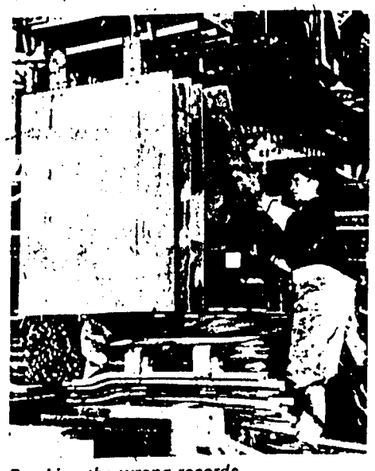
Anaconda

Write-off

The Anaconda copper company has chalked up a record: no corporation has ever reported so large a loss in a single set of accounts. The total for 1971 was $357m, or $15.30 for every share currently selling on Wall Street at $19. For a real record-breaker: $348m of this was slapped solely into the last quarter. Anaconda has managed this extraordinary feat by writing off the full $302m at which it values its copper mines in Chile, which have now been entirely nationalised without compensation by President Allende.

There is little chance that Anaconda will get any of its Chilean investment back although the company is sueing the Overseas Private Investment Corporation, which insures American foreign investment against expropriation, for $171m. But Anaconda knows that this would drive OPIC into bankruptcy and can hope for little more than the $12m that it is being offered as a sop. So watch out for another $171m write-off next year.

Anaconda, a lumbering giant, has been outpaced by its rivals, particularly **Kennecott** and **Cerro**, both of which also have large investments in Chile. Its labour relations are among the worst in America and in 1971 it made a net loss on home operations after a three months' strike at the company-owned townships in Montana—the third long and bitter dispute within a decade. Even in 1970, when the company enjoyed firm copper prices and a strike-free year as well as getting $28m from Chile, Anaconda's profits on a $1 billion turnover were only 6%.



Breaking the wrong records

At last, however, things are stirring, and Anaconda's accounts come with a charge of $52m towards reorganising its corporate structure and retrenching on almost every front. It might work. Anaconda can hardly hope for a take-over as an alternative solution, since any bidder already in copper would run into federal trust problems. One palliative for the shareholder is that it will be years before Anaconda has to pay any taxes. And the company is learning; this year it voluntarily sold 51% of its Mexican operation to local investors.

Kennecott is also in trouble. Chile claims that the company owes it $310m in "excessive" profits taken out of the country in the past decade. But one of Kennecott's subsidiaries has managed to block the funds held by the Chilean copper corporation in New York while suing for compensation.

Among the British-owned copper companies **Rio Tinto-Zinc** has the lowest risk of running into political problems as its two richest mines are in South Africa and the Australian-dominated territory of Papua and New Guinea. But if the copper price remains low and Zambia is faced with a worsening balance of payments deficit, as well as increasing political paranoia, there is a chance that President Kaunda might follow Chile's example and take over the 49% interest in the copper-belt not already owned by the Zambian government, although the share prices of **Roan Consolidated Mines, Zambian Anglo American** and **American Metal Climax** only fractionally discount the total nationalisation that could put these companies in much the same straits as Anaconda.

France

Maladroit

Paris

The Banque de Neuflize, Schlumberger, Mallet, one of France's oldest private banks, admitted this week that it had lost £2m on a single bad debt, a loss that had hit it so hard that an immediate takeover bid was put in by a group backed by the powerful **Banque de Paris et des Pays-bas** (Paribas). The bid has been rejected, although the disappearance of NSM into the larger fold of the public bank would be in line with the steady movement over the past five years drastically to reduce the number of small, old, private Paris money houses.

The bad debt is one more echo of last year's real estate scandal which saw the collapse of several property companies and the reputations of some politicians. One of the key figures was M. Claude Lipsky, the head of Patrimoine Foncier, who fled to Israel rather than face arrest in France, having borrowed the £2m from a personal friend in NSM. There was so little internal administration in the bank and so much was done by hearsay and trust that the loss has only recently been realised.

But NSM is among the most successful small banks in Paris. It runs one of the largest investment trust divisions of any French bank, and last year had assets of £160m, up 25% on 1970, and turned in a profit of £2.6m. The bad debt is being written off along with most of this year's dividends. Even so, that the scandal should have emerged from NSM has sent many smaller and less successful banks scampering to look more closely at their own accounts.

NSM is now looking round for new partners to keep Paribas at bay. A link-up with one of London's merchant banks, anxious to get into the common market, looked a possible solution. However, the latest news is that the fourth largest bank in Holland, Bank Mees & Hope, has taken "a substantial stake."

Eurobonds

Mongrel money

Eurobond managers have begun to dust off all those quaint ways of raising international capital at a time when nobody is particularly keen to take on the mass of dollar-denominated bonds that are lying on offer on the market's telex machines throughout Europe. This week they came up with a hybrid not seen since the first twinges of currency uncertainty last May: the European Currency Unit (ECU). The Brazilian government, making its first appearance in the Eurobond market, is raising $30m in ECUs, which are the one way of raising money that guarantees the borrower the worst of all possible worlds.

An investor purchasing an ECU bond can pay in any one of the currencies of the EEC but he can also choose in which currency he wishes to receive both his interest and capital repayments. This means that should any one of the currencies revalue over the life of the loan it is that currency the bondholder will choose; taking his exchange profit to the borrower's loss. For this reason ECUs have been generally spurned by corporations wishing

to be certain about their margins. At a time when one more dollar-denominated bond would have difficulty finding takers, the ECU issue is likely to be a success, especially as it offers an interest rate of 8%, a full percentage point over the current rate. The Brazilian government, which devalues as a matter of policy some four times a year, is hardly likely to notice the nicety of any revaluations within Europe.

It is unlikely, however, that the ECU will return at a time when currency parities are being questioned again. But the French franc that has emerged strongly from the recent realignments has suddenly become popular in the Eurobond market, and the Eurofranc, long distrusted, has been the source of £10m international capital in the past few weeks, putting pressure on sterling to join the Euromarkets at last.

Takeover panel

The little red bid battle book

Several large French, German and Dutch companies are negotiating for permission to be quoted on the London stock exchange. The surprising thing is that they are willing to disclose in their accounts the quality of information required by the stock exchange's quotations department and to have their accounts audited by independent accountants (the foreign branches of large British firms of accountants will often be working with the companies' own accountants). Their willingness to forgo their traditional secrecy in order to gain access to the London market is a tribute to the City. It is no less a warning to their own continental bourses that they are in danger of becoming regional outposts of a European market centred on London.

The takeover panel, whose revised code is out this week,* can take a great deal of credit for the City's ever-growing reputation. The panel is held out by continental bourse reformers as a model of intelligent regulation ; the code as the model for part of a shareholders' charter. Such reformers point enviously to one of the rules of the code concerning the transfer of effective control of a company (not necessarily the majority) : a bid has to be extended by the company gaining effective control, or at least 40%, to all other shareholders at the same price. Continental bourses are dominated by large holding companies that simply need to get hold of enough shares to boss around the rest of the shareholders, who are often left languishing and ill-informed.

*Issuing Houses Association, 20 Fenchurch Street, EC3. 30p.



Hull : new director, new code

The principle of equity among all shareholders is still a novel concept in some parts of Europe. It is further fortified in the revised code : if a takeover bidder buys in the market at over his formal bid price, the offer must be increased to that market price (previously it was the weighted average of market purchases).

The concept of equity does not require, in the panel's view, giving much more weight to minority shareholders than their numbers justify. A majority shareholder can still turn down an apparently generous offer (as happened in the Patiño affair), and that is just tough luck for the minority. The way to deal with that is to reform company law and give shareholders more power to pressure directors whose prime interest leans towards a particular group of shareholders.

The panel and its code (in a bright red cover) now go a very long way in ensuring equity for shareholders and participants in takeover bids within the existing framework of the securities market. The panel's new director-general, Mr John Hull, inherits a body to be copied. The next steps are to ensure fair play outside takeover bids too.

Investigations

Crook of gold

The interim report* on the mining ventures of E. J. Austin International was published by the Department of Trade and Industry on Monday. The former chairman of Austin, Mr James Howarth, once described the Californian mining operation as "a crock of gold." The inspectors sought "the early publication of this interim report so that warning can be given to prevent further heavy losses to investors." They go so far as declaring : "Howarth stole the following sums of Austin's money. . . ." Although Mr Howarth at one stage agreed to meet the inspectors, he has since disappeared without trace.

Mr Howarth and Mr Wayne Chambers "conspired together to defraud the E. J. Austin Group and such other persons as could be persuaded to part with their money to Howarth and Chambers" of £347,000 and tried to get a further £1m from Morgan Grenfell, among other people.

Central to the glamour of Austin was the possession of a secret mining process that would extract huge amounts of metals from ore. It had been concocted by Mr Chambers, and the patent says that copper was precipitated by nathis hydrogen. On a visit to California the investigators were

> invited by Chambers to inspect the "Chambers process." We found installed, in a corrugated iron shed, various containers, two mixers and electrical connection equipment all linked to a mechanical conveyor. To some degree the latter had been erected by the previous owners of the site. There were in the containers obvious electrodes immersed in a solution. This, together with another similar but smaller shed containing some similar equipment, constituted the mining complex of Austins in California.

As for nathis hydrogen, it is "entirely non-existent."

The representative of Morgan Grenfell had apparently been rather more gullible :

> He told us that he saw a grey sludge turned into silver and copper and was convinced of its [the process's] effectiveness. He was given to understand that crushed material from the stockpile had been introduced into the processing machinery, but never actually saw any transfer of material into the process.

This is lucky, as before the visit of Mr Gorrell Barnes to the site the following were delivered :

> 1,200 lb of cuprous chloride, 25 lb of silver nitrate, 1 oz of gold chloride, 100 sacks of half-ground salt, 4 lb of copper sulphate and 2 barrels of copper powder . . . we take the view that they were delivered so that they could

*E. J. Austin International Ltd. Interim report by John Lloyd Eley, QC, and Dennis Garrett, FCA. *HMSO*. £3.95.

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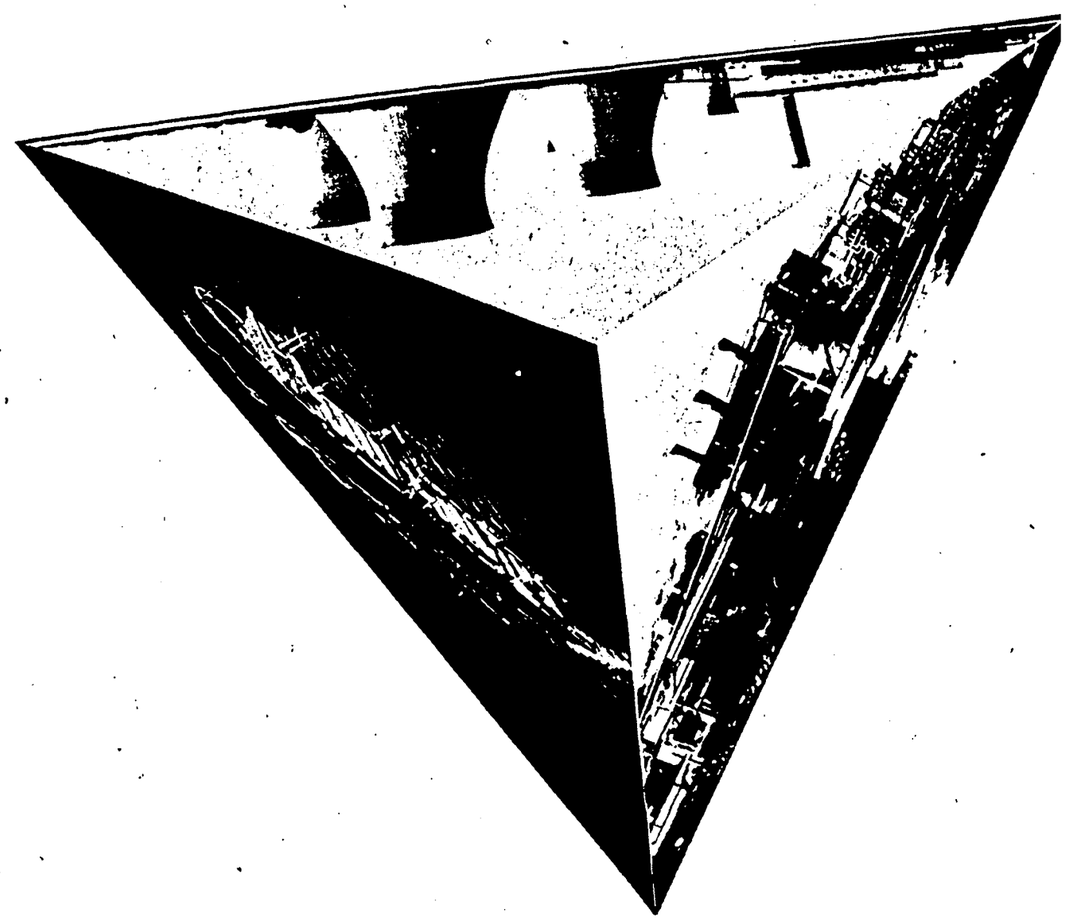
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be introduced into the tank and provide the copper which was to be extracted. Morgan Grenfell did, however, check on the Californian, Mr Hugh Whirry, who was involved with the metals evaluation. It then severed its connection with Austin, apart from retaining a holding of 180,000 shares.

Poor Spence, Veitch, brokers to Austin, stayed enthusiastic for a good long while. A bullish circular was put out by the company in July, 1969, and Mr C. Spence "saw and expressed no objection to any of its contents"; it has been found by the investigators to be wrong on 10 counts, including:

> the land was not commercially viable as a mining project . . . there was no prospect that the venture would become self-financing . . . no formal documents of purchase of land in California were in course of finalisation.

Just about every fact in the circular was wrong. Poor Spence, Veitch had lent Mr Howarth the money to buy shares in Austin, and Mr Spence borrowed money from his clients to make a further loan to Mr Chambers, part of which, for reasons unexplained, Mr Chambers had to collect from a pasteboard box at Heathrow Airport.

The end came in January, 1970, when Austin announced its intention to buy the El Sobrante Mining Corporation of California (owned by Mr Howarth and Mr Chambers) for 7m shares, then standing at 93p each. Fantastic assay values were thrown around, and pre-tax profits of £10m estimated. The quotation was suspended and three months later the inspectors were called in. However, "after the suspension of dealings in Austin shares, Chambers and Howarth obtained a loan of $70,000 by continuing to represent the commercial viability of their project" and there was "the continuance of the general deceit that the Californian ventures were commercially valuable." Never give a sucker an even break.

Gilts

Wilberforcing interest rates up or down?

Gilts are up 25% on the year—and a lot of people are now wondering whether the blackout is time to sell out. Early this week jobbers marked prices down and widened their spread as a precaution against a selling wave. They are worried that an expensive settlement of the miners' strike, and the strikes after that, will focus attention back on to inflation (bad for gilts) and away from economic recession (good for gilts).

The bear-inflationists lapse quickly into economic old-think. If the miners get an inflationary settlement, then so will all sorts of unlikely special cases, and so will the private sector at large. Mr Heath is not expected to introduce a real prices and incomes policy, and export prices will rise faster than those of our competitors. The January trade figures were far from hot, and the Cambridge economic boffins are predicting a devaluation next year. All that foreign money which has not yet flowed out will do so eventually, and high interest rates will again be used to stem it, and will be needed to give the holders of gilts a real rate of interest.

The other side argues that, at this stage of the economic merry-go-round, beating inflation is less important than reviving output. Even if the Heath stand collapses, a recovery in output to use some of that spare capacity will be quick (after a bout of overtime to make up the emergency losses), and



the Government will cut Bank rate and do whatever else it can to boost investment and consumer confidence. Assuming any continuance of normalcy, this is the more likely course of events. However, nervousness about inflation means that gradual rises in the market will be punctuated by steep falls; riding it profitably will require more professionalism than last year.

How much should a unit trust charge the customers?

The Department of Trade and Industry will probably soon be changing the rules on how much of people's savings a unit trust manager can take and use to run his fund and make his profit. At the moment the rules are arbitrary and obscure, put together over 10 years ago when the industry was still budding. But Tory policy is against such controls and the next months are likely to see unit trusts charging what they want and coming in for a rare bout of competition, where the old yardstick of performance will be at least partly replaced by the cost of management services.

There is little room for jostling within the current rules. When an investor buys a unit he is charged up to a maximum of 5%. An annual fee is then taken from the fund's income which may not exceed ½%, while the two charges together must be pitched so that over a theoretical 20 years in the trust the holder cannot have more than 13¼% taken off him in charges. In practice, most trusts have adopted either a 5% initial charge and ¾% as an annual fee, or else a full ½% annual fee and an entrance charge of 3¼%.

There has been no change in these rules since 1958 and the annual fee has been overtaken by rising management costs. If, therefore, the DTI does remove all these restrictions the cost of investing in a unit trust will almost certainly go higher, not least because unit trusts are anxious to make higher profits. At the present level of running costs it is hard for a trust to make money unless it has £2m under its control.

The existing controls over the industry have stopped it from developing as fast as it might. For example, it is not possible to offer special unit trusts that, tby charging more, give a better management service when everybody is in the same straitjacket. As a result unit trusts are increasingly demanding a high initial investment, so discouraging the small investor (who, of course, is the man who needs their professional management the most) because his account costs as much to service as a large depositor's. The average annual cost of an account works out at around 150p. But if charges were not controlled they could be varied for each unit trust saver, who could then shop around for the best deal.

But when the rules are changed it is new trusts that will benefit most. Most annual charges are incorporated in the trust deeds, which are difficult to alter. The initial charges could be pushed up, but when unit trusts are trying to attract new money these are the charges where, in time, competition might make the greatest impact.

APPOINTMENTS

SOLIHULL AND WARWICKSHIRE MAGISTRATES' COURTS COMMITTEES

Solihull County Borough and Henley-in-Arden petty sessional divisions.

WHOLE TIME CLERK TO THE JUSTICES

Applications for the above appointment are invited from barristers, solicitors and other persons qualified in accordance with section 20 of the Justices of the Peace Act, 1949.

Salary scale : £4,527 x £138(4) to £5,079 + £285 for two divisions.

Further particulars may be obtained from the clerk to the
Solihull Magistrates' Courts Committee,
Court House, Solihull,
to whom applications should be sent by 6th March, 1972.

HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

Tourism Research Fellow

Applications are invited from recent graduates or final year students for the above post. The Research Fellow will be required to collate previous research and initiate new research into certain economic aspects of the tourism industry in the Highlands and Islands. It would be preferable if the Research Fellow worked in collaboration with a British University (e.g. a student working towards a higher degree) but applications will be considered from those with no present university connections. The appointment will be for two years at a salary to be negotiated between £1,500-£2,000.

Full particulars and application forms may be obtained from the Personnel Officer, Highlands and Islands Development Board, Bridge House, Bank Street, Inverness.

The closing date for applications is 12th March, 1972.

CHAIRMAN'S STATEMENT

Lindustries

Highlights from the statement of the Chairman, Mr. W. E. Luke, and from the 1971 accounts.

- Profits for the second half of the year were up by 25% compared with the same period in the previous year.
- In the Engineering division adequate provisions have been made against the Rolls-Royce debt and expected future losses on the thermal insulation contracts. Sales and profits have increased during the first three months of the new trading year to the highest level in recent years.
- The industrial section of the Polymer division suffered throughout the year from a reduction in volume and reduced profit margins. The medical and dispenser section is expanding rapidly.
- The two loss making subsidiaries in the Textile division were sold during the year. The other companies were all in profit and for the first three months of this year show an increase in turnover and profits.
- We have every reason to be satisfied with our overseas investments.
- I think Lindustries will make a very satisfactory profit in the current financial year.

	1971	*1970*
Turnover	£000	*£000*
Sales outside the group	36,098	*35,070*
Earnings		
Trading profit (before exceptional provisions)	2,826	*2,537*
Profit before debenture interest and tax	2,248	*2,575*
Profit after tax	1,185	*1,334*
Earned for ordinary shareholders	1,016	*1,170*
Ordinary dividends	770	*860*
Earned per 25p ordinary share	5.6p	*6.5p*
Dividends per 25p ordinary share	4.2p	*4.7p*
Assets		
Fixed assets and investments	12,313	*12,195*
Net current assets	8,467	*9,119*
Net assets employed	19,947	*20,574*
Net assets attributable to ordinary capital	14,825	*15,430*
Net asset value per 25p ordinary share	81.9p	*85.2p*

Notes: □ *Exceptional provisions of £614,764 have been charged against the trading profit in the 1971 accounts.* □ *Earnings exclude extraordinary items.*

Total ordinary dividend for year : 4¼p per share (1970 : 4¼p)
Annual General Meeting : 17 March 1972
Dividends 24 March : Preferred Ordinary final 3%. Ordinary final 3¼p per share
Report from Secretary, Lindustries Ltd., 100 Brompton Road, London, SW3 1EL

University of Aberdeen

SCHOOL OF AGRICULTURE

Computer Programmer/ Analyst—Data and Computer Services

Applications are invited for above post. Applicants should have an Ordinary Degree, HNC, or equivalent in Mathematics, Statistics or Computer Science.

Salary on scale : £1842-£2487 with appropriate placing. Superannuation (F.S.S.U.) and removal allowance.

Further particulars from The Secretary, The University, Aberdeen, with whom applications (6 copies) should be lodged by 18 March, 1972.

The Open University

FACULTY OF TECHNOLOGY

Economist

The Systems Group in the Faculty of Technology is looking for an economist to join the group to write courses and develop teaching and research in the general financial area. The appointment is at Lecturer level and would be for 3 years in the first instance.

The work would involve the preparation of written material, radio and TV programmes in conjunction with other members of the University. Fields currently in preparation or being considered are : Modelling, Economic System Behaviour, Cost Benefit Analysis, Management Information Systems and other management science topics.

Applications are invited from economists with experience in any of the above or other relevant areas. The Faculty of Technology intends to produce courses with a strong environmental bias and it would therefore be an advantage if the applicants had particular interdisciplinary interests in this field.

Salary Scale : £1491-£2454 (Bar) -£3417 per annum.

Further particulars of the post and the Systems Group can be obtained from The Personnel Manager (TE2), The Open University, Walton Hall, Walton, Nr. Bletchley, Bucks. Closing date : Friday 3rd March, 1972.

APPOINTMENTS

MANAGEMENT CONSULTANTS—

Agriculture

Continued development of our services at home and overseas offers opportunities to experienced men seeking a consultancy career within the agricultural industry. Two posts are immediately available.

The senior post is within our General Consultancy Division based in Warwick. It could attract a man of about 30 with economics training, and some years experience in a marketing or development capacity in an agricultural business. Fluency in a second European language and readiness to accept overseas assignments are particularly desirable.

For the second appointment, we are seeking an agriculturalist with farm management training, to undertake appraisal and development work within our Farm Management Division. This post could attract a man aged 25-30 with farm business advisory experience and a strong interest in agricultural marketing and co-operative development.

Please apply in confidence, briefly detailing background, qualifications, previous carcer and present employment, to the Personnel Director. (M.E. 24.)

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Lex Service Group Limited is a rapidly growing organisation engaged principally in vehicle distribution and leasing, hotels and travel, personnel services and transportation.

The company now seeks to appoint an Economic Analyst who will report to the Planning Manager, based in the West End Head Office. Duties will include the preparation of quarterly and annual economic reviews and forecasts for the Company's markets in the U.K. and abroad; special studies will also be called for to cover existing businesses and prospective areas of diversification and growth.

Applicants should be aged 23-30 with a good degree in economics and at least one year's experience of economic research or forecasting, preferably in areas concerned with consumer marketing.

Benefits include a non-contributory pension and a generous sickness scheme. The Company's growth also provides excellent opportunities for promotion and development.

Send details of qualifications and career to :
Planning Manager, Lex Service Group,
18 Great Marlborough Street, London, W1V 2BL

Lex Service Group

ECONOMIST

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The main duties of the Economics and Forecasting Section are to prepare short and long term forecasts of electricity requirements by all types of customers. As part of these duties the Section makes use of forecasts of national economic development. It also provides an economic advisory service covering a wide range of the commercial and technical aspects of the Electricity Supply industry's work.

The successful applicant will be placed in the group concerned with the economic forecast, and the provision of economic advice. Candidates should have a degree or equivalent in economics with mathematics and statistics. A knowledge of Government as an academic subject would be helpful.

Some practical business experience is essential and preference will be given to candidates who have previously been employed in economic forecasting.

Write, giving full personal and career details and quoting E/18/72 by 1st March to :-

Howard Bussey, Personnel Officer.

the electricity council 30 Millbank, London, SW1P 4RD.

Factors Chain International, FCI, is an association of leading Factoring companies throughout the world. Presently there are 36 member companies in Western Europe, North America and elsewhere, the majority of which are associated with leading banks and finance institutions. The principal functions of the Secretariat are to promote the growth of International Factoring, to direct the work of the technical committees in fields as standardization and communication, marketing and legal matters, to organize meetings with the members and in general to act as a point of contact and source of information for members, authorities and organizations. We are now to appoint an

ASSISTANT SECRETARY GENERAL

This is a new, challenging and rewarding position with very good career opportunities. Essential requirements are :

university degree in eg. business administration, law, economics ; 2-3 years of working experience in factoring, financing, banking or international business ; imagination and sound judgement.

The selected candidate is preferably a West European national between 25 and 35. He will speak English, which is the official language of the FCI, but French and German are also needed.

Terms are negotiable. The successful candidate will be required to assume duty during the first half of 1972, and to reside in Amsterdam, where the Secretariat is located. Applications, giving full details and the names of two referees are required by March 3, 1972.

Write in complete confidence to :

FCI

The Chairman
Factors Chain International
Carlton House
Vijzelstraat 2-18
Amsterdam,
The Netherlands
Telephone No (20) - 24.59.80

APPOINTMENTS

The University of Lancaster

Applications are invited for two or possibly three posts in the Economics Department. Any field of specialisation may be acceptable, but for one post an interest in wage theory could be an advantage. The present establishment of the Department is 22 and continued expansion is planned over the next few years. Salary (under review at present) will be in the range £1491-£3417.

Further particulars may be obtained (quoting reference L.647/B) from the Deputy Secretary and Establishment Officer, University House, Bailrigg, Lancaster, to whom applications (five copies) naming three referees, should be sent not later than 10 March 1972.

University of Oxford

INSTITUTE OF AGRICULTURAL ECONOMICS

Teaching and Research Appointment

Applications are invited from graduates with a good honours degree in Economics, Agricultural Economics, or associated fields for two Teaching/Research positions in the Institute of Agricultural Economics, which it is intended to fill before 1st September 1972. Salary between £1,446 and £1,815, with F.S.S.U. Further particulars may be obtained from the Administrator. A curriculum vitae and names of two referees to be addressed to the Administrator, Institute of Agricultural Economics, Dartington House, Little Clarendon Street, Oxford, OX1 2HP. (Telephone: Oxford 52921). The closing date for applications is 11th March 1972.

Overseas Development Institute

Research Officer

To undertake SSRC-financed study of British aid to Botswana, Lesotho and Swaziland. Project duration 18 months, of which up to 6 would be spent in the countries concerned. Opportunities to undertake further projects on successful completion.

A firm grasp of the economic issues involved in aid evaluation is required. The project would also demand an ability to analyse and assess political factors and relationships.

In addition to working on their own projects, ODI research staff are expected to participate in the Institute's co-operative work, such as the production of briefing papers and the ODI Reviews.

Salary, according to age, qualifications and experience, but likely to be in the range £2,000-£3,000. Applications, including curriculum vitae and the names of two referees, to the Director of Studies, Overseas Development Institute, 10-11 Percy Street, London W1P 0JB. Closing date: 13 March 1972.

Brunel University

DEPARTMENT OF ECONOMICS

Lectureships or Assistant Lectureships in Economics

Two Lecturers/Assistant Lecturers are required to join a growing department which teaches for both undergraduate and postgraduate economics degree courses and which actively participates in first degree teaching with many other disciplines. Applicants should be lively teachers and actively engaged in research. Brunel is in Greater London at Uxbridge, very near the tube on the Metropolitan line.

The posts are tenable from 1 September, 1972.

Salary according to qualifications and experience, within the scale £1591-£3517, including London Allowance, with F.S.S.U.

Postcard for application form and further particulars from Establishment Officer, Brunel University, Uxbridge, Middlesex. Closing date 3rd March, 1972.

The University of Sheffield

DIVISION OF ECONOMIC STUDIES

M.A. in Economics of Finance

Applications are invited from suitably qualified graduates in Economics or in Economics with a closely related subject for admission to the above course. This course aims to meet the needs of those wishing to pursue a career in a financial institution or to specialise in teaching financial economics. There are three main areas of study, namely, Quantitative Techniques (both Econometrics and Operational Research), Economic Theory, including Monetary Economics, and Finance. The examination will consist of 4 written papers and an essay/dissertation on a topic chosen from within these three areas. The course is recognised by the S.S.R.C. for quota awards. For further particulars and application forms write to Professor G. Clayton, Chairman, Division of Economic Studies, The University, Western Bank, Sheffield, S10 2TN. Quote ref: R.88/C.

The University of Sheffield

Division of Economic Studies

Applications are invited for the following posts, both tenable from a date to be arranged:

LECTURER in OPERATIONAL RESEARCH

Candidates will be expected to develop the teaching of operational research both to undergraduates and to students taking the Postgraduate Diploma/M.A. in Business Studies. Candidates with any appropriate background will be considered but preference may be given to those with qualifications in Economics and/or industrial experience. Salary in the range £1,491-£3,417 with F.S.S.U. provision.

DOUGLAS KNOOP RESEARCH FELLOWSHIP in ECONOMICS

Applicants may be graduates of any university and should be available for interview in Great Britain. Value £1,250 a year and normally tenable for three years.

Further particulars of the above posts can be obtained from the Registrar to whom applications (3 copies) should be sent by 6 March 1972. Quote ref: R.89/C.

GREATER LONDON TRANSPORTATION STUDY

Project Director

£5000

The Council is currently conducting, in conjunction with consultants, the second major transportation survey of London. This will produce a comprehensive set of data on which the Council's transportation policies for the next decade will be based.
A project manager is required in the Transport Studies division to supervise the next stages of this work. The tasks to be undertaken include: (a) taking over the survey data from the consultants, (b) preparation of preliminary tabulations, (c) the validation of the survey data, (d) co-ordination of the data obtained from surveys carried out by the Council's consultants with those concurrently undertaken by other authorities, (e) the preliminary analysis of results. The person appointed will be required to take charge of and co-ordinate work connected with this survey being carried out in several parts of the department, and will also be responsible for liaison with organisations inside and outside the department in data processing and analysis.
Candidates must have wide experience of all phases of large transportation studies and have demonstrated considerable technical and managerial capacity in this field. The appointment will be on a contract basis for a period of three years.

Application forms, returnable by 6th March, from the Joint Director, Department of Planning and Transportation (A/EO/684/—), County Hall, London SE1 7PB.

GLC GREATER LONDON COUNCIL
Department of Planning and Transportation

APPOINTMENTS

The University of Leeds

POST GRADUATE DIPLOMA
In Health Services Administration

This Diploma is offered to anyone considering a career in this field, or interested in research in Health Care. Entrants to the course will normally hold at least a second class degree—of any discipline—or, exceptionally, an approved professional qualification. The course which extends over one academic year is recognised by and has a bursary allocation from S.S.R.C.

Further details and application forms from: THE DIRECTOR, NUFFIELD CENTRE FOR HEALTH SERVICES STUDIES, UNIVERSITY OF LEEDS, CLARENDON ROAD, LEEDS LS2 9PL.

Institute of Geological Sciences

Research in Mineral Statistics and Economics

There is a vacancy for an Assistant Research Officer in the Institute's Mineral Resources Division, London, of particular interest to graduates with a strong aptitude for investigating the quantitative aspects of problems together with an interest in minerals and in their national and world-wide economic significance.

The work will include the intensive study of minerals production, trade and consumption; compiling and interpreting data from a variety of sources; preparing statistical information for publication; and liaison with government departments and industrial and commercial organisations.

Qualifications. Normally a degree with first or second class honours, or a post graduate degree, in Statistics, Economics, Commerce, Geography, Geology, Minerals Engineering, or other appropriate subject. Knowledge of mathematical techniques and an interest in minerals or mineral production essential. Experience of market research, economic surveys, information or publication work an advantage.

Final Year Students may apply.

Salary scale is £1435-£2325. Starting salary may be above the minimum. *Promotion prospects.*

For full details and an application form (to be returned by 8 March 1972), write to Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone BASINGSTOKE 29222 ext 500 or LONDON 01-839 1698 (24 hour "Ansafone" service). Please quote A/613(1).

Portsmouth Polytechnic

DEPARTMENT OF SURVEYING

Research Assistant

The Department of Surveying has instituted a programme of research into various aspects of land economics in the Common Market. An immediate vacancy arises for a Research Assistant.

The field of research includes an examination of forms of land tenure as well as land use. Applications are invited from graduates in an appropriate discipline who have a bias towards either law or economics. The Research Assistant will be encouraged to read for a higher degree.

The salary for the post is £1,120 x £50 to £1,220. The appointment is initially for one year but is likely to be extended to a maximum of three years. Portsmouth offers a very pleasant environment for academic work and leisure.

Application forms and further particulars may be obtained from the Staff Officer, Portsmouth Polytechnic, Ravelin House, Alexandra Road, Portsmouth PO1 2QQ, to whom completed applications should be returned by 8th March, 1972. Please quote reference U12.

Regional Adviser

Merchant Banking

Manchester

This is a position which could be of interest to men, retired or about to retire, from very senior positions in a professional practice or, possibly, from industry or banking, in the North West, which would have given them an intimate knowledge of the major commercial and industrial interests in the area. The position would, in the first instance, not initially be full-time, but terms would be for discussion. Those to whom the task would be of interest should write or telephone (01-493 3551) D.S.A.E. Jessop, reference S.28195.

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Market Research Executive

I.T.I. Research requires a young Executive with 1 or 2 years' experience in Industrial Market Research — *preferably* in an Agency. A degree in Economics or Modern Languages —preferably German—and the ability to write a good report are essential. There are opportunities for travel in the UK and in Europe. Excellent prospects. Salary about £1,150 or higher for an outstanding candidate. Apply with detailed CV to:

I.T.I. (Europe) Ltd, 185 Piccadilly, London W.1.

The Queen's University of Belfast

Chair of Political Science

Applications are invited for the Chair of Political Science from 1st October 1972, or such other date as may be arranged. The salary is £6,337 with contributory pension rights under the F.S.S.U.

Applications should be received by 18th March 1972. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland. (Please quote Ref. 72/E.)

The University of Manchester Institute of Science and Technology

DEPARTMENT OF MANAGEMENT SCIENCES
INTERNATIONAL BUSINESS UNIT

Research Assistant

The UMIST Department of Management Sciences is one of the oldest and largest centres of Management education in the United Kingdom. Its research school includes the International Business Unit, financed jointly by the S.S.R.C. and Industrial Companies, to study a range of problems within International Business.

Applications are invited for the above vacancy from suitably qualified graduates in Economics, Statistics or Operational Research, with some research experience.

The successful candidate will be expected to become involved in all the detailed research projects and will provide a statistical evaluation service to the various research teams. He will also become an integral member of the International Business Unit and will be expected to read for a higher degree.

The appointment will be for two years and may be renewable. Salary will be £1,000 per annum, plus F.S.S.U., and expenses for international travel.

Requests for application forms, quoting Reference No. MS/16/AD, should be made to the Registrar, U.M.I.S.T., Sackville Street, Manchester, M60 1QD, to be returned not later than 17th March, 1972.

APPOINTMENTS

The University of Manchester

Lecturer in Government

Applications invited for this post tenable from a date to be arranged. Candidates in any field of Government (other than Political Theory) will be considered, but preference may be given to those whose interests lie in the fields of: Quantitative Methods, and/or Public Administration, and/or International Relations: and in the areas of either Western Europe, or North America. Salary scale p.a.: £1,491-£3,417 but initial appointment at not more than £1,902 per annum. F.S.S.U. Further particulars and application forms (returnable by March 6th) from The Registrar, The University, Manchester, M13 9PL. Quote ref: 22/72/E.

University of Sussex

Applications are invited for the fololwing posts with eect 1st October 1972:

Reader or Lecturer in POLITICS: an interest in systematic social science theory and a concern with teaching and research in the field of British politics would be appropriate.

Reader or Lecturer in SOCIOLOGY, with particular reference to sociological method.

Lecturer in ECONOMICS for one year only.

Lecturer in INTERNATIONAL RELATIONS for one year only.

Lecturer in LAW for one year only.

Salary scales (under review) £3,321-£4,401 per annum (Reader) and £1,491-£3,417 per annum (Lecturer). Appointments to the one year posts are likely to be in the lower half of the Lecturer scale.

Further particulars for each post and forms of application, returnable as soon as possible and preferably before the 18th MARCH 1972, are available from the Establishment Section, Arts Building, University of Sussex, Brighton BN1 9QN (telephone Brighton 66755, ext 663), quoting ref 882 and the title of the post.

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We wish to recruit a Head of Economic Research in the Business Forecasting Unit of our Central Planning Department. This department plays a vital role in the planned development of Fisons worldwide activities in agrochemicals, fertilizers and pharmaceuticals.

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If you feel you match our requirements please write giving brief details of your education and experience to:

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We require a highly intelligent graduate, preferably in economics, who should have at least "A" level mathematics. A knowledge of programming would be an advantage. The successful candidate must be able to communicate fluently both verbally and in writing.

Salary and fringe benefits are very good for this London based appointment.

Please write, quoting RM 62, or telephone for an application form to:

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SSRC SOCIAL SCIENCE RESEARCH COUNCIL RESEARCH UNIT ON ETHNIC RELATIONS

DEPUTY DIRECTOR

Applications are invited for this new post at the Unit, which is located at the University of Bristol.

Candidates should be qualified in one of the social sciences, have research experience and an understanding of work in disciplines other than their own. The successful candidate will be required to undertake research which fits in with the Unit's research programme. He or she will be required to deputise for the Director in supervising research; in implementing decisions concerning research policy; and to have certain liaison responsibilities between the Unit and other bodies, academic and governmental.

The salary is likely to be on the university Scale £3,252-£4,401. The Council is a recognised institution for FSSU.

Applications, together with a curriculum vitae and the names and addresses of three referees, should reach the Secretary, Room 1135, Social Science Research Council, State House, High Holborn, London WC1 as soon as possible but not later than 4 March 1972.

TENDER

GOVERNMENT OF KENYA

Design and feasibility study for tourist resort complex at Kongo/Diani

(approximately 25 km south of Mombasa)

Coast Province

The Ministry of Tourism and Wildlife proposes to call for tenders in the near future for a design and feasibility study to be prepared for a tourist resort within the area of land about 500 hectares situated north and south of the Mwachima River in the Coast Province, Kenya. The report will include the following:-

(a) A master plan for the development of the whole of the Diani resort area, and priorities for such development.

(b) An economic feasibility study and preliminary engineering studies for a first phase area comprising 2,000 beds within the Diani resort area.

(c) A comprehensive, economic and financial appraisal of the first phase and the economic/social justification for its individual items of infrastructure together with the proposed phasing of each of them.

(d) Identification of the optimum tourist capacity of the first phase area, the types of accommodation required, the rates to be charged, and the optimal phasing of the tourist facilities.

(e) Cost estimates of all infrastructure in the first phase area within 15% approximation, except for the access and interior roads for which final engineering estimates within 10% approximation is required.

(f) Estimates of the foreign exchange component of all the above-mentioned investment costs.

(g) Draft zoning regulations for the whole of the Diani resort area.

(h) Detailed schedule of implementation for the construction of all infrastructure and superstructure of the first phase area.

It is expected that the International Bank for Reconstruction and Development will be requested to provide a substantial proportion of the "Government" finance for the first phase of the project and probably subsequent phases in which Government probably through the Kenya Tourist Development Corporation will have a significant part in the ownership.

In order to prepare a selected list of tenderers all consultants interested in undertaking the study will be required to submit a detailed application which should include the following information:

(a) Name of firm and location of head office.

(b) General description of organization of firm and associates.

(c) Details of previous experience in design and/or feasibility studies of similar nature.

This application should be sent to—Permanent Secretary, Ministry of Tourism and Wildlife, P.O. Box 30027, Nairobi, with a copy to—Chairman, Coast Tourist Liaison Committee, P.O. Box 45025, Nairobi, Kenya, to arrive not later than the 4th March, 1972. (Applications should all be marked: "APPLICATION—DIANI RESORT COMPLEX").

(J. K. arap Koitie)

PERMANENT SECRETARY FOR TOURISM AND WILDLIFE

APPOINTMENTS

OFFICE OF MANPOWER ECONOMICS

Report Secretary

Applications are invited for a post as Report Secretary in the Office of Manpower Economics.

The Office provides the secretariat for a number of standing Review Bodies and ad hoc Committees set up by the Government to examine wages, salaries and related questions for certain classes of people in the public sector. It is also mounting its own research programme in the manpower area.

Report Secretaries co-ordinate all the work required for an enquiry, write background papers and draft reports; and interview senior management and Trades Union personnel. They work in close collaboration with their Review Body or Committee Members, senior administrative staff and the Office's Statisticians and Economic and Industrial Relations Advisers.

Applicants, who should be at least 28, should preferably hold a First or Second Class Degree or a higher degree awarded after post-graduate study or research. Some knowledge of recent developments in the industrial relations field would be an advantage. Ability to write clear, cogent English, to handle figures and to work under pressure is essential; experience in interviewing would be desirable. Applicants should also be able quickly to assimilate, analyse and interpret a varied range of facts and argument.

Starting salary will depend on age and qualifications, but will be in the range £3652 to £4883. Initial appointments, for two years, may be extended by agreement.

Letters of application, giving full particulars, should be sent to the Personnel Section, Room 502, Office of Manpower Economics, New Court, 48 Carey Street, London WC2 2JF. General enquiries about the post should be made to Mr. J. Strachan, telephone 01-405-5944 extension 234.

The closing date for receipt of applications will be 14 March 1972.

Please quote reference R628/2.

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Notice is hereby given that a quarterly dividend of Fifty Cents (50¢) per share has been declared by the Board of Directors of Falconbridge Nickel Mines Limited, payable in Canadian funds on February 28, 1972 to shareholders of record at the close of business on February 11, 1972.

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Toronto, Canada
January 31, 1972

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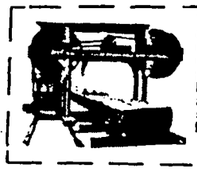
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Further details and application forms from the Registrar, University of Essex, Wivenhoe Park, Colchester, Essex.

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NOTICE

The Probation and Social Workers' Inquiry
Invitation to Submit Evidence

The Government has set up an inquiry under Mr. J. B. Butterworth, Vice Chancellor of Warwick University, to examine the work of Probation Officers and Social Workers employed by local authorities and by the National Health Service and to make recommendations covering the appropriate relationship between the pay of the three Services involved.

Written evidence is invited from interested bodies and individuals. Submissions by 3 March, 1972 to : The Report Secretary, The Probation and Social Workers' Inquiry, The Office of Manpower Economics, 48 Carey Street, London WC2A 2JF.

Further information and copies of the terms of reference can be obtained from the above address.

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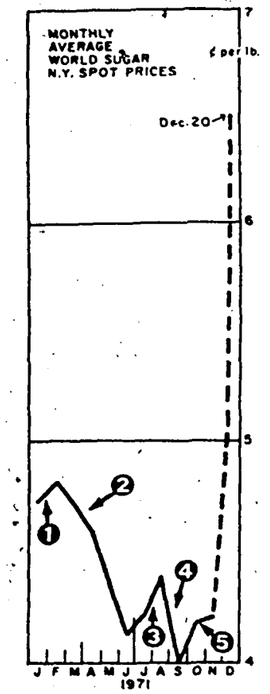
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SUGAR

Recommendations of:

1. **January 1971** — Sell on near term advance. Weakness will follow.
2. **March-April 1971** — Broad downward trend. Buying opportunity around mid-year.
3. **July 1971** — Expect selling on approach to 4.5¢ spot.
4. **August-September 1971** — Only moderate further weakness followed by recovery to new highs. Add to purchases on weakness. Long term trend up. Maintain long positions.
5. **October-November 1971** — Long term trend up. Maintain long position.

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STOCK PRICES AND YIELDS

Prices, 1971–72 High	Low	British funds		Price, Feb. 9 1972	Price, Feb. 15 1972	Net red. yield, Feb. 15 1972§ £p	Gross red. yield, Feb. 15 1972 £p
98¹⁄₁₆	92⅝	British Electric 3%	1968–73	98¹⁄₁₆	98¹⁄₁₆	2·975	4·610 *l*
88⅝	70⅜	British Electric 3½%	1976–79	88¼	87¼	4·140	5·725 *l*
111¼	92⅜	Treasury 8¼%	1980–82	108	107	4·120	7·435 *l*
110⅜	90¼	Treasury 8¼%	1984–86	108	106⅜	4·430	7·740 *l*
96	76	Funding 6¼%	1985–87	95⅜	94⅜	4·520	7·330 *l*
66¼	47⅜	British Transport 3%	1978–88	65¼	64¼	4·985	6·575 *l*
85⅞	66⅜	Funding 6%	1993	83¼*	82*	4·945	7·680
111	93⅞	Treasury 9%	1994	110¾	109¼	4·825	8·305
87⅝	41⅜	British Gas 3%	1990–95	57¼	56¼	5·065	6·875 *l*
89⅛	72⅛	Treasury 6¾%	1995–98	89⅛	88	4·955	8·035 *l*
73⅛	57⅛	Treasury 5¼%	2008–12	70⅝*	69⅝*	5·075	8·040 *l*
43¼	36	War Loan 3½%	after 1952	43¼	42⅝	5·010	8·410 *f*
30⅛	25⅛	Consols 2½%		30⅛	29⅛	5·050	8·450 *f*

Eurobonds		Last week's prices	This week's prices	Yield to maturity %
Airlease 9%	1986	105¼–6¼	105–6	8·07
Barclays 8¼%	1986	102⅜–3⅜	102⅛–3⅛	7·68
Borg Warner 8%	1979	102⅛–3⅛	103⅛–4⅛	7·02
Commercial Union 8¼%	1986	102–3	102–3	7·97
Esso 8%	1986	102–3	102–3	7·50
Ford 8%*	1981	102⅛–3⅛	103–4	7·42
General Motors 8¼%	1986	105⅛–6⅛	105⅛–6⅛	7·79
General Telephone & Electric 8¼%	1986	103–4	103–4	7·60
Shell 8%	1986	100⅝–1⅝	101⅛–2⅛	7·56
Hill Samuel 8¼%	1986	101¼–2¼	101–2	8·09
Rank 8¼%	1986	103–4	103⅛–4⅛	8·02
Transocean Gulf 8%	1986	102–3	102–3	7·50
Firestone (DM) 7¼%	1986	105⅛–6¼	106⅜–7⅜	6·90
Prov. of Nova Scotia (DM) 7¼%	1986	104⅛–⅜	104⅜–5⅛	7·13
ICI (£/DM) 8%	1986	105⅜–6¼	105⅜–6⅜	7·14

Prices, 1971–72 High	Low	Ordinary stocks	Price, Feb. 15, 1972	Change on week	Yield Feb. 15
		Banks, other financial			
239		Algemene Bank	Fl 298	−5	5·7
54·3		Amsterdam-Rot	Fl 65·3	+0·4	5·2
240		Aust & NZ Bank	333¹sp	+13⅛	3·0
60⅜		Bank of America	$70⅛	+⅜	3·1
300		B of Ireland	400p	+30	3·7
700		B of Montreal	1119p*	+69	2·9
85		B Nac de Mexico	P 90	...	6·7
290		B of NS Wales	322p	...	2·9
337⅛		B of Scotland	560p	−5	3·4
2310		B Bruxelles	Fr B 2475	−15	4·8
304⅛		B de Paris Pays Bas	Fr 224	+2	5·7
50⅜		Bankers Trust	$56¼	−⅛	5·0
327⅛		Barclays	669p	+17	2·4
9¹⁄₁₆		Can Imp Com	£15¹⁄₁₆	+⅛	1·9
48⅜		Charterhouse Group	97p*	+2½	4·2
48¼		Chase Manhattan	$55	+⅛	3·6
51⅝		Chemical Bank NY	$55¼	−⅜	5·2
196		Commerzbank	DM 253⅛	+6½	3·4
144½		Credit Commercial	Fr 154·2	−0·3	4·9
358·2		Credit Foncier	Fr 381½	+⅛	5·6
3035		Credit Suisse	Fr S 3910	+70	2·1
281		Deutsche Bank	DM 339·1	+8·1	2·6
215½		Dresdner Bank	DM 279·7	+6·7	3·2
33		First Nat City	$48⅛	+1⅛	2·8
210		Fuji	Y 400	+32	1·5
212½		Hambros	375p	...	2·0
72		Hill, Samuel	150p	−6	2·6
1⅛		IOS Mgnt	$1⅛	...	...
9⅛		Hongkong & Sh	£16¹⁄₁₆	+⅛	2·5
73		Kleinwort Benson	132p	−4	2·3
$300		Kreditbank	Fr B 6260	−130	2·9
259		Kundenkredit	DM 341	...	2·9
1680		Lambert L'Ind	Fr B 1950	+50	4·2
258		LBI	332p	+2	3·0
310		Lloyds	659p	+1	2·1
30⅛		Manuf's Hanover T'st	$30¼	+⅛	5·2
62300		Mediobanca	L 63500	−800	1·7
140		Mercantile Credit	224p	−1	3·3
102		Mercury Secs	186p	−4	1·7
287½		Midland	569p	+7	2·9
173		Mitsui	Y 220	+8	2·3
113		Montagu Trust	238p	−2	1·5
62⅛		Morgan J P	$73⅛	−⅛	3·8
260		Nat & Grindlays	370p	+5	4·1
2·07		Nat Australasia	$A3·27	+0·16	3·7
91⅛		Nat Com Grp	188p	−4	2·5
323⅛		Nat West	689p	+29	2·1
125		Norsk Creditbk	7⅛ 126 £19¹⁄₁₆*	+1 −⅛*	7·2 2·2
111⅛		Royal Canada	628p	−12	1·6
412½		Schroders	328p	−18	2·5
192½		Slater Walker Secs	Fr B 3030	...	4·3
2800		Soc Gen de Banque	Fr B 2700	...	2·5
2430		Soc Gen de Belgique	365p	+3	3·3
200		Standard & Chart	Fr 317	−2	5·4
264		Suez	Y 396	+21	1·5
209		Sumitomo	Fr S 3800	−30	2·1
3020		Swiss Bank Corp	Fr S 3960	+50	2·5
3720		Union Bank Switz	500p	+4	4·8
320		Union Discount	254p*	−5	2·5
134		United Dom Tst			
		Insurance			
46⅛		Aetna Life & Cas	$60⅞	+⅜	2·6
335		Allianz Versich	DM 445	+18	1·3
320		Comm Union	494p	+18	2·2
271½		Eagle Star	548p	+8	2·2
115		Gen Accident	183p	+4	3·0
44610		Generali	L 48850	−250	0·9
167		Gdn Royal Exch	287p	+7	2·9
237⅛		Legal & General	342p	...	2·7
55⅛		Nat Nederlandn	Fl 75·4	+2·4	2·7
226¼		Pearl	336p	−4	2·9
172½		Phoenix	282p	+2	3·0
143		Prudential	203p	+2	2·7
265		Royal	530p	+6	3·2
301		Sun Alliance	Y 311	+2	3·1
140		Taisho Mar & F	Y 488	−14	1·8
281		Tokio Marine	Fr S 5350	−19	1·1
3975		Zurich Ins		+25	3·1

Prices, 1971–72 High	Low	Ordinary stocks	Price, Feb. 15, 1972	Change on week	Yield Feb. 15
		Breweries, etc.			
144	92½	Allied Breweries	140⁸sp	−⅜	3·7
62⅝	37¹⁄₁₆	Anheuser-Busch	$ 59⅝	−3	0·9
154	95	Bass, Charrington	151p	−3	3·3
137	88⅛	Bols NV	Fl 149·8	+5·8	2·4
179	125⅛	Courage	121p	−2	3·0
35⅛	24⅛	Distill Seagrams	$35	−⅜	2·0
465	385	Dortmund Union	DM 425	...	2·3
195	130	Guinness	185p	...	3·9
274	194·7	Heineken	Fl 267½	+4·2	1·3
128	57	IDV	128p	+5	2·2
265	188	Kirin Brewery	Y 238	−2	3·2
19¼	13⅛	Nat Distillers	$17	−⅛	5·2
97½	63¼	Scottish & Newc	92¹⁄₂p*	+2½	3·0
92½	61⅛	Sth African Br	71p	−3½	4·2
206	90⅜	Watney, Mann	181p	−1	3·0
95	51⅞	Whitbread 'A'	88¹⁄₂p	+1¼	3·5
		Building, building materials			
452	228½	Assoc Portland	436¹sp	−12½	3·0
213½	101⅞	BPB Industries	213¹sp	+1½	3·1
48⅝	15¼	Boise Cascade	$18⅜	−⅛	1·3
280	108	Bovis Holdings	253p	−10	2·1
253·3	167½	Ciments Lafarge	Fr 199	+3·9	7·1
2340	1795	Cimenteries Briq	Fr B 2330	+15	4·7
316⅛	103	Costain	316¹sp	+18⅛	1·6
126⅛	83	Eng China Clays	115¹sp	−6¼	2·3
25450	18530	Italcementi	L 19910	−1390	2·5
197	70	Laing 'A'	187p	−2	1·2
131	53⅜	London Brick	128p	+1	2·9
195	37⅛	Marley	195p	+3	2·9
348	175	Pilkington Bros	342p	+4	2·8
141	53⅛	Redland	127p	...	2·4
175	90¼	Rugby Portland	167p	−6	1·9
199	114	Steetley	166p	−1	3·2
290	143⅜	Tarmac	248¹sp	−10½	3·5
360	132¼	Taylor Woodrow	306¹sp	−29½	1·9
238	106	Wimpey	220p	−13	1·2
		Catering, hotels, entertainment			
198	126¼	ATV 'A'	151¹sp	−9½	4·4
54⅛	30¼	CBS	$53	−1⅛	2·6
454	235	Granada 'A'	446p	−1	2·5
242	110½	Grand Metropolitan	242p	...	1·2
51⅞	35¼	Holiday Inns	$51⅛	+⅛	0·5
650	395	Lyons 'A'	612p	−8	2·4
199	116	Trust Houses-Forte	192p	−6	3·8
		Chemicals			
91	56·7	AKZO	Fl 72·2	−0·1	5·5
1060	724	ANIC	L 788	+9	6·4
37⅛	27	Amer Cyanamid	$35⅞	−⅜	3·5
161	113·2	BASF	DM 150⅛	+4⅛	...
164	113	Bayer	DM 140·2	+4·1	...
2930	2250	CIBA-GEIGY	Fr S 2845	+30	0·8
85⅛	48¼	Dow	$84⅛	−⅛	2·1
162⅜	129⅜	Dupont	$161⅜	−1	3·1
376	220	Fisons	347¹sp	−2⅛	3·1
35¼	25⅜	W R Grace	$29⅜	+⅜	5·0
198⅛	120·2	Hoechst	DM 162⅛	+5⅛	...
335	230	ICI	277p	−2	4·9
148	77	Laporte	91p	−6	2·3
53⅛	37⅛	Monsanto	$49⅝	−⅞	3·6
904	630	Montecatini-Edison	L718	...	...
1295	520	Norsk Hydro	Kr 895	+5	1·2
245	156	Rhone Poulenc	Fr 156·1	−0·9	7·7
2875	2125	Solvay 'A'	Fr B 2465	+40	6·3
162·9	119·7	St Gobain	Fr 139·7	+0·8	6·0
344	180	Takeda Chemical	Y 198	−2	4·3
50	39	Union Carbide	$44¼	−⅛	4·5
		Coal & steel			
5000	3485	Arbed	Fr B 3940	−30	10·1
32⅛	19⅝	Bethlehem	$31⅛	+⅛	3·8
14·75	9·26	Broken Hill Pty	$A 12·25	+0·35	...
164⅛	124	Denain Longwy	Fr 138·9	+0·9	9·7
543	295	Finsider	L 296	−2	12·7
145	130	Fried Krupp	DM 136·1	−0·9	7·4
204	147	Granges A B	Kr 154	+3	7·8

Prices, 1971–72 High	Low	Ordinary stocks	Price, Feb. 15, 1972	Change on week	Yield Feb. 15
84	52·3	Hoesch	DM 65·4	+3·7	7·6
85·3	54⅛	Hoogoven	Fl 69·8	+1·6	6·6
172½	134⅛	Mannesmann	DM 161⅛	+3·7	7·4
64	50	Nippon Steel	Y 58	+2	8·6
102⅛	65·2	Rheinstahl	DM 89	+4·1	5·6
96⅛	60	Thyssen Huette	DM 74·6	+3·4	...
205	140	Ugine Kuhlman	Fr 161	+1⅛	8·4
35⅛	25	US Steel	$32⅜	−1	4·9
122·8	83·9	Usinor	Fr 86	−1	10·5
120	40	Wendel-Sidelor	Fr 40·1	−4·8	13·2
		Electrical, electronics			
201·8	132½	AEG Telefunken	DM 161½	+3·7	...
299	170	ASEA	Kr 273	−13	3·0
199	122	BICC	180p	−3	3·9
475	373	CGE	Fr 402	−5	5·0
180	56⅛	Chloride Electric	162p	−3	2·7
83¼	49⅝	Comsat	$65⅛	+⅜	0·8
315	165	Decca	297p†	−13	3·0
221	124	EMI	204p	−6	3·1
193	111	Electrolux 'B'	Kr 187	...	4·3
295	216	LM Ericsson 'B'	Kr 275	+1	2·0
66⅛	46⅜	General Electric	$60	−⅜	2·3
186	90	GEC	182p*	−4	2·1
35⅜	27⅜	Gen Tel & Elec	$31	+⅛	4·9
145	87	Hitachi	Y 110	−1	5·5
153⅛	82⅛	Honeywell	$149¼	−3⅝	0·9
62⅛	39⅜	Hoover	$60⅛	+3⅛	2·0
373⅜	286	IBM	$369	−4⅜	1·4
175	103	Int Computers	140p*	−3	8·0
102	64	Machines Bull	Fr 88⅛	+2¼	...
631	346	Matsushita	Y 526	−10	2·0
712½	426	Philips	652p	−4	3·1
157	100	Plessey	158p	+3	3·2
41⅜	26⅛	RCA	$41⅝	+⅜	2·4
115½	64⅜	Rediffusion	113p	−2½	3·6
178½	67	Reyrolle Parsons	105p	−7	(n)
234	179	Siemens	DM 234	+6·2	3·0
3850	2460	Sony	Y 3680	−70	0·4
37⅝	22½	Sperry Rand	$36⅛	−⅛	1·4
135⅝	79¼	Texas Instruments	$133⅞	−⅝	0·6
146·4	91	Thomson-Houston	Fr 101·9	...	5·9
523	257	Thorn Electrical	508p*	−5	1·1
81	56	Toshiba	Y 69	−1	7·2
51⅜	34⅛	Western Union	$46	+1⅛	3·0
48⅛	32⅜	Westinghouse	$44¼	−⅝	2·0
		Engineering, shipbuilding			
216	123½	Acrow 'A'	206p	−10	2·5
225	163	Atlas Copco	Kr 214	−6	2·3
85	17⅛	BSA	38p	−7	...
328	225	Babcock & Wilcox	328p	+15	3·1
187	100	John Brown	162p*	...	7·2
1595	890	Brown Boveri 'A'	Fr S 1200	+25	4·2
98¼	56¼	Cohen 600	84p	−5	5·3
66⅛	36	Davy Ashmore	65p	−1⅛	1·9
188	143	Demag	DM 180½	+3½	4·4
46	17⅛	B Elliott	40p	−5⅛	1·5
166⅛	76	Firth Cleveland	148p	−10	4·4
428	271	GKN	381p	−16	3·4
183½	129	Gutehoffnungs	DM 159	+4	4·4
37	12⅛	Harland & Wolff	26p	−1	...
78	32⅛	Head Wrightson	69p	−4¼	4·5
71	27	Alfred Herbert	61p	−2	...
100	66	IHI	Y 84	−1	7·1
22⅛	9¼	Inter Combstn	23p	+2	...
150	81	Inter Comp Air	148p	−2	2·3
60⅛	19⅜	Laird Group	54p	−5	...
206½	155⅛	MAN	DM 178	+5	5·1
91	56	Macher & Platt	82p	−2	3·4
420	277	Metal Box	395p	−5	3·1
93	72	Mitsubishi Heavy	Y 82	...	7·3
140	101⅛	Morgan Crucible	114p*	−6	4·6
435	340	SKF 'B'	Kr 378	−2	3·2
77	31¼	Sarck	71p	...	2·8
180	97⅛	Simon Engng	126p	−1	5·9
77	33⅜	Stone-Platt	72p	−2½	3·8
65	15	Swan Hunter	50p	−6	4·0
3800	3020	Sulzer	Fr S 3450	...	4·0

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. ¶ Ex capitalisation. ¶ Ex rights. § The net redemption yields allow for tax at 40p in £. (f) Flat yield. (l) To latest date

Prices, 1971-72 High	Low	Ordinary stocks	Price, Feb. 15, 1972	Change on week	Yield Feb. 15
500	304	Tube Investments	472p	-8	4·1
29¼	18⅝	US Industries	$27⅛	....	2·3
98½	52½	Vickers	85p	-2	....
115	55	Weir Group	105p	-4½	5·1
123	51½	Thos W Ward	113p	-5	3·8
		Food, pharmaceuticals			
450	226	Allied Suppliers	406p	-4	2·2
75	42½	Assoc British Foods	69p*	-1½	2·5
79	36½	Assoc Fisheries	70p	-3½	4·4
111⅝	82⅝	Avon Products	$107⅛	-⅛	1·2
358	225	Beecham Group	282p*	-10	2·4
177·2	140	Beghin	Fr 140½	-½	6·9
82½	51½	Brooke Bond 'B'	76p	-1	3·5
96½	49	Cadbury Schweppes	89p	-1	4·4
239	66¼	Cavenham	218p	-5	1·7
62⅝	43½	Colgate-Palmolive	$63¾	+1	2·3
6·32	4·05	Col Sugar Ref	$A5·16	+0·16	....
130½	48¾	Fitch Lovell	130p*	-½	2·3
44¼	30⅛	General Foods	$30⅝	-1	4·6
44	31⅛	General Mills	$44	-1⅛	2·2
534	284	Glaxo	469p	+5	1·7
47⅛	34	Heinz	$45½	+½	2·2
200000	163000	Hoffman La Roche	Fr S 185000	+1250	0·6
47⅝	38¾	Krafteo	$44½	-1¼	3·8
1849	1425	L'Oreal	Fr 1828	....	1·3
3231	2545	Motta	L 2620	-20	....
3520	2615	Nestlé	Fr S 3190	+40	2·1
42½	35¼	Pfizer	$39	-1⅝	1·5
86¼	56¾	Procter Gamble	$87	+¼	1·7
12·-	88⅜	Ranks-Hovis	169p*	-2	4·7
327	191	Reckitt & Colman	315p	-12	2·8
4420	3810	Sandoz	Fr S 4225	+35	1·5
78	26½	Spillers	71p	4	3·3
45·-	29¾	Swift	$32¼	-1⅝	2·2
191	119	Tate & Lyle	184p	+2	5·5
167	79¾	Unigate	168p*	-1	2·4
355	215	Unilever	353p	-11	2·7
12·-6	79·4	Unilever NV	Fl 124·3	+0·6	4·4
284	121⅞	United Biscuits	284p	+10	2·2
		Motors, aerospace			
57	30	BLMC	44p*	-5	4·3
25½	14	Boeing	$25	-¼	1·6
55⅝	38¼	Caterpillar Tract	$48¾	....	2·9
33	25	Chrysler	$32⅛	-1⅛	1·9
106·8	71·2	Citroen	Fr 80·8	-0·2	....
379	284½	Daimler-Benz	DM 357	+10½	2·4
190	124	Dunlop	178p	+2	4·6
2650	1975	Fiat	L 2166	-3	5·5
56	20	Firestone Tire	$26	-⅛	3·1
73⅛	54⅜	Ford	$72	-1⅜	3·6
31	18⅜	General Dynamics	$26⅛	-2⅛	....
89⅝	76¼	General Motors	$79⅝	-1⅝	4·3
34⅜	27⅜	Goodyear	$31⅛	-⅛	2·7
353	123	Hawker Siddeley	335p	-15	4·0
306	130	Honda	Y 306	+11	2·9
255	131	Komatsu	Y 164	-2	5·2
14⅝	8⅛	Lockheed	$11⅞	-⅝	....
450	156	Lucas	423p	-17	2·4
14⅜	8⅛	Massey Ferguson	$C 13⅝	-⅛	....
40¼	21¼	McDonnell Douglas	$40¼	-⅛	1·0
1398	1084	Michelin 'B'	Fr 1354	-25	1·6
322	140	Nissan Motor	Y 322	-4	2·5
34⅞	19⅛	N Am Rockwell	$35	+⅛	4·0
283	224	Peugeot	Fr 244	+0·8	4·3
2660	1582	Pirelli-Spa	L 1610	-15	6·8
210	92½	Smiths Indust	202p	-6	3·1
242	186	Steyr-Daimler-Puch	%201	1	4·5
480	220	Toyota Motor	Y 472	+12	1·7
44	24⅝	United Aircraft	$35¼	+⅛	5·1
212	123½	Volkswagen	DM 153½	+7·2	6·9
247	159	Volvo	Kr 234	+3	1·7
73½	30	Westland	66p	-6	4·4
109	42	Wilmot-Breeden	94p	....	3·2
		Office equipment, photographic			
309	131	Canon	Y 183	-6	4·1
108⅝	72¼	Eastman Kodak	$104⅝	-4	1·3
675	354	Fuji Photo	Y397	-8	1·9
2150	1515	Gevaert Agfa	Fr B 1635	-10	3·7
207	115	Gestetner 'A'	157p	+2	1·8
515	251	Nippon Optical	Y 364	-4	2·1
2768	1360	Olivetti	L 1544	-1	5·5
245	167⅛	Ozalid	245p	....	2·5
116	77¼	Polaroid	$103⅛	+2½	0·3
960	667½	Rank 'A'	910p	+25	1·3
132⅝	85¼	Xerox	$132½	-⅝	0·6
		Paper, publishing			
190	99	Borregaard	Kr 99	-9	8·1
197	133	Bowater Paper	167p	....	6·0
122	66	Bunzl Pulp	113p	-2	3·9
37¼	27⅜	Crown Zellerbach	$27¾	-⅝	4·3
169	110	DRG	158p	-6	4·5
28	20¼	MacMillan Bloedel	$C 27¼	+⅝	....
24	15⅞	McGraw Hill	$17⅝	-1	3·5
231	108⅝	News International	234p	+6	4·0
200	97½	Pearson Longman	174p	-6	2·9
302	121	Reed Int	286p*	....	4·4
101	60	Thomson Org	106p	+8	6·9
		Property			
107½	61	Capital & Counties	102p	-1½	2·5
600	274½	Hammersons 'A'	560p	+20	1·1
209	121	Land Securities	184p*	-4	2·3
125	64¼	LMS	119p	1	1·9
244	118½	MEPC	237p*	+1	2·2
195	58	St Martins	191p*	-4	1·4
385	293	SG Immobiliare	L295½	-½	6·8
305	100½	Star (Gt Britain)	300p	-5	2·0
815	416	Stock Conversion	790p	-25	0·9
189	68¾	Trafalgar House	170p	-1½	2·3

Prices, 1971-72 High	Low	Ordinary stocks	Price, Feb. 15 1972	Change on week	Yield Feb. 15
		Transportation			
44½	22½	American Airlines	$44⅜	+1⅛	....
270	152	Brit & Comm	255p	-6	3·3
15⅛	11⅜	Canadian Pacific	$C15	+⅛	....
410	262	Furness Withy	352p	-18	4·3
25¼	16	Greyhound	$22⅜	-⅜	4·5
1800	1440	Japan Air Lines	Y 1695	-7	2·4
210	98	KLM	Fl 122	-10	....
90	60	Lufthansa	DM 72	+3·9	3·5
174	92	Ocean Steam Ship	160p	-5	4·3
20	10¼	Pan American	$14¼	-⅛	....
215	143	P & O Defd	215p	+12	5·9
760	485	Swissair (Bearer)	Fr S 722	+17	4·1
50	13⅜	TWA	$48	-1⅝	....
45⅛	21⅛	UAL	$45⅝	+1⅛	....
		Stores			
93	68·4	Bijenkorf	F92	+3·1	3·9
247	130	Boots	232p	-4	2·4
299	144¼	Brit Home	282p	-6	2·4
270	155	Burton Group	270p	-2	2·2
280	158	Debenhams	261p	-13	3·8
173	119·8	Galeries Lafayette	Fr 119·8	-0·6	....
390	290	Galerias Precdos	%363	-23	3·2
297½	191	Grattan Ware	266p	-6	2·8
32¾	18	Great Atlantic	$19⅛	+⅝	6·8
297	180½	GUS 'A'	275p	-3	2·7
237	107¼	House of Fraser	236p	....	3·4
2550	1360	Innovation	Fr B 1600	+110	5·6
392	299	Karstadt	DM 369½	+4½	2·7
281	226	Kaufhof	DM 268½	+2	3·7
538	371·1	La Redoute	Fr 516	-14	2·3
314½	237	La Rinascente	L 242	-8	3·3
38½	27⅜	Marcor	$30½	⅛	2·6
331	194⅜	Marks & Spencer	287p	-7	2·6
447	288	Mitsukoshi	Y 443	-2	2·0
1·97	1·13	Myer Emporium	$A1·96	+0·09	....
115½	80	Neckermann	DM 115½	+3	2·6
174	113	Nouvelles Gals	Fr 119·1	+1·1	3·1
75¾	54⅛	JC Penney	$70¼	+¾	1·4
177½	125½	Printemps	Fr 135·2	+4·2	....
304½	176¼	Provid Clothing	304½p	+20½	2·3
181	88½	Sears 'A'	171p	+5	2·9
103⅞	75¼	Sears Roebuck	$101⅜	-⅛	1·5
700	332½	WH Smith 'A'	700p	+17	1·9
79	45¼	Tesco Stores	77½p‖	-⅛	1·8
147	77¾	United Drapery	141p	-4	3·9
55¼	35⅝	Woolworth	$42¼	-1⅝	2·8
		Textiles			
49¾	27¼	Burlington	$36¼	1⅝	3·9
145	70	Carpets International	136p	+9	4·9
79½	45	Coats Patons	76½p	-3	4·5
150	107	Courtaulds	140½p	-5¼	4·8
102	75	Dollfus-Mieg	Fr 82½	+1½	4·4
58⅛	32¼	English Calico	51½p	-4½	4·6
4135	1570	Snia Viscosa	L 1570	-20	....
38⅝	20	Stevens, JP	$29	+⅛	5·2
88	61	Teijin	Y 72	-1	8·3
131	84	Toray Ind	Y 95	-1	8·9
57½	44	Woolcombers	50p	-2	2·9
		Tobacco			
391	265	Brit Amer Tobacco	321½p	-1½	3·9
189	103⅜	Gallaher	183p	-3	5·9
114½	64⅜	Imperial Tobacco	106½p	-4	4·8
69¼	51	RJ Reynolds	$64¾	-1⅛	3·7
		Utilities			
53⅞	41½	AT & T	$43⅝	1⅛	6·0
835	670	Chubu	Y 825	12	6·1
820	680	Chugoku	Y 815	+10	6·1
29	24¼	Cons Edison	$25⅝	-⅜	7·0
2735	2385	EBES	Fr B 2695	-5	5·6
2030	1830	Intercom	Fr B 2025	-5	5·9
826	700	Kansai Electric	Y 811	4	6·2
233½	161	RWE	DM 189·1	+3·6	4·2
840	660	Tokyo Electric	Y 815	+3	6·1
105	83	Tokyo Gas	Y 92	+1	6·5
		Investment trusts			
250	172	Alliance Trust	238p	-2	2·3
157	106	Atlas Electric	149p	-5	2·6
157	82¼	BET Deferred	151½p*	-1	3·6
92½	66	British Assets	88½p	-1⅛	1·7
163	109	Cable Trust	151p	-9	2·6
168	118	Foreign & Col	156p	-9	1·9
162	108	Globe Investment	148p	-8	2·8
142½	94½	Industrial & Gen	132p	-9	3·2
63	44	Mercantile Inv	61¼p	+1⅜	3·3
248·3	200½	Robeco	Fl 235	+1	5·0
198	149·8	Rollnco	Fl 174½	+½	1·7
108½	68¾	Witan Investment	103p	-4½	1·7
		Multi-product, miscellaneous			
423	335	Air Liquide	Fr 356	+0·9	3·8
1280	883	BSN	Fr 1170	+40	2·4
160	68⅜	Bookers	156p	+1	3·5
230	138	British Match	181½p*	+2½	5·3
75½	50	British Oxygen	68p	-1½	4·3
126	78½	British Ropes	121p	....	3·7
67	31½	Cope Allman	66½p	-½	4·6
226	120	Dalgety	219p	-4	4·6
249	117	De La Rue	202½p	-2½	5·5
35¼	19	Engelhard Minerals	$22⅞	-⅝	1·8
36½	19⅜	Gulf & Western	$34⅞	-⅝	1·7
79	46¼	Halliburton	$74¼	-⅝	1·4
427	220½	Hays Wharf	450½p	-4½	1·7
1012½	735	Hudson's Bay	993p	+8	2·0
67	46⅝	IT & T	$63	-⅝	1·8
453	198⅜	Inchcape	454p	+1	2·7
416	128	C Itoh	Y 351	-28	1·7
25⅝	7⅝	Ling-Temco-Vought	$13½	-⅛	....
33⅝	19	Litton Industries	$25⅛	-⅛	....
138⅛	95⅞	Minnesota Mining	$137	-⅝	1·4

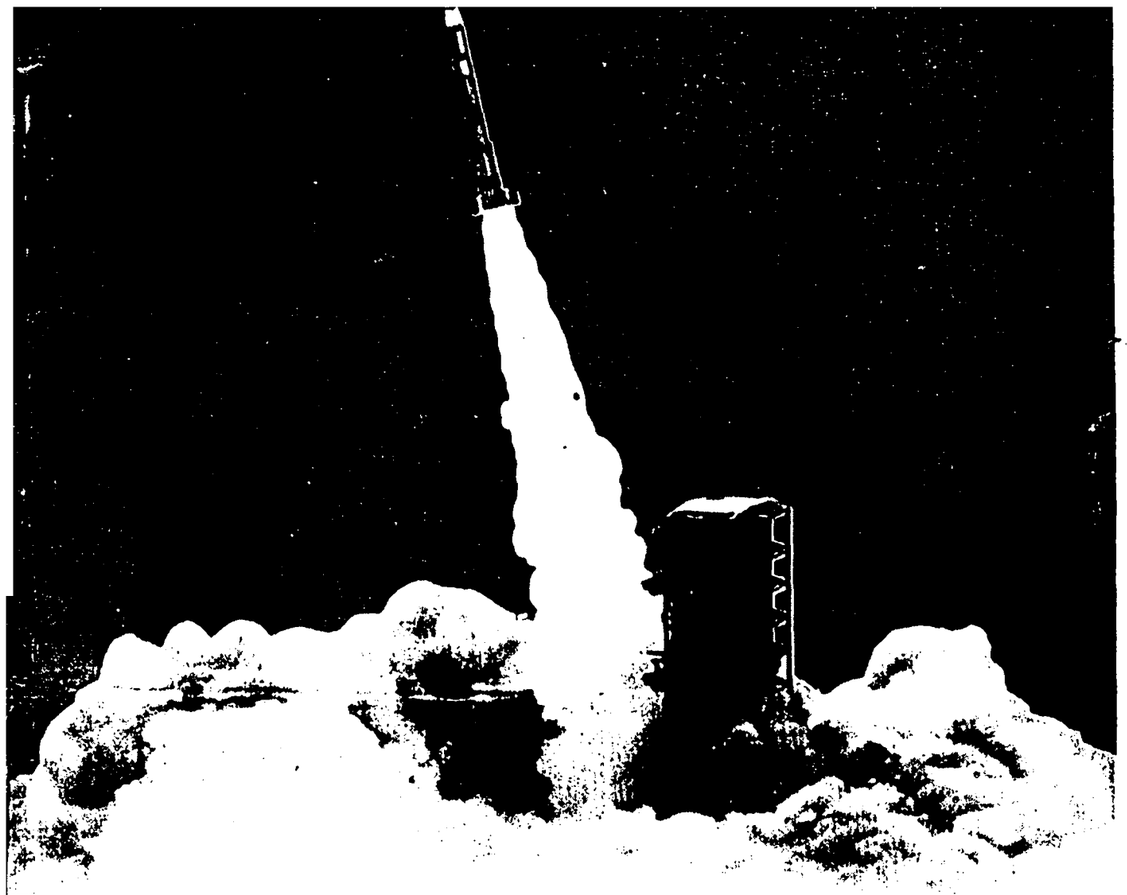
Prices, 1971-72 High	Low	Ordinary stocks	Price, Feb. 15 1972	Change on week	Yield Feb. 15
214	121	Mitsubishi Shoji	Y 214	+7	5·3
253	132	Mitsui	Y 245	+2	2·9
278	117½	S Pearson & Son	261p	-7	2·3
43⅛	28⅛	TRW	$35⅛	-⅞	3·0
29⅝	22	Tenneco	$25⅛	-⅛	5·1
36⅜	23⅜	Textron	$35⅛	....	1·6
155	67½	Thomas Tilling	140p	-1½	8·6
227	127	Turner & Newall	225p*	+4	4·7
		Oil			
677	467½	Aquitaine	Fr 545	+12	4·3
632	403	BP	542p	-1	4·8
477	297½	Burmah Oil	380p	-4	4·3
251·9	153·8	Cie Petroles	Fr 205·4	-5·1	4·8
103·9	80½	Gelsenberg AG	DM 93	+6	4·4
33⅞	24½	Gulf Oil	$26⅜	-⅛	5·7
59⅝	47⅛	Mobil Oil	$52⅝	-1⅛	4·9
4300	3040	Petrofina	Fr B 4015	-5	2·7
34⅜	26⅞	Phillips Petroleum	$29⅛	-1⅛	4·4
153½	109	Royal Dutch	Fl 115·9	-2·3	6·3
426	295	Shell Transport	327p	-9	4·6
62⅛	50½	Standard Oil (Calif.)	$57⅛	-2⅛	4·9
70⅝	52⅛	Standard Oil (Indiana)	$67⅛	+⅛	3·4
81⅝	67⅛	Standard Oil (NJ)	$76⅛	+⅛	5·1
90¼	70¼	Standard Oil (Ohio)	$84⅞	-2⅛	4·2
39	29⅛	Texaco	$33	-⅛	4·8
		Gold mines – finance			
360	202	Anglo-American	270p	-8	2·9
271	160	Charter Cons	219p	-6	3·2
285	159	Cons Gold Fields	210p	....	3·5
1012½	755	General Mining	835p	-5	4·8
1750	850	J'burg Cons	1100p*	-25	3·9
720	460	OFSIT	667p*	+27	6·2
675	410	Rand Selection	577p*	-3	3·8
223	120	Union Corp	186p	-3	3·2
		Mines, metals			
25¼	6½	Alcan	$C19¾	+⅛	....
70	37⅛	Alcoa	$43⅛	+⅞	4·1
3800	1660	Alusuisse	Fr S 2145	-5	4·2
37⅛	26	Amer Met Clim	$39⅛	-⅛	4·8
23⅞	11⅛	Anaconda	$19⅛	+2½	....
273	87	CAST	173p	+1	7·1
258	165	De Beers Defd	223p	-5	....
141½	53	Delta Metal	130p	-8½	1·1
155½	57⅛	Falconbridge	$C 82	-⅛	....
46⅞	26⅝	Inter Nickel	$32⅛	+⅛	6·7
330	212	Johnson Matthey	303p	+8	4·1
56	20	Kennecott	$26¼	+2½	6·7
113	48	Lonrho	87p	-2	7·4
3·90	2·35	MIM Holdings	$A 3·09	+0·10	2·8
450	270	Metallgesellschaft	DM 335	+15½	....
187	126	Pechiney	Fr 143·9	+2	8·3
92	52·6	Penarroya	Fr 55	-0·1	8·9
212	69	Potgietersrust Plat	90p	-1	5·6
270	173	Reynolds Metals	$17⅛	-⅜	3·4
288	115	Roan Cons	206p	+10	3·0
780	425	Selection Trust	189p	+1	24·3
1945	1190	Union Miniere	572p*	-18	2·9
5·24	2·10	Western Mining	$A3·33*	+0·18	6·7
260	148¾	Zamanglo	185p	-15	21·1
		Plantations, etc			
340	248	Consolidated Tea	310p	-17	1·9
296	159½	Guthrie	276p	-1	....
46¼	26⅝	Highlands & Low	43p	....	....
57⅛	37	Jokai	48p	....	....
230	130	Longbourne	134p	-4	2·2
33⅛	17⅛	Plantation Hldgs	33½p	-⅛	....

Money Market Indicators

US Treasury bill rates at 8-year low. Sterling down as creates uncertainty. Investment dollar premium up yet

Bank Rate 5% (from 6%, 2/9/71) Base Rate 4¾%

Deposit rates		**Eurosterling deposits** (in Pa	
7 days' notice:		2 days' notice	5
Clearing banks	2½	3 months'	5
Local authorities	5	**New York**	
3 months' fixed:		Treasury bills	3·0
Local authorities	5–5¼	Certs. of deposit	3·6
Finance houses	5⅛–5⅜	Sterling: Spot rate $2·5935	
Interbank rate		Forward discount (3 months')	0·35 cen
7 days'	5⅛	Forward cover (3 months'): Annual int. cost	0·54%
3 months'	4·37	Investment currency: Investment $	35¼% pre
Treasury bills		In favour of	
		Last week %	This week %
Eurodollar deposits		London	London
7 days' notice	3½		
3 months'	5⅛		
Covered arbitrage margins (3 months')			
Treasury bills			
Eurodollar/UK local authority loans			
Eurodollar/Eurosterling		N. York Neutral	N. York London
Uncovered arbitrage margins (7 days')			
Eurodollar/UK local authority loans		London	London
Eurodollar/Interbank		London 1⅛	London



From blast furnace to blast-off— Kawasaki (space-age) Steel

de is further proof that for sheer versatility nothing beats good old steel:—

Japan's second space satellite was blasted into orbit on February 16, 1971. The outer shells of all three booster chambers were fabricated of Kawasaki's ultra-high-tensile-strength maraging steel, with a remarkable tensile strength of 200 kg/mm². They were formed at the company's Chiba Works from special alloy steel with 18% nickel content refined by electric-arc furnace at the Hyogo Works.

In order to form it into cylindrical shapes the steel in the first stage had to be soft and ductile. Then to be strong enough to withstand the tremendous pressure of blast-off, it had to be made as tough as possible. This was accomplished by a special aging—maraging—process that dramatically increases its tensile strength almost double.

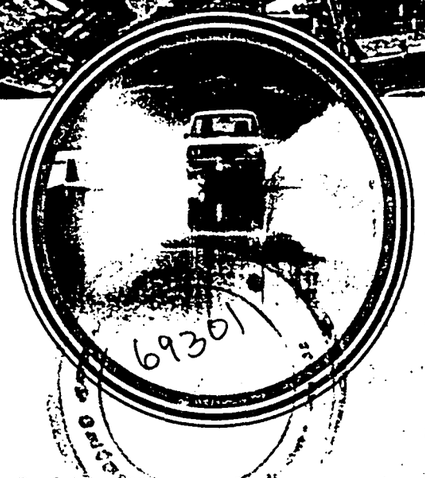
Technology like that is what keeps Kawasaki ahead in steel.

Kawasaki: proud to produce some of the finest steels in the world for the space age.

the fastest growing name in steel

KAWASAKI STEEL CORPORATION
Tokyo, Japan





Note the red arrow.
That is our new expanding "Toyota Higashi-Fuji Technical Center."
Mt. Fuji is a sleeping volcano.
But active here, are four hundred (of our twenty-five hundred) scientists.
Here, as in our other test plants, they are in a never ending research effort.
Side wind, high speed, crash, air bag, pollution, skid control and other tests are tested.
You can see our skid control test in the small photo on the left.
A computer installed in the car keeps it on a straight course.
Because our goal is to make the woes of car and man . . . extinct.

69301

TOYO

People in over 120 countries drive a Toyota thanks to our ultra-modern plants that are geared to make two million vehicles a year . . . carefully.